

Why AI Stocks Are the New Staples for Investors

Speaker Key:

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

Time Code	Speaker	Text
00:00:01	VO	Welcome to AGF Inside Perspectives.
00:00:04	DP	Guys, welcome back. It's been a couple of months. I gave you guys a break to do your real jobs for a little bit, but it's nice to have you back in the studio and we can get back to doing this podcast for the rest of the year. Summer break... I haven't done a thing on summer break in terms of going away and relaxing. I'm wondering what you guys have been up to. Kevin, maybe I'll start with you.
00:00:34	KM	Yes. I don't know. I've been kind of busy this summer, so it's been a handful of days really. So I haven't done much. I'm still looking at the end of the summer maybe to grind out a few more days, but in the past I've loved to... My thing was to just check out, go to the beach, just literally... I know that sounds boring, but just read a book...
00:00:54	DP	Yes. Everything's good, right?
00:00:54	KM	And when my kids were little, chase them around the beach, which is not... Doesn't sound relaxing, but... Yes. That's sort of been my thing.
00:01:01	DP	There you go. And, John, what about you? You been able to get away or...
00:01:04	JC	No, not really. We're at the mercy of the market sometimes, right? Volatility has been on the higher end of normal this summer so far and market movements and the like, so I don't like to be too far disconnected from the market when things are moving this way. I think it's important to stay connected, but hopefully, by the end of the year, there'll be at least a week somewhere that I take and get away from the terminal and the iPhone and the like. But currently, mercy of the market and I think that

Time Code	Speaker	Text
		will continue. We can talk more about that in the next little while.
00:01:37	DP	If you do get away, are you a beach guy like Kevin?
00:01:39	JC	No. I am not a beach guy. I'm more a sightseeing-type guy, cities, towns, the like. I can't... As you all know, I'm Mediterranean skin and I'm already three-quarters of the way there, so I don't need to sit under the sun any further.
00:01:53	DP	Don't need an extra tan, right?
00:01:54	KM	Do you get the umbrella out and walk down the street and have people follow the...
00:01:56	JC	No. I do not get an umbrella out, Kevin, but thank you very much for that visual that everybody, I'm sure, will love to see. No, no beach.
00:02:03	DP	I'm hoping everybody did get a chance to sit down and watch a little bit of the Olympics. I thought it was a pretty exciting Olympics, generally speaking.
00:02:12	JC	I thought the best part of the Olympics, from my perspective, is how they actually included Paris, the City of Paris, in many of the events, right? Whether it was beach volleyball with the Eiffel Tower in the background or some of the other events that they put on, it sounded like they used a lot of culture as part of the Olympic experience. So I think that... I thought that was really good.
00:02:32	DP	And I should thank Kevin and the powers that be, letting the TVs be on during the Olympics so that I could shout at them while the Canadians won the four-by-100.
00:02:43	JC	Well, let's be clear. One of the TVs was on. The other TVs were still business-related on the floor.
00:02:47	DP	Oh, jeez. There you go.
00:02:48	JC	Yes, just so we're clear on that.
00:02:51	DP	All right. We should probably introduce our guest today. He's waiting patiently. He's a father of three, he's a baseball dad, and I'm pretty sure he's super-excited that the football season is about to start so that he can get in there and do a little bit of his over-under parlays and all that jazz. So, without further ado, let's welcome AGF Investments portfolio manager, Auritro Kundu.

