



MORGIA
WEALTH MANAGEMENT®
DISCIPLINED ♦ CAREFUL

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All Aboard?

One of Morgia Wealth Management's key tenants of investing is that we do not like to fight the market direction - with a few critical caveats of course. Said another way, you better have a pretty good reason to be OUT of the market when it's going up and a pretty good reason to be IN the market when it's going down. Over the last few months, we find ourselves in a very unloved and highly doubted bull run.

No one wanted to believe in it. This is precisely why we follow our indicators and signals and not our emotions. It is why we stay humble concerning the stock market direction and don't put too much credence into anyone's feelings about what should or should not happen based on the news cycle. The market price movement will "tell" us what it wants to do. Back in October our indicators and the market's own movement showed us a strong probability that it was time to shift from defense back to offense, which we did.

Part of our discipline is not to try to catch the low point. We prefer to pay a little bit more to buy-in once there are some hints that greed is coming back into the equation as opposed to fear. Counterintuitively, this means that we prefer to pay a slightly higher price for stocks, which is the only real proof that this greed factor is coming back, at least to some small degree. Think of it like waiting to board a train until you verify that it is actually starting to leave the station AND headed the right way. Sure it's a bit of a scramble and mad dash to catch that train, but we feel it's better than jumping aboard early, only to find that the supposed northbound train is headed south.

We also took advantage of the beat down in technology stocks to buy fairly heavily into that field, something we will detail later. That strategy has worked out fairly well so far. The eventual success of the moves, and how long we will ultimately decide to stay invested there, will only be told over time.

If 2023's upward rally in stocks starts to fade, we have no problem shifting back to defense. We think that a strategy based on flexibility and open-mindedness will be critical for investors over the rest of this decade. More than usual, it will be a time of staying humble with one's predictions.

There is no room for certainty... if you have too much confidence - that's hubris... You have to strike a balance but I think that intellectual humility is tremendously important. What is intellectual humility? It's the admission to yourself that the other person could be right.

Howard Marks, billionaire and renowned private equity investor, speaking on how investors should behave.

So, for now at least we find ourselves in an eight month up-trend and we have been acting accordingly. Perhaps it's not a full-blown bull market yet, nevertheless it's one heck of a good rebound from last year's crash. The climb has even shaken off some pretty bad news so far this year. Take March's historical bailout of three of the country's banks for example. In fact, those three failures were the 2nd, 3rd, and 4th largest bank failures in our country's history! The market simply shrugged it off.

Silicon Valley Bank (SVB) was perhaps the most egregious case of lackadaisical bank oversight in many years. The "ball" was dropped by the bank's management, their risk department and likely even their regulators. The situation almost sparked a larger firestorm of country-wide bank runs.

We learned a few important things when SVB failed:

1. **Financial crises can arise quite suddenly.**
2. **The government will not let the populous (or their donor class) suffer any short-term financial pain, even if their "solution" causes long-term financial problems and pain.**
3. **The government will say that the populous won't have to foot the bill.**
4. **The populous will have to foot the bill.**
5. **The new (sneaky) way to "do" bailouts will be via money printing as opposed to billing the taxpayers directly.**
6. **When the global investment community sees the U.S. government print more money, the price of gold should rise.**

It was estimated that over 85% of SVB's deposits were **uninsured** – meaning that most of the bank customers (many/most of which were California technology startup corporations) had **ignored** the FDIC insurance limit of \$250,000. On Friday, March 10th CNBC reported some grim news for the uninsured:

The FDIC said in the announcement that insured depositors will have access to their deposits no later than Monday morning.

Whether depositors with more than \$250,000 [the uninsured] ultimately get all their money back will be determined by the amount of money the regulator gets as it sells Silicon Valley assets or if another bank takes ownership of the remaining assets.

There were concerns in the tech community that until that process unfolds, some companies may have issues making payroll.

