Inside Perspectives: An AGF Podcast Series

A Deep Dive on A.I.

Speaker Key:

DP	David Pett
JC	John Christofilos
KM	Kevin McCreadie
AK	Auritro Kundu

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00:00:00	DP	Welcome to AGF Inside Perspectives. Gentlemen, welcome back to season six. Can you believe it's season six?
00:00:11	JC	Pretty good, David. That’s pretty good.
00:00:12	DP	It's not bad. I can't think of many TV shows that last that long.
00:00:16	JC	Seinfeld.
00:00:17	DP	Seinfeld went a little longer than that. Sopranos went seven seasons, I think. Breaking Bad only went five.
00:00:25	JC	The Leafs have gone since 1967 without a Stanley Cup championship.
00:00:31	DP	There you go. Yes. We haven't said whether the six seasons have been successful or not, but, anyways, I have to start by giving props to somebody here. I hate doing this, but I went back to our September podcast where we previewed the NFL season and we made some picks as to who would win the Super Bowl.
00:00:53		John is still in the running because he picked Kansas City, although, I will qualify this, you started with a long dissertation about why the Las Vegas Raiders might win. So I feel like this pick is a bit shoddy. Kevin?
00:01:12	KM	Yes. It was the easy pick, man. You picked the guy who won it last year.
00:01:17	JC	So, can I tell you why I picked the Chiefs? It's not because they’ve got the best quarterback or whatever. I love watching dynasties. I love the fact that they're going for their third. They were going for the third at the

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		time. I hope they win. In fact, even though I don't like the team, I like dynasties. I like the Oilers in the 80s or the Canadiens in 76 in the NHL. I do like that kind of stuff. So I wish them well. I'll be watching.
00:01:44	KM	I think I caveated my pick, which is that I thought the Ravens would get there, but they weren't going to be probably all the way.
00:01:53	DP	Yes. In fact, you did do that and you were smart. I think you were thinking of going Jets, if I remember correctly from what I listened to last night, but you backed off that. And I had picked the Rams.
00:02:09	KM	That's almost as bad as the Raiders actually.
00:02:12	DP	And the Bills, I think, was my second pick. Anyways, KC is going to win?
00:02:19	JC	That's my pick. Yes.
00:02:20	DP	Kevin?
00:02:21	KM	I'll go with that.
00:02:22	DP	Yes. I'll go with that, too, because I don't like the Eagles. Before we get to our guest, let's just talk quickly about another big sporting event happening in February and that is the 4 Nations Face-Off best-on-best hockey tournament. John, you probably have something to say about who is going to win this one.
00:02:45	JC	Well, I have an opinion. You know that, David. I'm looking forward to this. There's only four teams, so Canada, US, Sweden, and Finland. Montreal and Boston are the two cities. I think it's going to be exceptionally good hockey. I think the players are going to go all out because you're playing for your national team. I think it'll be exciting. It'll be fast. It'll be faster than any hockey you see until the finals of the NHL championship. So, yes, I'm looking forward to it.
00:03:13		If I had to make a pick today and I analyzed the four teams, I think the Canadians have the best group of forwards, bar none, and the high-end talent but are a little bit weaker on the back end, especially at this point, unless somebody really steps up. I feel like the Americans might take it. It'll be interesting. It'll be fun to watch.

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00:03:38		But the Americans are solid, top to bottom. You think about that. Over the last ten or 15 years, they've closed the gap between Canada and US in a big way. So, my heart with Canada. My head says the US.
00:03:53	DP	And, Kevin, I know hockey is not your top sport to watch, but any thoughts on what we might see?
00:04:01	KM	I'm going to go with Canada on this. I think we should up the ante. Whoever wins doesn't have to put tariffs on the other country.
00:04:08	JC	That's good.
00:04:09	DP	There you go. I was going to say, the stakes seem maybe a little bit higher this year, given all of the shenanigans.
00:04:14	KM	This could be like the 82 Olympics with the Russians and the Americans.
00:04:18	JC	80.
00:04:19	KM	80, yes.
00:04:20	DP	That's probably enough foolishness for one episode, so let's get down to business. Today's guest is Auritro Kundu, AGF Investments portfolio manager. Of course, Auritro's been with us a couple of times, but it's always a pleasure to have him with us, sharing his ideas. So, without further ado, let's get into it. Welcome, Auritro.
00:04:51	AK	Happy to be back. Good to see everybody.
00:04:52	DP	Yes. Nice to have you here. The timing couldn't be more perfect, given what we've seen over the last few days in markets. We'll get to that in a second, but I probably should ask you who your Super Bowl pick is and who your 4 Nations Face-Off is before we get into the market details.
00:05:10	AK	I'd prefer not to answer this question as a Bills fan, but it seems to be pre-written. The Chiefs will win their third straight, Kelce gets to propose to Taylor Swift, and we can have this dynasty happen and then we can move on with our lives.
00:05:27	DP	There you go.
00:05:28	AK	4 Nations, I'll go with Canada. I'm always going to cheer for Canada, no question.