Time Code	Speaker	Text
00:03:22	AK	Hey, everyone.
00:03:24	DP	Hey, Auritro. Thanks for doing this. We were just talking about vacations. What have you been up to this summer?
00:03:30	AK	No vacations this summer, busy with the kids' camps. As you mentioned, my kids are East York Bulldogs like you were many years ago, so just busy with that and we're saving our bullets for end of this year. We'll be on a Disney cruise.
00:03:43	DP	Great. Shout out to the East York Bulldogs. Rob Butler, World Series champion, was an East York Bulldog.
00:03:51	JC	Former Blue Jay.
00:03:52	DP	That's right. Yes, absolutely. As we always do, let's start with market highlights of the past couple of months because it's been a couple of months since we last spoke. Maybe we should call this section Summer Doldrums. It's been kind of an interesting summer, as you've kind of already alluded to, John, in terms of that volatility that we've noticed.
00:04:17	KM	I'd call it Summer Fireworks.
00:04:18	DP	There you go. Yes. Maybe that's the better term. What's driving the latest bout of heightened volatility that we've seen over the last month, Kevin?
00:04:26	KM	So, back to vacations, if you had gone on vacation on July 31 st and came back yesterday... So call it roughly a two-week break. July 31 st was that Wednesday when Jay Powell spoke and the last Fed meeting. He was kind of dovish. The economists' [?] call was, hey, we're not there yet, but we're close to being able to start to cut rates. And I think the market perceived that very like, oh, this is great. And you got back yesterday... Markets are roughly where they were then.
00:04:56		So, if you had been someplace without a cell phone or you had no cell service, you thought nothing happened. What happened was, the next two days, we had a very weak... The day after Powell spoke, a very weak manufacturing report that set off some flares about people saying, jeez, maybe things are weakening. And the Fed would have had that report, so they saw that. The day after that was the jobs report, which was positive but

Time Code	Speaker	Text
		less positive than people were expecting. So that really rang a bell that said, jeez, maybe they're really behind the curve and they need to get going now.
00:05:26		And at the same time you had an unwind of a very popular trade in the marketplace where people were borrowing money in Japanese yen at almost nothing and taking that money, converting it into dollars, and buying tech stocks, crypto, you name it. And all of a sudden, the Bank of Japan throws up their hands and says, we're going to raise rates, too, and people start to unwind those. The confluence of this fear of, maybe we're late, maybe the economy is heading to a recession, and the selling pressure of that unwind all coming together.
00:05:55		And then at the bottom a few days, a week later, we're down 7% to something greater, 10%, depending on which part of the market you were in. Then you fast-forward last week. We're sitting here today. We've had about eight straight days up. And based upon some other data that contradicts some of that perceived weakness, which is, hey, retail sales were better than people thought, unemployment claims again actually not as bad as people thought.
00:06:25		Maybe that jobs report that was weak wasn't as weak as we thought. CPI is coming down where people think that the Fed can actually cut. So, all of a sudden, in two weeks the volatility, and John can speak to it, that we witnessed... But if you had not been around, you'd think, hey, nothing's happened. That's the doldrum. I would argue we went through some fireworks and the pace of the downdraft and the pace of the recovery is what I worry about.
00:06:52		And what appears to be what again is the emotion of people either saying we're getting close to recession or we're not and we're pulling back and driving forward on these trades as if that lever of a recession is that kind of a fine balance. So I expect... While it felt like these two weeks didn't do much, I think we're in for a lot more of this for a bit.
00:07:16	JC	Yes. I totally agree with Kevin's point on the yen carry trade and some of the other factors that have caused it. A couple of things that we should talk about really quickly is... It's an election year. So, typically, election years are higher volatility to begin with and we're seeing that.