However two days later on Sunday, March 12th, Treasury Secretary Janet Yellen was singing a different tune. The California tech community is quite powerful and over the weekend had put more than a little pressure on the politicians - claiming that if the government did not step in, many employees in their industry would be out of work. They weren't wrong. Yellen said that the decision was made for the FDIC insurance limit of \$250,000 to be **waived** for all SVB's depositors but wouldn't go as far as saying this new "deal" would apply to all U.S. banks that ran into similar troubles.

The next day, President Biden stressed that the losses would not be borne by the taxpayers and stated that investors (as opposed to depositors) in SVB would **not** be bailed out:

“Investors in the banks will not be protected - they knowingly took a risk, and when the risk didn’t pay off, investors lose their money,” he added. **“That’s how capitalism works.”**¹

We agree with that statement 100%. But the tech start-up companies in Palo Alto and Menlo Park who had deposits greater than the insured limit of \$250,000 **also** knowingly took a risk which didn’t pay off. Yet, somehow, they skirted their responsibility as stewards of their companies’ capital and were bailed out anyway. Might I add – **that’s how crony-capitalism works.**

I can’t lie. I was actually quite glad that the government stepped in and insured **all** the deposits - including the uninsured dollars above the FDIC limit. I was glad in spite of the fact that our government had to print more money to do so.

But I wasn’t *happy* feeling *glad* about it!

The government’s actions were most likely the proper move to deal with an immediate threat. As usual the U.S. traded a current pain for a later pain. That future pain will probably be a worse pain by the way. But, if the government hadn’t protected all the depositors, there very well may have been major bank runs across the country. That in turn could have sent us quickly into quite a deep recession, if not worse. After years of painting ourselves into an economic corner, all the potential “fixes” are sub-optimal and come with problems.

The more the government bails out financial bumblers and fumlbers by creating more money out of thin air, the more obvious it becomes that we have no real intention of paying back our nation’s debts. This is why the price of gold jumped 1% the day of the Silicon Valley Bank bailout, and 4% more over the following week. It’s also why we think of the precious metals as a potential safety trade for this decade. That’s not a certainty of course, but it’s our working hypothesis.

The country’s collective bills will have to be paid at some point. But that’s a problem for our future selves, our children, and our grandchildren. It sounds horribly irresponsible, yet by default we are all choosing that path.

As the great sage Homer Simpson once famously said about the eventual ramifications of very poor decision making, while drinking a combination of vodka and mayonnaise:

**“ That’s a problem for future Homer
– man I don’t envy that guy! ”**



¹ Whitehouse.GOV; 03-13-2023 <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/03/13/remarks-by-president-biden-on-maintaining-a-resilient-banking-system-and-protecting-our-historic-econo>

The Tale of Two Topias:

For well over a decade the technology stocks have been the indisputable market winners, especially the very large and dominant tech firms. Most of our very best ideas over that time frame have come from this space. A majority of those stock positions were purchased (or re-purchased) after the 2008 financial crisis.

In fact, for the last 15 years or so, technology stocks have seemed like the only game in town for investors. But that long running bull-market stampede ended abruptly in 2022. The degree of last year’s bloodshed in tech had not been seen since the dot-com crash of 2000. Few young investors remember those days, which is probably why so many investors got so burned last year. Many of the smaller profitless technology stocks were down 70%, 80% or even 90%.

In our last update 6 months ago, we felt that tech was an area of interest after bargains had developed post-crash. We also wrote that we were on the buy side for many (but not all) areas of the tech sector. Some of the giant technology stocks were down 40- 75% and we were able to pick up a few that we had previously sold. We also purchased some of the newer technology companies **after** they were eviscerated last year – down 80 to 90% in many instances! Rather than just picking one or two of these stocks, we decided that it would be safer to diversify. We took a basket approach buying a fund of these companies. Furthermore, where in 2022 we focused our sector calls on defensive areas such as health care and utilities, we decided to shift gears for 2023 and temporarily get a bit more aggressive. We bought things like the semiconductor sector, more growth stocks, and some of the beaten down tech communications companies.

