
NEWSLETTER

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The launch of ChatGPT, with its ability to understand and respond to prompts in natural language, has brought artificial intelligence (AI) into many peoples lives for the first time. The hype surrounding AI has drawn in investors excited by its economic potential: consultancy firm PwC predicts AI could contribute over to \$15 trillion to the global economy in 2030, more than the current output of China and India combined.

ChatGPT provides only a glimpse of an AI future, just as in 1903, the first ever air flight lasted 12 seconds; 66 years later, man travelled to the moon.



ON 30 JUNE 2023 APPLE'S STOCK CLOSING PRICE VALUED THE COMPANY AT \$3 TRILLION.

APPLE'S VALUE NOW EXCEEDS THE \$2.9 TRILLION COMBINED VALUE OF ALL THE 350 COMPANIES THAT MAKE UP THE UK'S LARGE-CAP FTSE100 AND MID-CAP FTSE250.

Apple has reached this milestone before: on the first day of trading in 2022, Apple fleetingly hit the \$3 trillion mark. Unfortunately for those who bought on this news, from thereon it fell until by the start of 2023, its market cap had fallen to below \$2 trillion.

The resurgence of tech stocks this year has come from the excitement generated by Artificial Intelligence, which lifted the Nasdaq index to its best-ever first half. But if you had bought the Nasdaq at the beginning of 2022 you'd still be down double-digits, even after that great first half. Timing matters.

When Bloomberg recently reported on Apple's artificial intelligence ambitions, its shares surged by another \$71 billion in one day. The one-day gain was more than the entire market valuation of 390 other S&P500 companies.



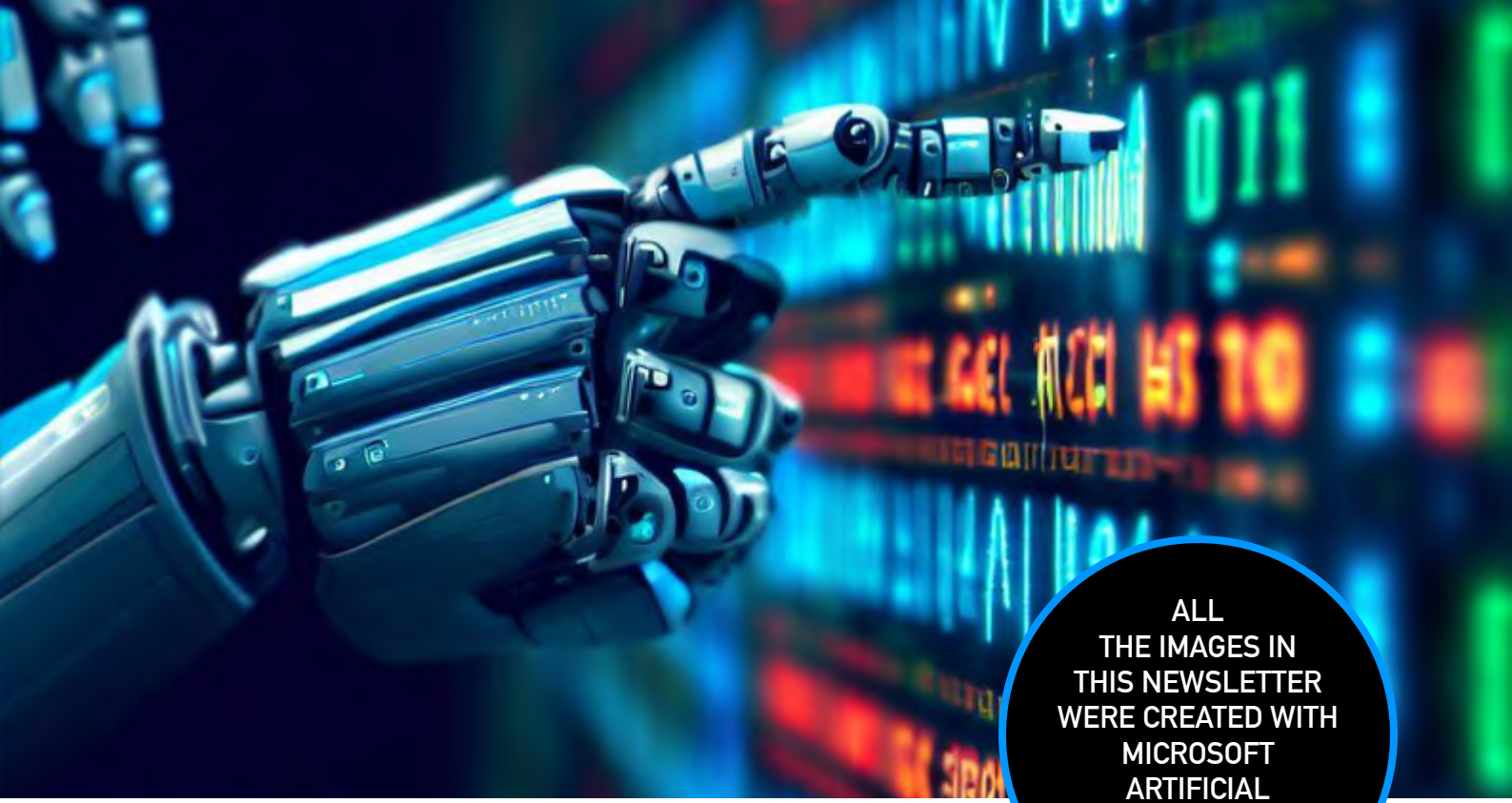
MICROSOFT IS ALSO AIMING TO BECOME A \$3 TRILLION COMPANY BY NEXT YEAR, THROUGH ITS INVESTMENT IN THE ARTIFICIAL INTELLIGENCE COMPANY, OPENAI, THE DEVELOPER OF CHATGPT. THE MOST OPTIMISTIC ANALYSTS ESTIMATE AI COULD BOOST MICROSOFT'S REVENUE 50% - AROUND \$100 BILLION - BY 2027.