Time Code	Speaker	Text
00:07:30		Number one, seasonality. This is always a higher-volatility part of the year and the reason for that is that volumes are light. Spreads widen out, so people are buying and selling. You're actually crossing the spread more, which is wider, which means that you're going to move stocks a lot quicker and easier because there isn't that tight market that we typically see for a lot of the season.
00:07:50	KM	And a lot of that liquidity and seasonality is actually... People are on vacation.
00:07:54	JC	They're away. Yes. So we who stay here and sit in front of our terminals are the minority. The majority of people are away, especially in Europe. If you think about Europe there, the month of August is vacation month. And a few other things that I think we need to talk about... We've had an incredibly strong first six months in the market. So people are taking profits. It's not a bad thing to take profits from time to time to pay some bills.
00:08:17		Inflation is still running not hot but warm. Better than it's been, but people still need to pay their bills. So they're taking money out of the market when they should and that's not a not a bad thing. And a couple of things that I think are really important... The amount of option volume that's hitting this market, especially in the single-day option world, is incredible. So the single-day options are like going to Vegas and gambling on the roulette table and the like.
00:08:45		A lot of investors are actually out there, doing that all day, every day. It's the number-one traded product in the world now from a volume perspective. Then, the second thing we need to understand is, retail participation is at an all-time high. We are seeing, on any given day, north of 50% of all the volume coming out of the retail pipe. So that's advisor-based retail, self-directed retail, and/or day-trading retail.
00:09:10	KM	I.e. Roaring Kitty.
00:09:11	JC	Yes. Roaring Kitty's back. I never thought I'd ever say that again, but Roaring Kitty is back. So retail is less patient than institutional. They are more volatile in the way they think about investing and will take profits much sooner than institutional accounts will take profits. So you put all that together... It's a formula for higher volatility and we've seen it.

Time Code	Speaker	Text
00:09:32	KM	Yes. Let me backfill on John's option comment. So a zero-day option is, I'm coming in the morning and I'm betting on where the price is going to be at the end of the day. It's 40% of the volume. So somebody has to write you that option, has to go hedge themselves. Because let's assume it's a call option. I have the right to buy it from the dealer at this morning's price. If it closes above, that dealer has got to go out and buy something that looks like it, too, to hedge themselves.
00:10:00		So you're magnifying this thing as the day is moving around as, again, the price is falling out of the money. They take that hedge off and create selling. That puts it further out of the money. If it's in the money, they have to buy more of it. It's driving it up. It's creating intraday volatility. Toward the end of the day, we're seeing, again, these massive moves as people close these things out.
00:10:21	JC	Yes. A couple of things real quick on that just to follow up. This past weekend we had our Security Traders Association annual conference and we had a great talk from Henry Schwartz from Cboe, who talked about single-day... The options market, generally speaking. The amount of volume that's moved from the 30, 60, 90-day option expiry to the one, two, and one-week option expiries is massive. So we've seen a huge decrease in longer-term option activity and a huge increase in short-term option activity. That alone will move markets on a daily basis and that's what we're seeing every day.
00:10:55	DP	Auritto, let's get you in on this. At the centre of all of this is the AI trade to a certain extent, right? Maybe some thoughts on that but also what Kevin and John have been talking about.
00:11:08	AK	Yes. Just to build on what Kevin and John are saying, I think John brought up a good point. At the end of the day, a lot of names tied to AI or AI infrastructure were up over 100% or 150% year to date. So investors were looking for a reason to sell, to take profits. So what you saw was a couple of things. I think during earnings season you saw some commentary from hyperscale companies, meaning the Amazons, Googles, Metas of the world, talking about, they'd rather overbuild than underbuild. So, what does that mean? This is a bit of an arms race. Nobody wants to fall behind competitively, but maybe the revenues aren't there yet.