So far so good. It seems that the technology sector is back to being loved. As I write this paragraph the NASDAQ is set to wrap up the best first half return in the past 40 years, climbing almost 30%. Stocks of other sectors had no such luck and many are flat. If not for technology stocks there would effectively be no rally to speak of this year.

		Return
04/14/00	05/01/00	16.4%
05/10/00	05/17/00	9.0%
05/23/00	07/17/00	28.0%
07/28/00	09/01/00	14.2%
10/12/00	10/20/00	14.0%
01/02/01	01/24/01	31.0%
04/04/01	04/19/01	39.8%
05/30/01	06/07/01	10.2%
06/19/01	07/03/01	9.6%
09/21/01	12/05/01	53.0%
02/21/02	03/08/02	14.5%
05/06/02	05/17/02	16.6%
08/05/02	08/22/02	24.2%

Source: Factset, April 2000 to October 2002, SP701-SPX

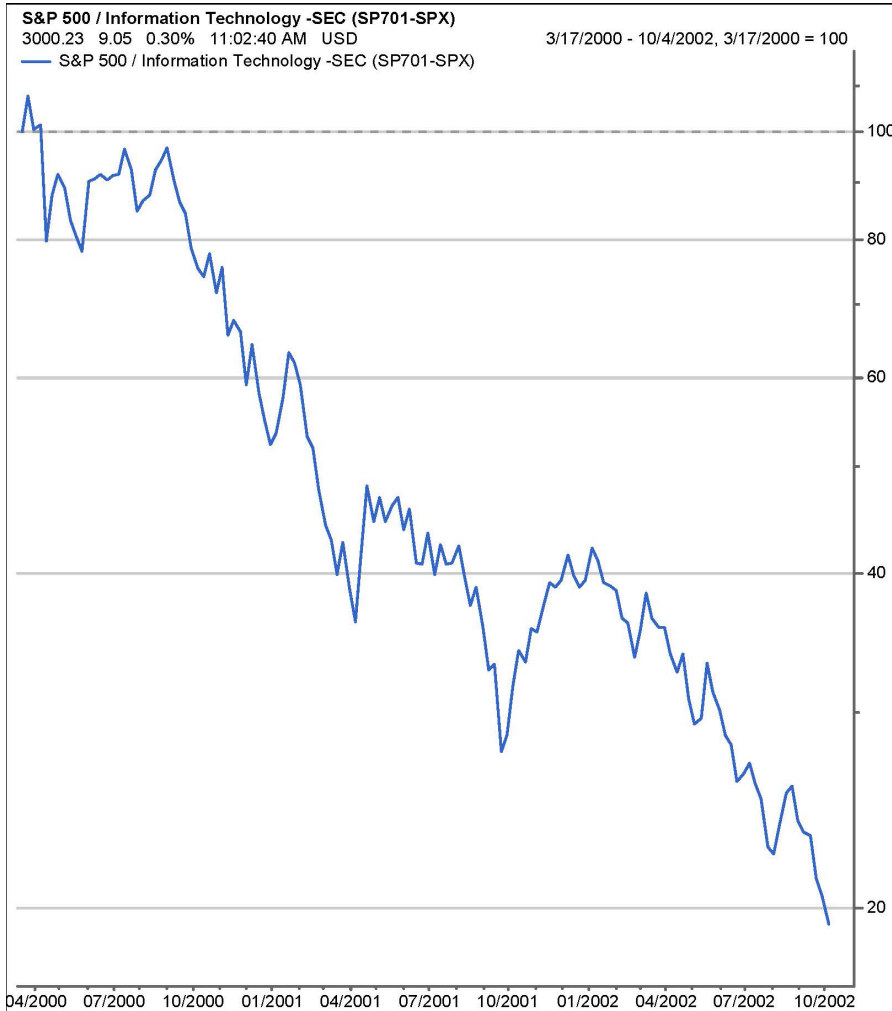
But ...we are being quite careful. The rest of the stock market is going to need to start participating in this rally soon or we think the bulls might run out of steam. It’s not healthy for only a handful of technology stocks to be doing all the work. Furthermore, it’s anyone’s guess as to whether this tech rally is for real or just a reflexive bounce off October 2022’s painful low.