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00:05:32	DP	Nice. Good stuff. All right. Let's get to the markets and what's driving them these days. As always, Kevin, maybe you can start us off with some highlights from the past month or the past couple of months since our last episode.
00:05:49	KM	Yes. Maybe go back to November, post the US election, this idea of deregulation, pro-business government, lower taxes, lower corporate taxes, which can help profits, extending personal tax cuts, which helps demand. It all was great. You saw a pretty good run up in November post the election on that. I think December was a month of then worrying about the other stuff that's maybe not so good in that. So, what does a real strict ban on immigration mean for labor costs later?
00:06:17		What does tariffs mean for inflation when you're trying to fight it? You saw really, I would call it, a pretty soft December relative to where we were in November and uncharacteristically so with the seasonality that we normally get in December. I would say, for the equity markets, January has been somewhat of a different story. It's been a little more volatile, which is something we expect this year.
00:06:42		I'd say the positives have been, the bad stuff that people worried about in December have so far not come to pass. We keep talking about them, but we actually haven't done anything. Actually, since the President has been inaugurated, which is a little only more than a week or so ago, we have 207 or something weeks left of this, I think people feel that maybe he's not going to do as severely all the things that people worry about.
00:07:10		So the markets, I think, have been good. I'd say the second part of that has been, the growth story around, certainly, the US has been pretty good. We've got data that has come out, whether it be about jobs for December that we got in early January, which was quite good. Inflation data looks okay. The unemployment rate has dropped to 4.1% again. Then you throw on the back of that fourth-quarter GDP, which came out. That's solidly in the mid-twos. But the big number is, consumption was really strong. So the consumer is alive.
00:07:39		So I'd say part of it is on the back of maybe lessened fears over bad things happening under the new administration as well as just solid growth. Really, the last

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		thing is that earnings were starting and the earnings season have been pretty good. I don't know where we're going to finish, but the first couple of weeks of the number of companies reported look really strong, which tells you that the backdrop of the economy is still… I think we have, quote-unquote, stuck the landing.
00:08:04		I think, lastly, you've navigated basically a Fed that has told you, hey, we're not in a hurry to raise rates, and that hasn't choked the equity market. So I think people feel that growth is okay.
00:08:16	JC	I'm going to use a line that Kevin uses quite often. I don't want to give him credit for it, but I just did. I'm an optimist. I had a happy childhood. I liked the setup coming into the year. With all the negative sentiment in December, people thought that this market was going to start to roll. People were going to take profits. It did start that way for the first few trading days and then we started to turn positive. So, leading into the end of the month, it looks like the market wants to continue to grind higher here.
00:08:47		So I'm going to stay on the optimist side of the equation and say that we will continue to rally here for the foreseeable future as more and more money continues to flow into this market. February is always a good month for flows. Goldman Sachs has some great pieces out there that talk about the flows and what we see leading into the second half of February. So, optimist, market grinds higher, sentiment is turned to more positive. So it feels pretty good.
00:09:13	DP	I do think, though, it has been a tale of really two months within January. The first part of January was pretty ugly and the second half of January has been really pretty good. We sit here with a positive month. It didn't look that way when we sat here in the first week. Part of that is that nothing bad has happened on, again, the tariff front yet. I think that's still in front of us, though. So I'm with you, constructive on the equity market this year.
00:09:40		I do think we have some fits and starts in front of us as people really try to sift through what can happen and will happen on this tariff front, not just Mexico and Canada but really the rest of the world, China. We haven't even talked about what they're thinking about with Europe and others.