Microsoft is betting AI will upend the way people search the internet and give it a chunk of Google's \$162 billion in search income a year.

ChatGPT's human-like ability to answer questions in plain, simple language, rather than offering up a list of links, looks to be a game changer. For Google's advertising business, which depends on charging for links, it threatens to be a calamity. Google dominated the search engine market in 2022 with 96% of mobile users, while Microsoft's Bing barely held 1%. After Microsoft incorporated ChatGPT into Bing to produce an AI search engine, Samsung considered making it the default search engine on its Android phones. Samsung sold 259 million smartphones in 2022 alone, so this would have been a big deal.

While the idea has been tabled for now, Google remains in panic mode as it rushes to catch-up in the AI race.

AI WILL DISRUPT THE CURRENT ORDER, PRODUCING LOSERS AS WELL AS WINNERS, JUST AS POSSIBLY THE GREATEST INVENTION OF THE 21ST CENTURY THUS FAR, THE IPHONE, BURIED STORIED BRANDS LIKE NOKIA , BLACKBERRY AND PALM.



ALL
THE IMAGES IN
THIS NEWSLETTER
WERE CREATED WITH
MICROSOFT
ARTIFICIAL
INTELLIGENCE.

Finding the next Apple or Microsoft is the holy grail of investing. However obvious it may appear in retrospect that Apple would become a colossus, picking future winners is extremely hard and the consequences of guessing wrong can be costly. Few now remember Osborne Computer Corporation, an early rival to Apple, it produced the world's first truly portable computer. Despite commercial success, soon after releasing its improved second computer, the company went bankrupt.

Will AI help us to predict the future and so make us better stock-pickers? The first actively managed ETF to fully utilise artificial intelligence as a method for stock selection, AI Powered Equity ETF (AIEQ), employs an IBM Watson super-computer to equal 1,000 research analysts, traders and quants working around the clock. From its peak at the beginning of November 2021 to the end of June 2023 it is down -27%.

AI's impact on the wider economy and the whole stock market may mean star stock-picking skills are not needed. In the years leading up to the new millennium, the widespread adoption of information technology boosted economic growth far beyond what was thought possible at the time, driving one of the greatest bull markets in history: from 1995-1999 the MSCI World index, representing 85% of all stocks in 23 developed countries, averaged returns of 20% pa.

'AI WILL CHANGE THE WORLD, MATERIALLY IN THE COMING DECADE, RADICALLY IN THE COMING 20 YEARS, AND BEYOND ANYTHING WE CAN IMAGINE IN 50 YEARS.'

(ROB ARNOTT, QUANT INVESTOR AND FOUNDER OF RESEARCH AFFILIATES).



From 1,000 BC up until 1750 AD, for nearly 3,000 years, economic growth averaged only 0.01% per year. The Industrial Revolution produced a permanent increase in the global growth rate, from near zero to 1.5% per year, which propelled the global economy to double in size roughly every 50 years. Hundreds of years ago, almost everyone was a farmer. Today we produce more food than ever, yet almost nobody's a farmer, thanks to mechanisation. AI offers the prospect of similar transformations across industry, markets, science, education and practically anything else. AI itself may help to improve AI, leading to exponential advances in capability. All this points to a huge shift in the economy, according to research by consulting company Accenture, AI could double annual global economic growth rates by 2035.

THE ERA OF AI IS JUST BEGINNING, FOR AS SAM ALTMAN, COFOUNDER OF OPENAI, TOLD INVESTORS, CONSIDER WHEN ARTIFICIAL INTELLIGENCE BECOMES SUFFICIENTLY ADVANCED, IT COULD PRODUCE PROFITS SIMPLY BY ASKING IT HOW BEST TO MAKE MONEY!

ALL INVESTMENTS INVOLVE THE RISK THAT YOU MAY NOT GET BACK ALL THE MONEY YOU INVESTED

THE VALUE OF AN INVESTMENT CAN CHANGE QUICKLY AND MAY GO DOWN AS WELL AS UP

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RETURNS

INVESTORS SHOULD BUILD A DIVERSIFIED PORTFOLIO TO SPREAD RISK

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