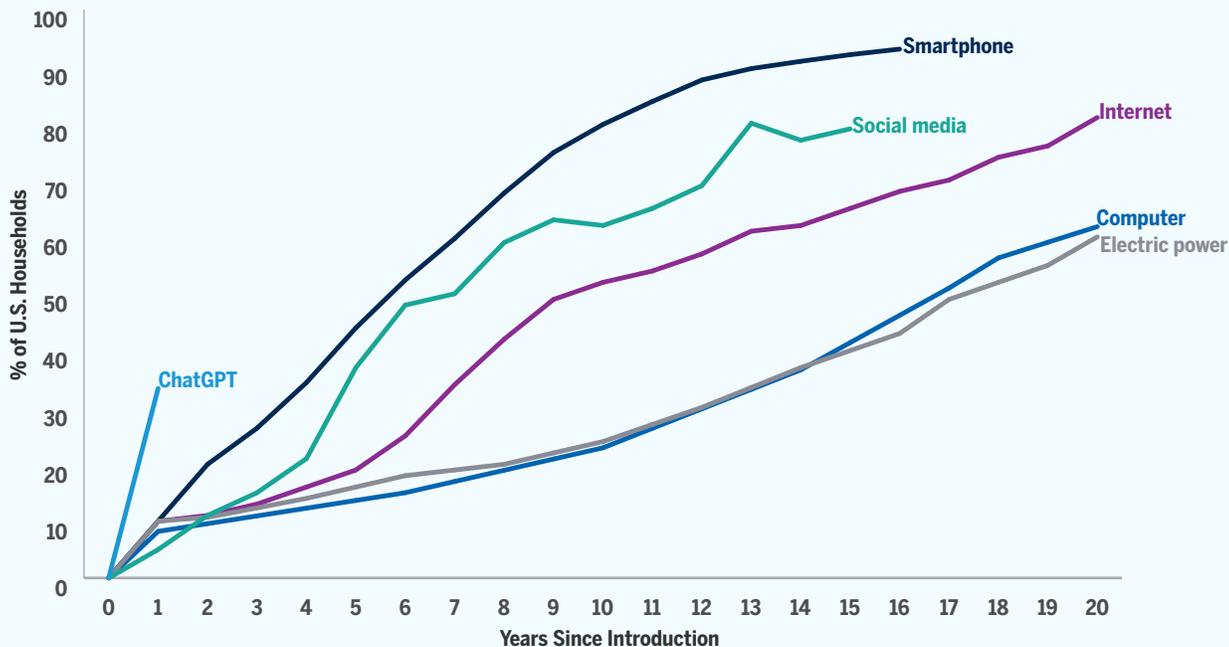




## Accelerating Adoption

The rate of artificial intelligence (AI) adoption is increasing faster than for previous technological innovations due to a confluence of factors. As innovations emerge, what can their historical adoption rates tell us about their impact on equity markets?

**% Adoption of Various Technologies Within the U.S.**



Source: Bank for International Settlements as of June 30, 2024.

- Over the past century, the speed of adoption of innovations in American history has dramatically accelerated, moving from decades to years, as shown in the chart above. For instance, adoption of earlier technologies like electric power and the computer took over a decade to reach one-third of U.S. households. By building upon these inventions, adoption of more recent technologies such as smartphones and social media achieved this level of penetration in five years or fewer. Remarkably, the AI large language model ChatGPT reached one-third of households in just one year!
- AI adoption may move faster than previous technologies due to several key factors such as cheaper computing power, increasing data availability, and AI's recursive nature, which allows AI programs to refine their algorithms based on the data they process, leading to new, more advanced AI models.
- In our view, accelerating innovation and its widespread adoption serve as a tailwind for growth companies and a headwind for value companies. Further, we believe growth stocks are the beneficiaries of technological change, as these companies often enable the innovations that reshape how we work and live, such as social media, smartphones, and cloud computing. Therefore, it stands to reason that accelerating innovation may drive stronger fundamentals—sales, earnings, and cash flow—for growth stocks. Value stocks on the other hand may be victims of such change just as we have seen in the past with newspapers, radio, coal, and brick & mortar retail.

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