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00:09:55	JC	Just two quick points to follow up and we can move on. One, Canada has actually done quite well relative to where we've been over the last number of years compared to the US market. So that's encouraging. We're starting to get some broadening out there. Then, second, I may have picked the US to win the 4 Nations Cup, but ultimately I'm still Canadian and I think the Canadian market will do quite well this year.
00:10:21		Even with all the overhang that we continue to hear on tariffs and the like, we're good partners with the US. I think we'll figure all that stuff out in Canada. We'll do well.
00:10:30	KM	Yes. I don't disagree on that either. I'm more in the back half on that story, though. Because I think, in the beginning, we cut rates really aggressively here in Canada, six successive cuts, 2.25 rate cuts. I think about, every time we cut rates, someone with a home equity line, that payment goes down. It moves immediately. That takes a lot of pressure off and you're starting to see.
00:10:51		Our growth is not as good as US growth, but if you didn't have this tariff thing to worry about, you'd probably be looking at a scenario where they've probably done a really good job about now supporting the consumer in maybe that demand function. I think the tariff thing is the variability. We'll get through it one way or the other. That's why I'm more on the back half, because you probably do have a pro-regulatory, pro-business setup here coming, too, with what will be an election at some point this year.
00:11:16	DP	It does feel like, and to your credit probably and the entire investment team's credit, the big issues that you identified in the outlook last year are playing a role in how markets are moving along here. So you're getting that push and pull because of Fed policy and still the uncertainty around, how many rate cuts are we going to get, and the Trump administration and what he's going to do next. So you're getting that push and pull.
00:11:49	KM	I just go back to something really simple. We've talked about it, but it happens. 2023, what we got at the end of the year was because we told people we stopped raising rates. 2024, we got a lot of market recover because we were going to cut rates and did, which spurs demand ultimately at some point. 2025 is just going to be a different year because you're now looking for

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		when we stop. So the stimulus maybe starts to wane, if you will, if you think about it that way. But I'm not saying that's a negative. It just says it's a different market.
00:12:20		I'm not in the camp, it's going to be another 25%, but I do think it's a positive year with a lot more volatility. But it's going to be the world now we're searching for when we stopped versus cutting last year and the year before. When do you stop hiking? This is, when do you stop cutting?
00:12:34	DP	So, Auritro, let's get you into the conversation. Among the other things that we've already talked about, one thing that happened earlier this week was a bit of a violent sell-off, at least in US equity markets, related to DeepSeek, a new open-source AI model coming out of China. I wouldn't say it was out of the blue, but it certainly caught a lot of people off guard and is shifting up that trade a little bit. Maybe some thoughts on that.
00:13:13	AK	Yes. So I think there's multiple things that are happening here and I'll defer to Kevin and John a bit. But I think, number one, this could be a little bit political, so we'll touch on that. Number two, I think, a lot of positioning, and I'll defer to John on that. You're seeing a lot of crowded trades. The idea of powering AI, there's a lot of investors in there. When you see these shaky, weak hands and news hit, they get out. So I think part of it is positioning. But the third is, let's actually just understand what's happening here from a technological standpoint.
00:13:42		I think this is super-fascinating. So, as you mentioned, DeepSeek is a Chinese large language model and they launched two LLMs. So, V3, which is actually a clever way, they're using a technique to improve performance, and they've got this R1. So it's something called reinforcement learning and it's using this distillation. What is that? It's basically saying, we're going to take this larger parent model and train smaller models. The reason this is important, this teacher-student thing, is, it's alleviating a lot of the costs.
00:14:12		It's a neat way to do this. So the headline is, okay, they've used 2048 Nvidia GPUs. They're using the H800s, which is what was available in China. They're doing two months of training at 2.7 million minutes and that $2 per GPU gets to that $5 million headline that you're seeing. But I think that misses the point for a couple of reasons because

