



Market Commentary
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English Version

Insigneo Weekly Dispatch

Thoughts on Artificial Intelligence

Thoughts on Artificial Intelligence and its potential impact on the investment management industry.

Guidance on investments and the major structural factors behind your clients' portfolios.

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Thoughts on Artificial Intelligence

Artificial Intelligence continues to be a prevalent topic for investors and the public alike. Some of the benefits of this new technology are starting to become evident, as companies in industries like software development experience meaningful productivity gains. However, the broad-based use of AI is not yet engrained in the fabric of society. That being said, just like the internet became rooted in everyday life, it is only a matter of time before AI does the same. The international publication Citywire, working on a report on this topic in conjunction with Voya Financial, recently reached out to us for our thoughts on AI, asking a series of thought-provoking questions, some of which we thought we would share with you below:

Citywire/Voya: An important part of the American stock market story in the last 18 months has centered around the upcoming AI revolution. How have you been positioning your portfolio with the growth in all sorts of AI connected stocks?

Insigneo: The advent of the AI revolution has been the main driving force behind the recent stock market rally. We see a future where AI will be engrained in the fabric of society. At the same time, we look back at the past and realize that such powerful revolutions do not happen overnight. As a result, depending on the risk profiles of our various portfolios, we have positioned some of them to have a measured exposure to companies within the AI industry, without incurring undue risk.

Citywire/Voya: Which industries or parts of your asset allocation could be more at risk to a potential new way to organize the economy?

Insigneo: In essence, most industries in the economy are likely to be touched by the changes brought about by AI, in a similar manner that they were impacted by the changes brought about by the internet at the turn of the century. For example, we saw how the old “Telecommunications” industry evolved from including mostly telephone companies, to include behemoths like Alphabet and Meta. We are likely to see similar changes with the inclusion of AI, predominantly in the Technology sector, particularly in the hardware and software industries.

Citywire/Voya: With companies like Caterpillar or John Deere making more revenue year after year from subscription services, automation and tech, will we reach a moment that an important part of the S&P 500 will have an AI underlying story?

Insigneo: Absolutely, I think that over time, AI will become more and more prevalent throughout many companies in the S&P 500 and beyond. That being said, it is important to differentiate between what we see as the “users” and the “enablers” of Artificial Intelligence. The enablers, such as hardware manufacturers like Nvidia, already make up a highly visible component of AI companies in the S&P 500. However, the number of companies in the “users” group is less visible and will continue to grow over time. From data aggregators using AI for analysis, to manufacturing companies using AI to increase efficiency and automation, this technology will

undoubtedly continue to make its presence known throughout the index.

Citywire/Voya: The first internet investment wave was in the late late 90’s and early 2000. Google’s IPO was in 2004, and Facebook’s (now Meta) IPO was in 2012. The internet revolution took some years to really embed itself in our global society. Do you see AI having a similar impact in the same timeframe or will it be faster or slower?

Insigneo: That is a good question. It took the industrial revolution several decades to have a significant impact on economic productivity, while it took the internet revolution only ten years or so to do the same. We think that the impact of the AI revolution will likely be faster than that. However, the equity markets have been pricing some AI-related stocks as if the full impact would be felt today, pulling forward future earnings into the present. Again, although we think that AI’s impact will be faster than previous advances in technology, it will take some time to fully mature.

Citywire/Voya: How are your end clients and advisors looking at the AI industry? What are you communicating with them?

Insigneo: End clients and advisors appear to be excited about the opportunities that the AI revolution could engender, and rightly so. The potential that AI has to offer is mind-blowing. At the same time, we have been reminding clients that it will likely take time for this technology to reach its full potential.

Citywire/Voya: How do you see AI impacting wealth management?

Insigneo: AI could have a meaningful impact on wealth management, as it is likely to do on several other industries. We see AI becoming a very useful tool in wealth management, not replacing the various players in the industry, but enhancing their productivity. For example, an equity analyst could use AI to redact the most important points from a company's earnings call, freeing the analyst to focus on other tasks. Something that AI will likely not be able to replace, however, is the human touch provided by financial advisors to their clients.

It is easy to see that we are excited about the advent of Artificial Intelligence. At the same time,

we also want to maintain realistic expectations regarding the impact that this technology will have on the economy, not in terms of magnitude, but in terms of timing. Its magnitude will undoubtedly be meaningful, especially when it comes to efficiency and productivity gains. Although the timing of the full implementation of AI may not be as fast as many are expecting, its benefits will eventually arrive. Afterall, all good things are worth the wait.



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