

July 27, 2023

Artificial Intelligence (AI) has dominated headlines and markets since ChatGPT’s release earlier this year. However, AI has been transforming industries for decades. AI is the simulation of human intelligence processes using various machines by means of creating intelligent software and hardware capable of learning and problem solving. AI can be trained through supervised learning, unsupervised learning, and reinforcement learning algorithms. Prior to the release of large language models (LLMs) like ChatGPT this year, AI was already being used in a wide array of applications, including:

- Sequencing RNA for vaccines
- Modeling human speech
- Analysis and optimization of big data
- Robotics in manufacturing, farming, and transportation

You may be more familiar with AI through consumer applications and products such as Siri, Alexa, Google Assistant, facial recognition on your iPhone, and language translation services.

AI’s adoption will continue to grow and impact most areas of society in consumer products, health care, education, media, and customer service. The enormous breadth of AI’s applications, both potential and proven, has caused its market to grow rapidly. In 2022, the AI market size was valued at around \$500 billion, but by 2030, its projected market size is close to \$2 trillion. It is easy to see the value in how AI can increase productivity, standard of living, innovation, and overall “good” for society, but it will likely come with consequences as well:

- Job Displacement – automation will likely disrupt industries and replace human workers in areas related to data entry, routine tasks, transportation, data analysis, and research.
- Privacy Issues – the gathering of big data from society could infringe on individual privacy rights.
- Bias, Fairness, and Transparency concerns – AI can take a trend and amplify it. Companies controlling AI can use it with malicious intent.

**Fastest Growing vs. Fastest Declining Jobs**

Top 10 Fastest Growing Jobs		Top 10 Fastest Declining Jobs	
1	AI and Machine Learning Specialists	1	Bank Tellers and Related Clerks
2	Sustainability Specialists	2	Postal Service Clerks
3	Business Intelligence Analysts	3	Cashiers and Ticket Clerks
4	Information Security Analysts	4	Data Entry Clerks
5	Fintech Engineers	5	Administrative and Executive Secretaries
6	Data Analytics and Scientists	6	Material-Recording and Stock-Keeping Clerks
7	Robotics Engineers	7	Accounting, Bookkeeping, and Payroll Clerks
8	Electrotechnology Engineers	8	Legislators and Officials
9	Agricultural Equipment Operators	9	Statistical, Finance, and Insurance Clerks
10	Digital Transformation Specialists	10	Door-to-Door Sales Workers, News and Street Vendors, and Related Workers

Note: The jobs which survey respondents expect to grow most quickly from 2023 to 2027 as a fraction of present employment figures  
Source: World Economic Forum, Future of Jobs Report 2023. <https://www.weforum.org/reports/the-future-of-jobs-report-2023>

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How do you invest?

In the short term, there are a few areas in the market that stand to capitalize on the growth and popularity of the space:

- Companies involved in robotics and manufacturing optimization
- Semiconductors – massive data transformation requires massive processing power
- Healthcare and life sciences companies embracing AI within their processes
- Companies that own large amounts of data

We believe that in the long term, companies that efficiently and proactively implement AI into their processes will be the winners, trumping those that resist the change.

Should you invest now?

We have seen a substantial appreciation of equities that are remotely related to AI or the idea of creating AI in the future. We advise being incredibly cautious in buying into the names that have skyrocketed to start the year. While there is tremendous future value in this market, the extreme popularity of AI investment has stretched current valuations. In the last few years, investment surges brought similarly inflated valuations to equities related to alternative meats, electric vehicles, medical marijuana, and crypto markets. Just as those equities later settled to fairer valuations and began their long-term growth trajectories, we expect that, eventually, valuations for AI companies will descend to more reasonable levels.

As always, if you have any questions or concerns, please do not hesitate to reach out to your financial advisor.

**-The Seventy2 Capital Team**

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