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		that doesn't talk about all the prior research that went into this, any pre-training that they've used. There's some speculation they have access to 50K Nvidia GPUs they're not talking about.
00:14:41		So let's just forget the headline for a second. Now, just a little bit of perspective. So, what they've done based on this research is, they've essentially trained a 670-billion parameter model in smaller chunks. So let's say you're pinging 37 billion at a time. They've done this for 9% of the cost for what Meta trained Llama 3. You had 405 billion parameters, so 9% of the cost.
00:15:06		I think that's why you saw that sell-off in a lot of companies tied to not just the infrastructure in AI but the power. Do you need as much electricity? So let's think about this now. This is a good thing, the fact that they've unearthed this technique. Meta spent the weekend reverse-engineering this. This is now in the open-source community. It's all out there. So this is going to actually push AGI, this idea of generative AI, forward. This is a good thing. The cat's out of the bag on this.
00:15:35		So, now, the question going forward for investors is, A, what does this mean for capital expenditures? What does this mean for what all these companies are going to spend? So, two things. I think you saw on the earnings last night from Meta, from Microsoft, they're going to go forward with their capex spends. Why? Because it's a competitive market.
00:15:52		It's still imperative to go forward with this spend because now you're learning that perhaps you could shift some of this spend, this compute, into inference, into actually fine-tuning these models and having better answers, better quality, better services. So you can shift the spend. And it is competitive. They're all still competing. So they're going to spend. The second thing is, too, some of the checks we did going into the quarters. The spend was always going to be great because what you're running into is, you're hiring these great engineers. You're hiring the best research scientists.
00:16:21		You can't have them sitting around doing nothing for hours while these models are being trained. So you have to give them the capacity right now to help them train. So, again, I think the numbers from a capex perspective are fine this year, perhaps in the next year. This is

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		something, again, all these companies are going to have to think about in the future. But for now, I think this spend is fine. The second part of this now we've got to think about, I'll finish with this, is, what does this mean from a power perspective?
00:16:47		So, all else equal, what was driving a lot of these independent power producers, companies tied to electricity, was, if you look at the electricity requirements of the next five to ten years, half of that increase was from data center. Now, if you cut that cost by not just the 9%, let's just say 20%, you need less electricity. You have less pricing power. So perhaps that is an area where investors need to recalibrate some of those long-term expectations.
00:17:12	KM	Can I just take a slightly complementary but different stance on this? You said this was a big, market-shaking event. On the headline, they'll take the S&P. It's easy to look at that. It was down 1.5% percent on that day. 70% of the names that make up that were up. Never seen that. So it tells you that, to Auritro's point, we had crowded into a bunch of narratives that were the same for a handful of sectors or subsectors. It wasn't really the rest of the world.
00:17:42		If you bring this cost curve down because of what you just saw… And I agree with Auritro. I don't know that these numbers are valid. I don't know that these guys did it as cheaply. There's a whole bunch of don't-knows because of where it's coming from. I agree, it could have been political. It's literally on the day after or so that the US announced their big investment in AI. So let's assume part of that is, we don't know, but if it's true… And part of the science of it is obviously real, as Auritro points out.
00:18:09		If you don't have to query that many, as we call them, parameters, fewer things, and we can just copy what somebody else did and has already tested it, you can bring the cost curve down really quickly if you do that. I don't know how many companies right now are making money selling you their models. But now, I don't know, there's 400-and-something other companies that, if you bring it down cheaply, can take advantage of that productivity and drive their own profits going forward.
00:18:41		I think that's the power of bringing these cost curves down maybe. I'll even take the guys who are doing the

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		spending. Maybe Microsoft doesn't need to spend $80 billion in 2026. They spent 60. So, at some point, they don't spend as much, but we're bringing the curve down. That benefits small or mid-size businesses that couldn't before if we kept those prices high. So I do think there is a longer tail of productivity that you can accelerate here that benefits so many companies, not just the few who are the leaders and five or six owners of those AI engines today.
00:19:14	AK	Yes. Just to add to that, too, keep in mind, we're still at the ground floor of many big opportunities. So I think what this has taught us is just, don't be wasteful. There's a way to really optimize the compute that's out there. We're not even talking about full self-driving or humanoids or any of these other things that still require a lot of compute. So, again, I think that's the biggest takeaway here, that we can be much more efficient on this spend.
00:19:39	KM	And it will require a lot more compute, which means a lot more power. If you democratize it or bring this cost curve down, a lot more people using it will require a lot more power. So I'm not sure I'd read too much into one event that is a negative. It may go the other way and say, I don't know, maybe if it's real or if some portion of it's real, it's a positive. I'll take one other thing. You look at the only name in that space that's made these investments that was up that day, which was Meta.
00:20:06		Because Meta is open-source, just like DeepSeek. Open-source means, I'm giving you the code. Here it is. Play with it. Do what you want with it. Find new things and tools. That's what creates the acceleration of innovation.
00:20:22	JC	So I'm going to go down that path with you, Auritro. So Sam Altman, the founder of OpenAI, has talked forever and a day and has raised money forever and a day because he needed the money or said he needed the money. This open-source phenomena, is it, one, in your opinion, real? Is it going to be the leading way to build models or will the proprietary models continue to do what they're doing? Who wins out in the end?
00:20:48	AK	Yes. That seems to be the debate. I think Meta is taking a very interesting approach this cycle. If you just think big-picture, last big investment cycle, it was this idea of cloud computing, your AWS, your Google, your Azure

