

Software Is Eating the World

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THIS VIDEO WAS SHOT BEFORE CORONAVIRUS SWEEPED ACROSS THE WORLD AND VOLATILITY HIT THE MARKETS.

HOWEVER, WE CONTINUE TO BELIEVE IN THE THESIS IT CONVEYS AND WE HOPE YOU FIND IT VALUABLE.

When we talk about technology at Alger, we talk about innovation, disruption, and digital transformation. Software cross checks all of these three important metrics; software also drives Positive Dynamic Change that we can potentially benefit from in a financial context.

The expression “software is eating the world” comes from famous words uttered by venture capitalist Marc Andreessen almost a decade ago. These words could not be more true today.

The word “software” was really coined by American statistician John Tukey, and he was using the word “software” or “program” to contrast with hardware or an actual computer.

In terms of economic impact, software today accounts for almost 30% of the S&P 500 Information Technology Index vs. about 10% in 1990. Software today pervades all aspects of consumers and businesses, embedded in devices that were unthinkable only a few years ago, whether it be tractors, refrigerators or even toothbrushes.

For instance, if you’re talking about the context of farming, you have satellite data that be used to analyze

soil patterns in the ground, weather up in the sky and that decision can drive the timing and types of seeds that you sow in fields.

You can have software to determine what area to dig for to find new oil fields and this was a driving factor behind a whole new vast discovery of oil in a country called Guyana in South America.

In the context of defense, you can have software driving vehicles and even drones for that matter that can be programmed for airstrikes.

As it turns to consumers, software is also getting embedded in a consumer’s daily life. Take the example of watches. Contrasted with analogue watches that our grandfathers used to wear, today’s watch is a digital assistant.

There have been a number of other technologies that have worked in tandem to make software this new world Pac-Man. These technologies are internet speeds that have gone up several orders of magnitude. In terms of devices, you have a device that can fit in the palm of your hand, which has more processing power than monolithic mainframe computers of the 1980s. You also have startup costs for new businesses that are much smaller. And finally, software programming today has become much more easier.

Artificial intelligence and the pervasiveness of it will make software only stronger. Maybe next time this video will be delivered by a software program.

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