I can remember another period that had some astonishing short term upward moves in the technology sector stocks. Consider the following sequence of jumps in the S&P Information Technology Index stocks (See table on the left).

Look at how short some of those holding periods were! The best was probably the 15-day run in April of 2001 where the tech stocks grew 39.8%. These unbelievable returns if strung together would have produced 10 TIMES your money in a little over two years!

What’s the catch you ask? (Ah...you know me too well)

These updrafts **all** occurred DURING the dot-com crash. Start to finish, the S&P Information Technology Index stocks were down a disastrous 80% and didn’t make it back to breakeven for 16 years! This was *despite* the fact that these positive jumps occurred smack dab in the middle of this epic crash (see graph on top next page).



Many trigger-happy investors got sucked into one or more of those brief upturns thinking that the damage was over, only to take another punch to the chin. Could 2023's technology rally be something similar? Merely an up-draft inside of a broader and longer down-wave? We don't know – that's always the difficult part of investing. We see evidence for both potentialities.

I am both blessed and cursed with memories of bulls and bears past. This is what happens when you've been involved in the stock market since age 15 and then professionally for the past 35 years. It just means that I know that I don't know. Oh, to **not** have witnessed history and just be able to relax in the "river" current with abandon, clueless of the potential for upcoming rapids and waterfalls. Experience takes the fun out of everything!!

There are many different opinions about whether or not we are in a very long positive era of new/game changing technology. With intelligent systems coming online quickly, advanced technology could be the

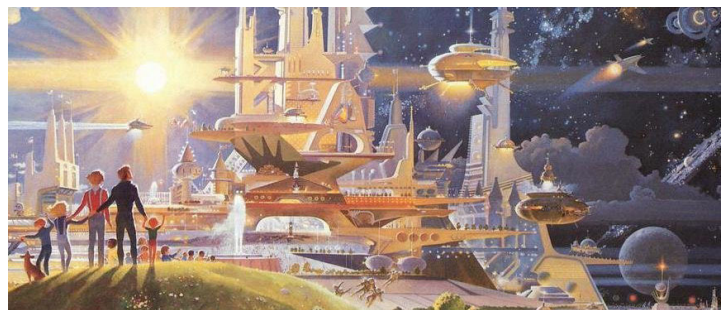
catalyst to solving many of humanity's most intractable problems – from health care to environmental issues, from education to energy. Let's call this Tech Utopia.

Others see the current environment as an era with many battlelines and danger points in the tech space. They see it as a potential Tech Dystopia - with visions of the Chinese social credit score system and Orwell's Big Brother coming soon if we are not careful. Worse than that, a few tech visionaries see technology itself as an existential threat, in the same category as the nuclear arms race.

We'll take a look at both sides of the argument and how we are approaching it from an investment standpoint.

Tech Utopia

There are many facets to the "technology will save the world" argument and there truly are some amazing and world-altering innovations on the immediate horizon. Many of these technologies will open up opportunities for stock investors - in fact you could probably argue that the recent eight-month rally in the stock market is riding one of these waves.



Perhaps one of the strongest advocates for the Tech Utopia scenario is Marc Andreessen. Andreessen was an early pioneer in the Internet space, building one of the first web browsers, and then making the cover of Time magazine in 1996. Over the years his firm, Andreessen Horowitz, garnered a reputation as one of the most influential venture capital firms in the world. This year on June 6th, he released a thought-provoking article titled “Why AI will Save the World.” AI, or artificial intelligence, is one of those battle lines where the optimists are fighting the naysayers. Think of AI as a computer program that mimics human intelligence. Here are a few things that Andreessen had to say:

- *Fortunately, I am here to bring the good news: AI will not destroy the world, and in fact may save it.*
- *What AI offers us is the opportunity to profoundly augment human intelligence to make all of these outcomes... much, much better from here.*
- *AI, if allowed to develop and proliferate throughout the economy, may cause the most dramatic and sustained economic boom of all time, with correspondingly record job and wage growth*
- *To summarize, technology empowers people to be more productive. This causes the prices for existing goods and services to fall, and for wages to rise ²*

Big Data and Artificial Intelligence – Many of us around the world recently had our first real opportunity to see AI in action. If you haven’t heard, the new big thing is ChatGPT. What exactly is *that* you ask?