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		from Microsoft. Meta didn't really play there, so they were never really that infrastructure layer. So, if you think about it this cycle, what they're doing is, they're open-sourcing Llama to let the community use it.
00:21:12		So you can get technology gains just like this where somebody is adding to that community and it's all available there. But it's early days. So the idea is, you'll develop that stickiness. You can go to market with an AWS and say, hey, you're company XYZ. We can help you with some gen AI functionality because it is open-source and we can customize things for you. Now, longer-term, how do you monetize that?
00:21:36		It's like any open-source model where eventually you'll have premium tiers, premium licenses, better upgrades for power users. But at the end of the day, you've created that ecosystem now where everybody is developing on your platform. So, again, long-term, I think this is a great strategy. They're laser-focused on continuing to improve this model. They're training Llama 4 right now, so they're laser-focused on this training aspect.
00:21:56	KM	Can I make a historical comparison? Do you remember when Apple years ago created the App Store and encouraged developers to develop on it? That's what built that ecosystem. It's not exactly comparable, but it's a way to think about this.
00:22:14	JC	Hey, David. You started this questioning by talking about the sell-off earlier in the week. A piece of data that I think people need to understand. Most of the day and especially in the last half-hour to hour, the majority of the flow that we saw hitting the desk or hitting the market was all retail-driven, so the double-levered and triple-levered ETFs that were out there, the zero-date options. The more gambling-type instruments, not investment-type instruments, were dominating the marketplace that day.
00:22:43		So, typically, when you see that, it just perpetuates the sell-off, especially in the double and triple-leveraged ETFs that we saw. So institutions like ourselves and others, I'm sure, were relatively busy but nothing like the retail investors sitting in their basement trying to offload some of these positions.

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00:22:59	KM	At a higher level, there was also a debate and we talked about the debate at the, what does this mean for these companies and the beneficiaries and the spend? There's also a higher-level debate going on between countries. Who has the real advantage here? Has China leapfrogged the US and the West in terms of developing and now becoming a leader? You'll see potentially more bans on chips, high-end chips, ways to limit maybe that leadership, if it's true. So I think there's a second dimension of this that is away from the companies and public markets.
00:23:31	DP	It makes me think, is this the new nuclear arms race that just has been launched so that we do have this country-by-country competition? I don't know, Auritro, if you have any thoughts on that.
00:23:46	AK	This is where you need to be a little careful and I think Jensen from Nvidia talks about this. If you keep backing China up against the wall and saying, you're not going to have access to any of our recent semiconductor equipment, they're going to go at it on their own and they're going to find innovative ways to do new things. So you, in that world, cut yourself off from access to a big market that could be growing. They could also add to these advancements. So I think all parties need to be careful here in terms of the narrative because there's benefits for everybody to be contributing just overall to these products and services.
00:24:21	JC	I think one other last point on this one. So DeepSeek, to your point earlier, is nothing new. It's been out there for several months. UC Berkeley has been writing papers on DeepSeek forever and a day. I find it very fascinating that, over a weekend, social media took a massive hold on DeepSeek and then we opened Monday and absolutely sold off very, very aggressively. Your thoughts on why that occurred potentially? You touched on the political angle and the timing of it all, but it's been out there for three or four months and people have been writing about this and, all of a sudden, it just clicked in.
00:24:52	AK	Yes. I agree with that. There's some great AI researchers, some leading thought people in the community that have written about this, highlighted that it was impressive from a cost perspective. It only took hold on the Friday of Davos where the CEO of this DeepSeek was presenting.