Time Code	Speaker	Text
00:11:38		So what I'm saying is, the capex revision, meaning the capital expenditures these companies are spending on data centres and all the GPUs that go in there... That was revised higher than the actual sales and earnings revisions, meaning people aren't seeing the ROI on this just yet, but the spending is there. So that may have spooked investors a bit. Then, the second thing I'd say, very stock-specific, is tied to Nvidia.
00:12:02		Obviously, this has been a darling of the market and rightfully so. They actually came out and talked a bit or at least the street is expecting a bit of a slowdown because essentially what they've created is a very technically advanced chip, their new Blackwell family of chips. So what they're seeing is some issues. At the end of the day, in these servers, you're going from 12 kilowatts to 96 and now 125, meaning these servers are literally on fire.
00:12:30		So you're starting to have issues on power delivery, overheating, water cooling, water leakage. So they've coined this technology TSM actually called CoWoS, chip-on-wafer-on-substrate. These GPUs are now systems. They're the graphical process unit, the CPU's memory. Everything is stacked. You're trying to get more and more throughput. So, as you're doing this, you're moving from one generation, CoWoS-L, from CoWoS-S.
00:12:52		So, because of the design change where you have more interposers, more interconnects, rather than a substrate, you're having all these design issues. But this is, from our view, nothing out of the ordinary. This is something that happens when you're doing technical advancements, technical design. So I think the market took that as, maybe there's going to be an air pocket. TSM came out yesterday and said, yields are actually okay. I think the demand is so strong that they'll maybe fill it from older models and such. So we'll see. The company actually reports next week, but I think the combination of those three led to a bit of a sell-off on AI and AI infrastructure stocks.
00:13:28	KM	Yes. I think one of the things... Put the disruption of the next generation of the chip aside for Nvidia. I think, for me, the bell that started to shake this a bit that rang was when one of the hyperscalers... I think it was Google. Basically, someone in the Q&A said, hey, you're spending all this money. What are you making?

Time Code	Speaker	Text
00:13:52		My data may be stale, but I think at some point we've spent... That group of companies that are building this out have spent \$50 billion and they can identify \$3 billion of revenue associated with that. If we sit here another quarter or two, maybe it's okay. If we sit here another year from now and that spend that's 50 has gotten to 100 and that 100 has only produced 6 billion, maybe 10 billion, that's where we're going to call into question the return on those investments.
00:14:21		That, I think, is, for me, what started the... And I think that won't go away now and this is going to be the dialogue, which is, is the next generation of the thing worth the spend I'm making and can I drive revenue from it? I think all three of us, four of us, share the view that there's massive productivity from AI.
00:14:41		It's the question of, when will it show up? The hype always shows up first and you see that in the stock returns. But I think that, to me, is the bell that rang that was different this quarter, was someone basically saying, what are you actually returning in a revenue format versus the spend?
00:15:00	JC	When I hear CEOs... Not Kevin. When I hear hyperscaler CEOs talk about, the bigger risk is if we don't spend and fall behind, it's a bit of a watch-out for me. Because if they continue that spend and, to Kevin's point, we're not getting the revenue follow-through, at some point the market's going to say, hold on a second. You've overspent. You're not getting any follow-through on the revenue side. That thing will get sold and sold hard and very quickly. The other thing I will say is, when stocks are up 150%, 200%, people are going to take profits, bottom line.
00:15:33		We saw it a couple of weeks ago. We didn't see any panic. We saw people taking profits. So, just a watch-out. Those names have run a long way for a long time. Think back to 2022. They weren't the mag seven. They were the ugly seven. So it wasn't that long ago where they underperformed the market for a long time, had a great 2023, I believe, and then into 2024. So, at some point, that'll rotate back again.
00:15:57	KM	And it's something that Auritro and I talk about all the time. These are great companies. They produce massive cash flows. They have real earnings. They have massive invested and installed bases in their core businesses. This is

