

# Now&Next

SPRING 2023  
ISSUE 16

How ChatGPT and artificial intelligence is impacting investment markets

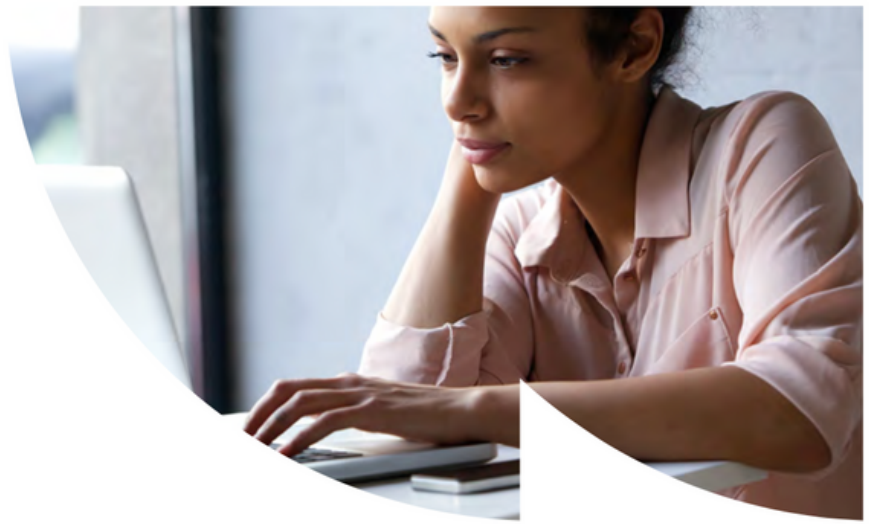


 **FPW**  
FINANCIAL ADVICE

 **Count**

The confidence to look ahead

# How ChatGPT and artificial intelligence is impacting investment markets



**The launch of ChatGPT late last year was greeted with a frenzy of enthusiasm as investors eyed the potential for productivity gains and innovation. We look beneath the hype and consider the implications for your investment portfolio.**

## What is ChatGPT?

ChatGPT (Generative Pre-Trained Transformer) is an advanced form of artificial intelligence (AI) chatbot that can understand and generate human-like conversation. It was launched by a private US company, open.ai, in November 2022.<sup>1</sup> A raft of other technology companies are also developing and launching artificial intelligence applications.

## Productivity benefits predicted across the economy

AI is automating many of the tasks that people do and has the potential to boost productivity, reduce costs, and create new innovation opportunities. Businesses that effectively leverage the technology are likely to get a benefit. Remarkably, research by McKinsey estimates that generative AI could add the equivalent of \$2.6 trillion to \$4.4 trillion annually to the global economy. To help you make sense of these numbers, as a comparison, the United Kingdom's entire GDP in 2021 was \$3.1 trillion.<sup>2</sup>

About 75% of the value that generative AI could deliver is likely to come from four areas: customer operations, marketing and sales, software engineering and research and development. Generative AI can support interactions with customers, generate creative content for marketing and sales, and draft computer code based on natural conversation prompts.<sup>3</sup>

And as the technology evolves, more ways to use it will be discovered.

## Opportunities for your investment portfolio

Investment markets have shown a lot of enthusiasm for AI and Chat GPT technology. Since the launch of ChatGPT on 30 November 2022, the NYSE FactSet Global Robotics and Artificial Intelligence Index increased 24% to 30 June 2023. In contrast, the S&P 500 had a smaller uplift of 9% for over the same period.<sup>4</sup>

Some commentators are couching AI as part of a fourth industrial revolution that promises to increase labour productivity across the economy.<sup>5</sup> Here's some context. The first industrial revolution started in the late 1700s with the mechanisation of the textile industry. The second industrial revolution, from the late 1800s, was from mass production, such as the Ford assembly lines. If you're old enough, you may remember the third industrial revolution of the 1990s, when the internet linked desktop PCs. This spurred huge productivity growth that was reflected in gross domestic product gains for countries across the globe together with share market growth.<sup>6</sup>

In a similar way, it may be that widespread AI productivity gains could boost economic growth and share market performance across the world.

And share market investments that specialise in the technology sector offer concentrated exposure to the AI value-chain. This value chain includes companies that are developing and integrating AI technology as well as companies that supply the hardware and software that AI relies on – such as cloud services and computer chips.

As with any innovation that captures wide-spread public attention, it's important to be wary of market hype, inflated company valuations and price bubbles. So, if you're interested in increasing your exposure to AI technologies, we recommend professional financial advice and expert investment management, so that your investment is optimised for long-term growth.



## How your Count Financial adviser can help

If you'd like to discuss how an increased exposure to the artificial intelligence value-chain could benefit your investment portfolio, please speak to us. We can advise you on your options, taking into account your overall financial goals.

1 [Openai.com](https://openai.com)

2 McKinsey, [The economic potential of generative AI: The next productivity frontier](#), 14 June 2023, accessed 11 July 2023.

3 Ibid.

4 Calculated using close prices for the [NYSE FactSet Global Robotics and Artificial Intelligence Index](#) and the [S&P 500](#) from 30 November 2022 to 30 June 2023.

5 McKinsey, [What is the Fourth Industrial Revolution?](#) 17 August 2022, accessed 11 July 2023.

6 Forbes, [The Third Industrial Revolution -- Internet, Energy And A New Financial System](#), 4 March 2015, accessed 11 July 2023.