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		Then, I guess, over the weekend, Wall Street and Main Street really picked up on it. Then you got this price reaction on Monday, which probably was, as we're discovering, a little bit of a knee-jerk reaction.
00:25:22		So, you're right. Again, the timing is very interesting with what's going on? Again, as Kevin mentioned, too, the US government announced a 500-billion Stargate product with 100 billion, I think, within the next year. To give you context, the largest hyperscale companies are doing, collectively, 300 billion. So that's a big project. Again, perhaps the news drop-in or really hitting the news and growing on Friday is no coincidence.
00:25:50	KM	Yes. I think the freakout was about, people knew the model was out there and people knew that it was efficient and, the way that Auritro described it, how it was replicating other people's models. Nobody knew the cost and I still think a lot of people don't believe how low the cost was and how much power.
00:26:08		So I think that's still debatable, not the efficiency of the model. If you look at the overreaction, it was like, oh, my God, these other guys, as Auritro said, the Microsofts, Googles, the hyperscalers, they're going to spend 300 billion next year and they have no return on that investment. These guys just did it for a tenth of the cost. So I think that was the freak-out, in my mind.
00:26:30	AK	So, what was super-fascinating about that, too, is the market reaction. You saw software companies go up and the reason being, perhaps this was an embedded cost for them and now, if this cost goes down, their margins are going to improve. They could start embedding this functionality. The second part of this is now, and I think we've been thinking about this as a team here just in investment management, at some point you start to have to move from powering the AI to the picks and shovels, the infrastructure names, to the companies that capture the value on top of that, that have the applications that are going to have some ROI.
00:26:58	KM	So call that the other 490.
00:26:59	AK	Yes, perhaps, or even just the oldie-but-goodies, Google, Meta, and Apple. So the example Jensen talks about is moving to agentic AI and then physical AI, agentic AI being perhaps these applications now. You go in there.

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		Everybody loves to use this example, but travel. Hey, John's going to go on vacation with his three grandkids. He'll go to booking.com. He's saying, I want to spend this much, I want to do this, this, this. They know John likes to smoke cigars on the beach. They'll give him a pit stop to buy something. All of that's tailored.
00:27:29		Now, the more data you have, you can make that better. So, again, it comes back to Google, Meta, and Apple having that data, but in general, directionally, that's the idea, where these applications are going to perform a task. Then the next level of that is physical AI, I mentioned earlier on, full self-driving and everything. So, again, I think as an investor now, you have to start to think about moving on that value chain towards some of the companies that are going to have these applications.
00:27:50	KM	I don't think this is a big threat. I think it's a big opportunity as we start to get our heads around what it can mean for everybody else.
00:27:56	JC	Auritro, does the model know that John likes to have single-malt scotch with his cigar on the beach?
00:28:03	AK	See, that's where these models need some fine-tuning, I guess.
00:28:07	JC	We need to add that to the model, Auritro.
00:28:09	AK	Okay. All right. I'll get that right next time.
00:28:12	DP	Tough to follow that with a profound question, but you mentioned the Stargate announcement that President Trump made. He's also rescinded an executive order or orders that Biden had put in place to address the potential risks of AI. Does that shift the game a little bit? Does that change anything, that there's now a free playing field for the AI complex to just get to what they want to get to?
00:28:45	AK	So I think this is one thing investors were grappling with just as part of this election process. You see who Trump had in his corner backing him with Elon Musk being pretty vocal. In theory, yes. This opens it up for stuff like full self-driving where perhaps you'll be a bit more pro-business, pro-opportunity, and, hey, let's hit the ground running. It's early to say how this will play out, but I think, directionally,