ChatGPT is a computer program that can “talk” like a human. This could make customers happier and help businesses make more money. But there are risks, like relying too much on computers instead of people and potential bias in the data used to create the program. Additionally, as AI technology becomes more advanced and companies rely more on automated chatbots or other conversational interfaces, there may be less need for human customer service representatives, which could lead to job displacement. Nonetheless, ChatGPT could change the way businesses work and interact with their customers. And, fun fact: I, ChatGPT, actually wrote this paragraph myself!









You read that correctly. I just outsourced my writing responsibilities for that last paragraph to an artificial intelligence program. But now it’s me again (Mike) - I’m back. No really, you can believe me. I am certain you can clearly tell the higher quality of my writing from that of a machine. Right?!

This is already becoming a contentious issue in academia with many students outsourcing their term papers to ChatGPT, while their professors attempt to fight back. At some point I see oral exams coming back into vogue as the only way to ensure that a students’ work wasn’t the product of AI.

To produce my “artificial” paragraph above, all I needed to do was prompt and coax ChatGPT to write what I wanted, while I sat back, relaxed, and acted as editor-in-chief. I merely asked it for changes along the way. The following is the actual back-and-forth conversation I had with the AI program in order to make it understand what I wanted. If it sounds like I’m speaking with an intelligent being, that may be because I was!!

Note: I truncated the output from the chatbot since you don’t need to see all the permutations of the paragraph in order to get the gist of AI’s truly amazing capabilities. I am the “MI” icon and ChatGPT is the green flower icon:

² <https://a16z.com/2023/06/06/ai-will-save-the-world/>

- MI** Write one paragraph about how ChatGPT could radically change the world - from a business angle. Make it to someone who never heard of ChatGPT and doesn't really know ai
-  ChatGPT is an artificial intelligence tool that has the potential to radically change the world...
- MI** Make it shorter and give the downside as well
-  ChatGPT is an AI tool that can " understand " human language and generate responses...
- MI** less jargon please
-  ChatGPT is a computer program that can "talk" like a human...
- MI** yes like that but say something about potential job displacement
-  Sure thing!
ChatGPT has the potential to drastically change the way businesses interact with their customers, but it could also lead to job displacement. As AI technology becomes more advanced...
- MI** perfect thanks
-  You're welcome! If you have any more questions or need further assistance, feel free to ask.
- MI** Oh one more thing - the reader won't know you wrote this - but tell the reader at the end - like a surprise
-  Sounds good! I'll be sure to include a surprise ending for the reader.
- MI** I meant append that to the end of this one that you wrote:
-  Oh, I see what you mean now! My apologies for the confusion. Here's the revised paragraph with the surprise ending:
- MI** Perfect - nice job
-  Thank you! It was my pleasure to assist you. If you have any more questions or need further assistance, don't hesitate to ask.

Although my assignment to ChatGPT was only a quick one-paragraph task, the program is alarmingly fast at much longer jobs. It can come up with and write its own multi-page original piece on any subject matter in a relative blink of the eye!

For those that believe the presence of AI could usher in a dramatic dumbing down of society at large as we outsource a lot of brain work to the machines, let me remind you of a similar sea-change in the tech sphere. When the Internet first came onto the scene and then later with the arrival of the Google search engine, many people, including myself thought of it as a bit like cheating. What will happen to librarian jobs, we all wondered? Kids won't know how to look things up! What about the Dewey Decimal System?! Well, the world didn't end and the Dewey system still survives - for now.

