
Weekly Market Flash

The Next Big Piece of Tech Real Estate

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Money doesn't sleep, and neither does innovation. Figuring out how to make the most money from innovation is what technology firms do pretty much all day, every day. In the vast swath of tech innovation that is artificial intelligence, Microsoft has just plonked down a major stake in the ground. It would be fair to say that the multibillion-dollar investment into OpenAI, an artificial intelligence startup and the parent company to ChatGPT, the generative AI program that launched a million thought pieces, has the undivided attention of Microsoft's rivals in the upper pantheon of the Big Tech kingdom. A great deal is at stake here on many levels from college essays to entire livelihoods, so it is useful for the rest of us to understand what all the uproar and consternation is about.

What Is Generative AI?

Let's start with some background, since "artificial intelligence" is a very broad term and can mean different things to different people. At its heart, AI is about prediction. Help an AI program learn about the features of a cat, say, to the point where the program can identify images of cats from everything else that exists on the Internet. Generative AI, as the name suggests, is when the program gets so good at perceiving and classifying the image that it can then generate one itself. In the past year or so these programs have gotten really, really good at this. A user may prompt the AI company Midjourney to "create a robot sitting at a desk, in the style of Van Gogh" and get a representation the old Dutch Master himself might have produced (had he known what a robot was). Over at DALL-E you can study the groovy four panels of "footballer in the style of Andy Warhol" if you like. Try it out! These sites are, for the moment anyway, free of charge and open to the general public.

The Future of Work, Ads and a Whole Lot More

Microsoft, and others putting their chips on the AI table, believe that generative AI will be the core engine of the next generation of tools and devices for work and play. They have a plan to integrate the fruits of OpenAI (yes, including ChatGPT, the impetus behind last month's article in Atlantic magazine "The Death of the College Essay") into the company's full suite of products and services (Microsoft will be the exclusive cloud provider to OpenAI via its Azure platform).

Perhaps the two firms most rattled by the move are Alphabet (parent company of Google) and Meta (Facebook). Those two companies have also been hard at work developing their own leading-edge AI programs, mostly behind the scenes and either in testing mode or limited public rollouts. They also make the lion's share of their revenue from online advertising, which for Alphabet in particular presents a problem. The vaunted Google search engine works by directing users to suggested links – and the more links, the more advertising dollars. Generative AI programs can respond directly to queries and save users the additional time and effort of clicking on other links – great for the user, not so great for a company whose business model is based on links, clicks and ad dollars.

But these are early innings in the AI game. Alphabet, Meta, Apple, Amazon and plenty of other tech leaders are going to be ramping up their own capabilities, figuring out both the promise and the pitfalls, and wasting no time foisting their applications on a citizenry that is only just beginning to understand how all this will affect their lives. We expect that the evolution of AI will progress geometrically, not in a linear

fashion, and that it will be the biggest generational development in technology since social media a decade and a half ago. This – not cryptocurrencies in perpetual search of a valid use case – will be the real Web 3.0 in our way of thinking. It will be well worth paying attention as the firms make their land grabs and fight for position in this new space.

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Supplemental disclosure: MV Financial holds active equity positions in Microsoft, Alphabet and Apple among the firms mentioned in this article.

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