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		that's what investors are thinking about, that he will be more friendly to a lot of these tech companies.
00:29:15		A lot of these tech companies donated to his inauguration. You saw the CEOs in the background. So, again, that is the idea. It's to be determined on how this plays out, but, yes, I think, directionally, he'll be more friendly to a lot of these initiatives.
00:29:27	KM	Taking the governance off of safety, which would theoretically have slowed down the development, does come with risks, but it's meant to accelerate the pace of this.
00:29:39	DP	Given everything that we've talked about today, maybe just a really simple question. I'll start with you, Auritro, and then go to you, Kevin and John, as well. When you think about this trade or the AI industry in baseball terms, where are we at in terms of innings? You talked a little bit about this being, we're still at very early stages, but where are we at and where can we get to on this front?
00:30:09	AK	Yes. You're still in the early innings. You're in the first or second innings of this. Because, as we're learning more and more about these opportunities and gaining efficiencies and the costs associated with it, there's just so much ahead of us. So you're still early days.
00:30:26	KM	Yes. I don't disagree. I may say third, but it's not ninth or seventh. It's definitely early.
00:30:32	JC	If the model doesn't know that John likes single-malt scotch with his cigar on the beach, it means that we're still in the early innings.
00:30:40	AK	The other part of that, though, is, if you do start to get these productivity gains from these tools, if that starts to seep its way into the markets, that's another tailwind for earnings. So, again, the faster we get to these things and the more we're maybe spending upfront when we reap those benefits and all of us get those productivity gains in the tools that we use every day, it'll be a good tailwind for the stock market.
00:31:05	JC	Let's equate this to the Internet. Was 2001 early? I don't think so. People thought that everybody was starting to use the Internet. I think I think we're early-stage with AI and until it actually is, to Auritro's point, across all sectors

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		and all parts of our lives every single day, it's still early. It feels early.
00:31:24	DP	I know what we saw on Monday, cooler heads have prevailed and this is probably an opportunity, but it does feel like maybe a bit of a pivotal moment where it makes people… Maybe we're a little bit too exuberant about crowding into this trade and maybe it'll give some air to it a little bit.
00:31:45	KM	I think Monday was a good reset of how to think about the winners and losers. I think part of Monday was also, as we said, just a bunch of people crowded into some things. So you got a little bit of rationalization of, what is a utility company really worth, even if it shouldn't be valued as a tech stock maybe? I think that hasn't changed, though, the fundamental thing that Auritro just said. This has great productivity potential that benefits a lot. Productivity equals profits. Drive profit growth just by doing things more quickly and more innovatively. It's going to be good for markets long-term.
00:32:18	JC	Yes. I think, David, what happened this week has actually broadened out the trade. It's not five or ten names. If the cost of the technology is coming into a more reasonable level, you're going to broaden out. So the 490 names that Kevin talked about may be more in play, whether that's the application layer or other efficiency layers. So it's exciting.
00:32:39	KM	Do you know how much we all paid in the beginning of the Internet for bandwidth? Once you made bandwidth almost free or pretty accessible, that's how you drove. You drove speed. You drove investment to further get gains. You'll see the same thing here.
00:32:54	DP	Does that change your approach, though, Auritro, if we do broaden out? You were looking at a handful of stocks that were this play and now, all of a sudden, you might have hundreds of stocks that are in that play. Does it change your mindset or will it change your mindset as you go forward?
00:33:12	AK	Yes. It definitely changes your mindset in terms of the opportunity set. As I mentioned, you're thinking about the different stages of AI. But the other thing we're thinking about, too, even just from a portfolio perspective, is this idea of momentum. Everybody's crowded in these same

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		trades and you've got to be a little careful. So you want momentum, but you don't want too much correlation on that momentum. So, on days like that, you don't want to have everything trading like that. Again, back to the original conversation. There are so many other great opportunities that you saw do well that day. The consumer in the US is strong. Consumer sentiment is great.
00:33:42		You saw cruises at all-time highs. The idea of this administration being pro-business, pro-M&A, more deregulation, financials are doing really well. So you're seeing some of that obviously rebound because I think the narrative is, okay, maybe we overdid it, but you're also seeing other opportunities in the market really benefit as well as people start to think about broadening out. So this was a good thing in several ways, a good thing for the technology but, I think, good thing for other pockets of the market.
00:34:09	JC	Craig Johnson at Piper Sandler put a great report out on that afternoon. The Russell 1000, Russell 2000, and Russell 3000, if you looked at the constituents, we had more up issues than down issues. So we were constructive below the surface. At the index level, which is what BNN and CNBC puts out there all day every day, we weren't, but underneath we're still doing quite well.
00:34:31	DP	There is nothing artificial about the intelligence around this table.
00:34:37	JC	Wow.
00:34:38	DP	Not bad, eh? I'm stopping. Thanks, guys.
00:34:43	KM	Go Bills.
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