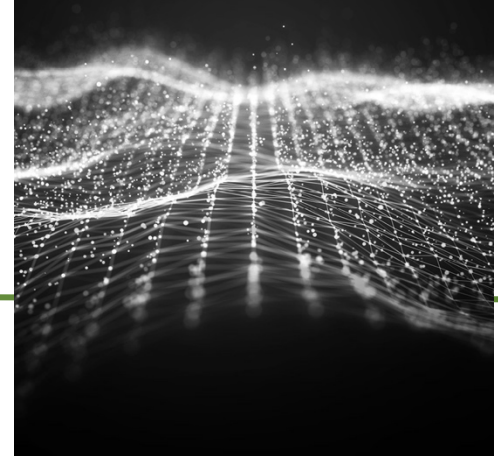


# MARKET SIGHT LINES



## Continuing the AI discussion: Our Long-Term Investment Themes

By Michael O'Keeffe, *Chief Investment Officer*



Last week we discussed [artificial intelligence \(AI\) today](#) and what that might say about the future. We also talked about ChatGPT and other similar services, as well as applications like big data analytics, robotic surgery, and precision agriculture. In this discussion, we also mentioned *The Fourth Industrial Revolution* and our other long-term investment themes.

In this Sight|Lines, we continue that discussion to more fully explain our five long-term investment themes and how we believe they are affecting our world ... and our investment guidance.

### **THE TAKEAWAY: WE FIND THE PRACTICE OF DEFINING INVESTMENT THEMES HELPFUL WHEN TRYING TO UNDERSTAND, AND INVEST IN, LONG-TERM TRENDS.**

When trying to make sense of how the world changes over longer periods of time, long-term investment themes help. Our five major investment themes help describe the way we live, interact with each other, and consume goods and services. They greatly influence the direction of the economy and markets longer term. In summary:

- Our investment themes are *The Fourth Industrial Revolution*, *Securing Strategic Resources*, *Shifting Demographics*, and *Productive Competition*.
- Many topics that we see in the news, like renewable energy, geopolitical tensions, robotics, artificial intelligence, and the future of health, are aligned with one or more of these themes.
- Some of the information is quite striking, like the idea that 2.5 billion gigabytes of data are created each day, or that Google processes 99,000 searches every second, on average.

Long-term investment themes help us understand how the world, the economy, and the markets evolve over time.

### **IN-DEPTH: WE FIND THE PRACTICE OF DEFINING INVESTMENT THEMES HELPFUL WHEN TRYING TO UNDERSTAND, AND INVEST IN, LONG-TERM TRENDS.**

The vast majority of our clients are long-term investors. When trying to make sense of how the world changes over longer periods of time, we have found it helpful to define long-term investment themes to do so. Our major investment themes are five interrelated megatrends we believe will impact almost all aspects of our world, including shaping the way we live, interact with each other, and consume goods and services. In doing so, we expect them to greatly influence the direction of the economy and markets longer term. Going deeper:

- *The Fourth Industrial Revolution* captures the idea that technological innovation has broken down the boundaries between the physical, digital, and biological worlds.

- An explosion of data, the information needed for artificial intelligence to learn, is evident. 2.5 billion gigabytes of data are created each day, and Google processes 99,000 searches every second, on average. The searches themselves – what people are asking – are data too.
- The power of computing continues to advance: In 200 seconds, a quantum computer can solve a problem that the world’s current fastest computer would need 10,000 years to compute.
- *Securing Strategic Resources* captures the idea that companies and governments are prioritizing the development and protection of critical industries, resources, and services.
  - Food and water security is in increasing focus, as we’ll need to feed almost 2 billion more people by 2050, and doing so will increase agricultural water consumption by 19%.
- *Shifting Demographics* focuses on changes in global population dynamics that will bring about both challenges and opportunities.
  - People are living longer – By 2050, 1.5 billion people will be 65 or older, and the number of people 80 or older will triple.
  - There is increased use of digital health/virtual visits and robotic surgery and an ever greater focus on preventative care.
- *The New Consumer* tracks how consumer preferences, expectations, and behavior are altering business models and corporate strategies.
  - Experiences like shopping are more and more personalized and contactless every day, as companies process the vast amount of data they learn about us through time.
  - Social media has digitized human connectivity, with two of every three people on these platforms.
- *Productive Competition* Rivalry ultimately drives innovation, improves the quality of life, and creates value for consumers and the economy.
  - The U.S. and China are in an epic battle to dominate the world’s economy, including the production of semiconductors, the key component to drive so much of this innovation.

## CONCLUSION

We’ve been discussing [how AI is shaping our world and the future](#). Our investment theme, *The Fourth Industrial Revolution*, helps us understand how this capability fits into other trends. But in reality, AI is shaping and influencing all five of our long-term investment themes, concepts we develop and cultivate to better understand the way we live, interact with each other, and consume goods and services. These themes also serve to help us all understand the drivers of economic and market growth longer term.

**Michael P. O’Keeffe, CFA** 

Chief Investment Officer

[michael.okeeffe@stifel.com](mailto:michael.okeeffe@stifel.com)

[www.stifelinsights.com](http://www.stifelinsights.com)

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. There is no guarantee that the figures or opinions forecasted in this report will be realized or achieved. Employees of Stifel, Nicolaus & Company, Incorporated or its affiliates may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Past performance is no guarantee of future results. Indices are unmanaged, do not reflect fees or expenses, and you cannot invest directly in an index.

Asset allocation and diversification do not ensure a profit and may not protect against loss. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. Due to their narrow focus, sector-based investments typically exhibit greater volatility. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. Property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance of real estate companies. When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. The Standard & Poor's 500 index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. The DJIA was invented by Charles Dow back in 1896. The MSCI EAFE index (Europe, Australasia, and the Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. VIX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options.

Stifel, Nicolaus & Company, Incorporated | Member SIPC & NYSE | [www.stifel.com](http://www.stifel.com)

0623.5728441.1