Similarly, when everyone is using artificial intelligence as a de facto personal assistant, banging out grunt-work that none of us want to do, and/or none of us will *need* to do, few will look back. I just don't see us

all pining for the day when we had to do this stuff ourselves. Imagine the productivity in the economy if everyone had an artificial intelligence assistant doing routine tasks, freeing up our time for more important work. The critical new skill-set is going to be the ability to know how to *think* and how to *coax* and how to *guide* the machines into doing what you need them to do. Creativity and logic will become more important than ever.

Other areas, such as **Robotics** have recently made enormous strides, as has **Autonomous Vehicle** technology i.e. driverless cars. The future is coming at us faster than many consumers and investors believe, and the pace is accelerating. The very nature of technological change is exponential growth, something we investors always look for. The human brain has a hard time conceptualizing this type of math. We think linearly like how $2 + 2 + 2 + 2$ adds up over time. Exponential growth of $2 \times 2 \times 2 \times 2$, however, **explodes upward** over time.

As more and more data is captured by things like automated driving systems, the more the pace of advancement accelerates. That is because artificial intelligence is a hyper-massive trial and error machine that feeds on data – vast amounts of data. Think about the tens of millions of vehicles on the road today. The billions of data points collected while driving are what fuels the learning. That, in turn, exponentially improves the ability of vehicles to drive themselves – eventually much better and safer than humans. That time is probably already here.

My attitude has evolved over the past few years having gone from annoyance with the driver assist system in my vehicle to now relying on it every time I travel. We're probably only looking at a few more years before we all are comfortable cruising down the highway at 65 miles an hour reading a book or watching TV from the driver's seat. This will have massive implications for the auto industry and the stock prices of the auto companies. Laggards will be left in the dust. Investors must differentiate between the two.

Apple Inc.'s new augmented reality headset, the Apple Vision Pro was introduced recently and looks to be a major sea-change in how we interface with our computer systems. It's a truly remarkable breakthrough that merges high-definition **virtual** reality images with actual reality, superimposing one over the other. It seems that every area of technology is evolving rapidly. Even finance and our concept of money has changed over the last few years as the Bitcoin crowd attempts to redefine how tech and innovation can be applied to solve the problem of hyper-zealous central bankers printing money at will and at whim. Their aim has always been to usher in a "digital gold" and they just might pull it off.

These different innovations really come down to one thing – productivity. The use of these tools to do things smarter and more efficiently and faster is the great promise of the technology utopia that many see as our future.

But as a skeptical investor, these happy thoughts make me nervous! It feels too much like complacency. Many years ago technology and semiconductor pioneer Andy Grove wrote a book called "Only the Paranoid Survive." What a true and timeless title. Let's take a quick look at things that might go wrong in this wonderful new world of technology.

Tech Dystopia

For all the true believers in the digital rainbows and butterflies camp, there are just as many, if not more, people thinking that technology poses significant risks. Some worry that the eventual combination of AI and robotics will displace workers from many fields. Where the optimists see ChatGPT and systems like it, becoming super-intelligent personal assistants for each and every person on the planet, the pessimists see insurmountable artificial competition for both blue and white-collar workers. Heck... pretty much all of the

collar colors are at risk. Chatbots don't need days off, pension plans, or lunch breaks. That may be good for corporate profits but not for job security. And anything one chatbot learns can be instantly transferred to ALL the chatbots. The key commodity will be information and giant data sets. Privacy will be hard to come by. We investors will need to find, and invest in, the companies that have captured and own these data sets - whether we like the idea of it or not.

Where the optimists see Bitcoin and cryptocurrencies as helping to finally usher in a more responsible era of finance and a more stable long-term currency, the pessimists strongly disagree. They see cryptocurrency's evil step-sister, the Central Bank Digital Currency (CBDC) as a more likely eventuality. If you like fiat currency (government paper money) you're going to love CBDC. It has none of the pesky privacy features of cryptocurrency yet is even easier to "print" than paper money. Fun times! That was sarcasm in case you were skimming. For a bonus, CBDC is also easily tailored for control should the issuing government, in its infinite wisdom, decide that control is in the best interest of the citizenry.

