

AI Is Nothing to Fear

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Artificial intelligence has been a hot topic. While we can't know all of its long-term implications, we do know AI will improve the efficiency in society. The amount of digital data available doubles every two years and is expected to reach 44 trillion gigabytes by 2020. This is a vast amount of data. This data is something that has been difficult to process historically as it has to be manually computed, however, AI and Machine Learning have the capacity to harness it, which will allow us to make better human decisions based on a better understanding of available data. Every sector will likely have to adopt some version of AI and Machine Learning, and adopters of the technology will have a long-term competitive advantage.

So what is AI?

Fundamentally, it's the ability of a machine to do tasks typically associated with human intelligence. While it's still at a primitive stage, there are a number of examples of AI being used today: credit card companies detecting fraudulent transactions based on divergences from past behavior; manufacturers utilizing data from factory sensors to service a machine before it breaks down; and hospitals improving medical diagnoses by utilizing an AI engine to help doctors detect diseases earlier and with higher accuracy. Eventually we will have technology that will drive our cars without human intervention; this is one of the more immediate and disruptive applications of advanced AI.

One of the most controversial discussions on AI is

around the displacement of humans with robots - the possibility that workers could be displaced as AI becomes more capable. However, as AI enables US businesses to become more efficient, manufacturing may return onshore, swinging the pendulum from cheap manufacturing offshore to smarter manufacturing enabled by AI. A recent survey by the Boston Consulting Group indicates that roughly 50% of firms with over \$10 billion in sales plan to return some production to the US and will do so by adopting some version of automation via AI.

History demonstrates that occasionally tremendous innovations take time to express their full value. In contrast, we think, adoption of AI will be much faster and impactful over a shorter period of time. In part, because businesses will use AI to increase their agility, lower their cost structure, and increase their customer value proposition. As a result, companies will need to adopt AI in order to remain competitive; spurring a self-enforcing cycle of AI adoption.

At Alger we own companies that are at the forefront of change. We take interest in companies enabling AI, adopting AI, and adapting to the new world. We are in the early innings of this digital transformation. This technological shift, like others in Alger's history, fits perfectly with our philosophy of seeking companies undergoing positive dynamic change.

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