

# AI Is Here, Now What?



**BRAD NEUMAN, CFA**  
Senior Vice President  
Director of Market Strategy

**ALEX BERNSTEIN:** Hello, I'm Alex Bernstein and you're listening to The Alger Podcast: Investing in Growth & Change. Alger's Director of Market Strategy, Brad Neuman, has already released a number of pieces this year on the subject of Artificial Intelligence (AI), including his recent Capital Markets presentation, as well as his video "AI Questions Answered", both of which you can find at [www.alger.com](http://www.alger.com). But questions about AI investing continue to roll in, and fortunately Brad remains eager to address the subject. Brad, thanks so much for joining me this afternoon on the podcast.

**BRAD NEUMAN:** Yes, thanks for having me.

**ALEX:** Brad, you recently said that you consider AI the most important innovation of our lifetime and that it could be as significant as electricity or the Internet. How could it be as significant as electricity?

**BRAD:** Well, so it's a general-purpose technology, I think, and so similar to electricity. Electricity pervaded a bunch of different aspects of life. We built factories around electricity. The internal combustion engine was another general-purpose technology and not only obviously did it transform transportation but we built roads and highways and it even led to suburbs. So, I think this is similar in that it's going to pervade everything we do. I think it's going to be in music, in movies, and our work life and our personal life.

So, I don't think there will be an aspect that it won't touch. And in the past, we've built things that aid us physically, but I think we've never really built something that could aid us to this capacity intellectually and particularly generate all kinds of things from communication to stories, et cetera.

**ALEX:** And you believe it's going to permeate everything within our lifetime. So, what inning do you think we're in right now?

**BRAD:** Well, I think one thing to understand is that this is going to happen much, much faster than technologies of the past. So, let's talk about the internal combustion engine. For that to really pervade society, you had to build roads, you had to put shovels in the ground. All of society had to reorganize around suburbs and those kinds of things. A huge amount of work had to be done.

The Internet happened a little bit faster, but we still had to build trenches in the ocean and put down fiber optic cables. That's not the case for artificial intelligence. All the digital infrastructure is there. Yes, we do have to build data centers. And so there are a certain amount of picks and shovels that have to hit the ground. But for the most part, a lot of this can be rolled out digitally. It took the Microsoft operating system a quarter of a century to reach a billion users. We saw the Google applications like Google search take more like around a decade. And I think you'll see things like ChatGPT reach a billion users in just a few years.

**ALEX:** Do you think that we're at a point where almost any viable company needs to be having an AI conversation with themselves to determine what their future is going to look like?

**BRAD:** Yes, I can't think of an industry that really won't be impacted by artificial intelligence, because ultimately you might be tempted to think that more of the labor intensive industries and services will be impacted first and more labor will be impacted later. But ultimately there will be robots, as scary as it is to think about and they will have AI in them and so they

will be able to do jobs like nursing, homecare, that kind of stuff. So, I think it will affect every industry, yes.

**ALEX:** One aspect of AI that I know we've already released some papers on is "digital twinning". What is digital twinning and what are some different use cases that we're already seeing?

**BRAD:** A lot of our human existence I think is just making predictions about the world. And to make predictions about the world and how people will react, and nature will react, you oftentimes have to do experiments in the real world. And that can be costly and take a long time. And so, for instance, when we develop a new drug, we have to test it in animals and in people to figure out a) if it's efficacious and b) what the downside is, because the only way to know is to put it in an actual biological entity and see what happens.

Ultimately though, artificial intelligence may be able to model these worlds. Well, everything from a factory to physics for a rocket ship to ultimately the biology of a human. And so we'll be able to say well, if this compound enters a virtual body, what will happen? Will it kill the disease that it's trying to kill and what will be the repercussions? And so that takes say FDA testing potentially down to days or weeks. And the same could be said for launching rockets and understanding how they all work in space, to many other different industries.

**ALEX:** Brad, do you use AI?

**BRAD:** Yes.

**ALEX:** How do you use it?

**BRAD:** Well, I use it in my personal and business life, so I think at work, artificial intelligence is helpful for me for understanding what companies do and who their customers are, how they make money.

Personally, I think artificial intelligence is good at getting answers of course. But I'm one of those people who's kind of a guinea pig for new technology and so I've given AI access, for example, to all of my emails, personal emails and so I'm able to ask it questions like oh, did I, for a vacation I'm taking with my family did I book such and such or do I still have to do that and it can give me an answer. So, I think

the more data, the more personal data and professional data that we give AI the more helpful it's going to be. And so yes, it's been helpful on both a personal and a professional level.

**ALEX:** Brad, I think it's a known fact that some investors, and particularly I would say, investors age 50 and over, remain wary of AI. They're not exactly sure what it is; they think it's a bubble or a passing fad. What would you say to those investors?

**BRAD:** Well, I was in a branch office last week, and I was surprised that some of the financial advisors thought it was kind of a parlor trick and kind of just entertainment, these large language models. And I understand why the person said that. But I think, again, going back to my earlier comments, AI will become so much more powerful with the data that you put in it, and it will really I think help you get things done when two things happen. One, the right data goes into it to make it smarter and more applicable to your own life, and two, when it's able to do something with that.

So, we're just in the very early innings of having APIs or connections with these chat bots in the outside world. But I think soon AI will be able to actually book a vacation or a flight for you, even charge your car for you if you're driving an EV, that kind of thing. So, I think it's going to be a real technology that's going to help people a lot more than they think.

Capital markets often get ahead of themselves with regard to innovation. It's actually one of the beauties of the capitalist system that when investors get excited about something, capital gets allocated to it. That happened with the Internet, it happened with the internal combustion engine, it's happened all throughout history.

That said, Google and Microsoft are talking about investing over \$100 billion in AI, and I think that's happening now. So, it's real dollars. And I also think that artificial intelligence is going to happen much quicker than things like the Internet because there's less dirt and picks and shovels that have to hit the ground. A lot of the infrastructure is digital, and I think it'll be a lot easier to roll out than some of the technologies of the past, like electricity, the internal combustion engine and even the Internet. So, I think it'll happen quicker than people think and I think it will be more applicable to your life and more productive than people think.

**ALEX:** And why might an investor consider Alger regarding AI investing?

**BRAD:** So, we've seen all kinds of innovations, from the Internet to the mobile phone. So, AI is just a new innovation. It's clearly an important one, but we've seen how it impacts industries and while history certainly doesn't repeat, it may rhyme and I think there's a lot of learnings that we've had from other technologies that could be applicable. But more so I think it's the process about how we go about identifying winners and losers from change. We've done that for a long time using proprietary research, by talking to people in the field, customers, suppliers, consultants, those types of people. And I think that can help us get an edge and figure out who may win and lose from artificial intelligence.

**ALEX:** Brad, thanks so much for talking with me this afternoon.

**BRAD:** Thanks, Alex. Great talking with you.

**ALEX:** And thank you for listening. For more information on Alger and AI investing, and how we can help you unlock your growth potential, please visit [www.alger.com](http://www.alger.com).

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