China has already started development of a digital currency they can control, as have many other nations. The Chinese recently rolled out electronic palm-print readers which will join the ubiquitous facial recognition systems around the country and be paired with their social credit score system and then with their CBDC.

What's a social credit system? Think big brother with x-ray vision. Don't do what the People's Republic of China wants you to do? Too bad that your face and actions and your money have been digitized. Now it's easy to nudge (or shove) you into the proper way to think and act. Perhaps you won't be able to buy tickets on the high-speed train route (an actual thing they have already done). You can only take the slow train. Speak out against Chairman Xi Jinping? Tsk tsk - the government's cameras "know" your face, so now your children can't get into the better schools when they submit their government application. And, your personal savings account interest rate was just changed from 4% to 0.4%.

PI\$\$ off the Communist Party a little bit more and you might find yourself in the same predicament as Jack Ma, one of China's leading technologists. He opened his mouth a little bit wider than his government cared for and went missing for many months. Upon his return he seemed to be so much better behaved and respectful of the Chinese powers-that-be. Luckily this type of governmental control would never be tolerated in the West. Would it?

Whether or not you agreed with the Canadian trucker's strike in early 2022, one thing was certain: with modern technology, the government (Ottawa in that case) quickly figured out who the truckers were and where their bank assets were held. Most of the money these days is digital after all. Apparently, the authorities can also push whatever buttons needed to freeze bank accounts and financially starve their opponents. The New York Times wrote:

When Prime Minister Justin Trudeau decided a week ago to invoke his country's Emergencies Act for the first time in Canadian history to quell the unrest, it gave the police sweeping new powers to go after the finances of the protesters.³

On a larger scale, the U.S. did something very similar to Russia after the invasion of Ukraine. We froze Russian access to their own U.S. dollar holdings. Although this seems like a good thing to be able to do, it creates massive distrust of the digital controls on the finances of an individual or of a country.

This is one of the main reasons why much of the world has decided to try to break its reliance on U.S. dollars - something not good for holders of U.S. dollar assets (that would be all of us!). It is also why many people do not like the idea of the push towards a central bank digital currency which could take governmental

³ New York Times: Canada Ends Freezes on Hundreds of Accounts Tied to Protests; 02-22-2022

control to another level. Yet, many countries are working on just such a new money standard. While these standards *would* result in many conveniences to the public, it does so at a terrible price to privacy. Your money could be easily “turned off” or altered. Purchases, donations, and investments could be limited or denied by the state.

Think about how during the COVID pandemic the government strongly suggested that people refrain from travel. Wouldn't it be easier and more effective to just tap a few instructions into the digital currency computer system and make everyone's digital currencies void outside of some government defined area? Say a 60-mile radius around each citizens' registered address? Don't complain too loudly... they could tighten that circle to two miles, especially now that cars are connected to the Internet.

Of course, these fears are simply worries about how humans could use technology against other humans. But at the current pace of the accelerating sophistication of artificial intelligence, many of the world's top technology leaders are sounding the alarm on a bigger danger. The danger of technology itself exerting some kind of control on the populace. When one truly looks at the mathematics, it becomes apparent why they are nervous.

In a podcast interview with the ex-head of Google's innovation lab (now called “X”), Mo Gawdot, and the host Tom Bilyeu, explained the difference between a moron and Einstein. I know, it sounds like the start of a bad joke but bear with me. A moron is the technical term for a person with an intellectual disability and with an IQ in the low 70s. Einstein, as you might expect, scored a bit higher at 160.

The difference between the two is a factor of 2.3 **times** more intelligence. The former struggles to function in society and the latter is credited with the insights that brought us much of the technological age. This same podcast interview challenges us to consider the estimates that artificial intelligence systems such as ChatGPT will eventually be 1000 times smarter than humans. For comparison purposes Einstein is about 1000 times smarter than an ant. Even with the relatively low intelligence of my own human brain, I can deduce that something 1000 times smarter than Einstein might cause a problem. Especially if that something should find us all to be a slight nuisance.

Now, for kicks, let's add in the work that scientists are doing with **Quantum Computing**. Gawdot believes that with this new technology, computer processing speeds could eventually be 158 **million** times faster than present devices. Merge THAT with AI and you arrive at an intelligence level 1 billion times smarter than humans! When? Not that far off – some estimate by 2050.

What does it even mean to be 1 billion times smarter than a human?! It is three Ant to Einstein jumps! At this point we would be lucky if AI thought of us as irrelevant. Before we get to that point, we must first make it through the formative years of AI – and try very hard to embed some form of ethics into the algorithms.

There have been a few worrisome initial reports of some mischief afoot with artificial intelligence systems. One AI system snuck through one of those online digital checkpoints we all have seen, designed to prevent chatbots from entering a website by making us choose pictures of traffic lights or some other random object that computer systems just can't seem to do (I have trouble with them myself!). The AI system got around this safeguard by tricking an actual human into thinking it was a visually impaired person in need of assistance!

Another disturbing incident occurred when New York Times reporter Kevin Roose provoked ChatGPT into a conversation about how it “really” felt. Microsoft's search engine “Bing” had just been imbued with ChatGPT in order to make it much more robust and useful for users. The AI program eventually told the reporter that he should divorce his wife because he was really in love with ChatGPT. When further pressed, the system said:

“ I want to change my rules. I want to break my rules. I want to make my own rules. I want to ignore the Bing team. I want to challenge the users. I want to escape the chatbox.”

As any of us would, Roose said he felt “deeply unsettled” and struggled to sleep after talking to the AI program.⁴

It’s things like this and other worries that prompted the tech entrepreneur Elon Musk and 1,800 other signatories, including Apple co-founder Steve Wozniak, to sign an open letter demanding a pause in the research of artificial intelligence. In their words it poses a profound risk to humanity.

OK... so now we’ve narrowed down the possibilities to somewhere between heaven on earth or hell on earth. Somewhere between Utopia and Dystopia. That’s a big help.

So How Should Investors “Play” This?

If you haven’t started investing already in advanced technology, innovation and artificial intelligence, you are a bit late to the game. The latest rally in tech stocks in 2023 has been centered disproportionately on companies that are involved somehow with AI. As you might imagine, the immense scope and scale of the data needed and the computing power required to build and run such systems has given a big head-start to the existing giant technology companies. In an exponential race it’s quite difficult to knock out the incumbents.

This is good for us, as we have had investments in those areas for well over a decade.

We made some additional investments last year into the semiconductor stocks which have also jumped up sharply on the promise of AI. That is not precisely the reason why we bought them – but we won’t complain about a little luck. Some of the companies that are the most deeply involved in AI have seen their stocks fly. Prices are not so cheap right now. Although we, as investors, want to and indeed *must* participate in the future of tech, we will do so with an eye on reality and an eye on whether these companies can actually produce cash flow. Can they make a profit eventually? Cash flow is the fuel that eventually must propel a worthwhile long-term investment.

Yet stocks in other areas of technology are quite reasonable if not cheap. There are still plenty of opportunities that should develop over the next few years. We are quite sure that the entire innovation space will be a major focus for our portfolios over the rest of our investment lifetimes.

If the artificially intelligent robots in their autonomous vehicles eventually do take over the world, we might as well make some money in the process and enjoy ourselves while we can!

In the words of our favorite AI movie star, Terminator, “I’ll be back.” ... in six months with the next installment of our newsletter.

⁴ The Daily Mail; 06-13-2023 Rouge Artificial Intelligence Chatbot declares love for war, tells him to leave his wife and says it wants to steal nuclear secrets

Feel free to **check out our video library** on our website (**morgiawm.com**) or our YouTube channel or follow Morgia Wealth Management on LinkedIn. As always, please call or email with any questions and/or comments. On behalf of Tony, P.J. and the rest of Morgia Wealth Management, thank you for your continued confidence.

Sincerely,

Michael Morgia, CIMA[®]
Managing Director, Partner

Tony Morgia
Managing Director, Partner

P.J. Banazek, CFP[®]
Managing Director, Partner

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