Time Code	Speaker	Text
		not the technology era of the late 90s. This is a different group of companies. They may be overvalued at different points in time because the earnings haven't shown up behind those investments.
00:16:24		That's a different issue and that's the profit-taking issue. But when things are uncertain, people know what these companies do. I've talked about this before. You can go out in the street and ask some teenager, what does Colgate-Palmolive do? What does General Mills do? Cereal maker, Kellogg... They have no idea. They may know Kellogg, but they know what Apple does. They know what Google does. In some ways, these things have become the new staples, too, because people know what they are. When they feel uncertain, they crowd into the things they know.
00:16:54	DP	And does that give investors or does that allow investors to give these hyperscalers a little bit more room to run without revenue because they know there's some backing here that maybe a smaller...
00:17:10	KM	Yes. They have other real businesses.
00:17:13	AK	Yes. So I think when you step back and you think of some of these businesses that Kevin mentioned, they're wonderful businesses and almost monopolies in what they do. They have fortified balance sheets. They can push the boundaries and spend this because they're in a position that... Let's just say this doesn't work. They can probably use that compute power for something else. Meta can maybe give you legs in the Metaverse instead of... If their LLM agents don't take off. So these companies can afford to take these risks and they're pushing each other around the spend.
00:17:45	KM	So, where the risk is for me... Again, I'm dating myself in an old analogy. Or example, I should say. If the capex... Somebody wakes up one day, and it could be a quarter or two quarters, and said, hey, actually we're pulling back, we're not seeing that the next generation of things is that much better than the last generation of generative AI dot whatever because we're putting paywalls up and restricting the data that these things can search.
00:18:13		If we can't search as many things, maybe the output's not that much better than the last generation. If I have to keep spending, someone will stop the spend. That's the

Time Code	Speaker	Text
		risk, that when that capex stops, then there's a chain effect. I think that's probably the thing I'd say is... I don't know what inning we're in on that, but there's going to be a place and time that someone says, the spend versus the return doesn't match up. That's where, for me, the caution flag would be down the line.
00:18:48	DP	We've talked about, obviously, the hyperscalers in AI. Auritro, maybe this is a question for you, but are there smaller names out there that are plying their trade in this world of AI that maybe the market loses sight of or has lost sight of because it's so focused on a handful of names?
00:19:10	AK	Yes. So that's, I think, what we're trying to figure out from an investment perspective. But the easiest trade has been, obviously, these large caps that benefit. As you mentioned, they have the free cash, they have the balance sheets, and they have the data. So it is harder for a smaller incumbent to enter these markets and I'll give you some examples. So Perplexity, which is another search agent... The popularity is surging. I think the revenues and usage is up 7X.
00:19:34		There's about 250 million queries last month on their search service versus 500 million all of last year. Similar to OpenAI. OpenAI is probably the most popular GPT large language model out there. Traffic has stalled a bit, but if you still add up their traffic, it's greater than Gemini, Anthropic, Copilot, and Perplexity combined. So it's still popular. But here's the issue. These companies are smaller. They are growing. They may not have the free cash and the balance sheets to keep going.
00:20:04		So what I mean by that is, if you look at the last quarter... Look at Meta. They're really pushing the boundaries. To Kevin's point, they could have eased up on the quarter on capex, same with Google, but they didn't. Why? So, a couple of things. A, they're trying to push the boundaries for their own LLM. So they have a 450 or 500 billion-parameter model, Llama 3. It's 50% cheaper than ChatGPT-4. Creatives can use it for, A, creating a visual. Say you wanted to create an ad for the Olympics. Here. Place this water bottle somewhere, text-to-video, like a Sora AI. You could do that.
00:20:34		The second part of the vision they have is, they want every business to have their own AI agent. If you think about 200 million businesses on their websites, they want

Time Code	Speaker	Text
		to have their own AI for them. But Meta is pushing that boundary because, A, these smaller companies don't have the cash flow or cash to keep up. So they might as well keep trying to push forward. So you're right. There are going to be small companies that do well and benefit, but, again, it's these big companies that are really pushing the boundaries because they can.
00:21:02	DP	And then I want to go back to this idea of AI and productivity because it seems like that's the reason for the enthusiasm to a large extent. What part of AI is going to drive that big productivity? Because we hear a lot about generative AI. Is that the end-all and be-all or is that a path to something else down the road?
00:21:33	KM	All companies, our company included, is doing a lot of deep work around use cases, about every department in the firm. We have found a few after a year's worth of work. I think there are going to be applications that are readily where you see the productivity. That will lend itself.
00:21:52		Things that are rules-based obviously are very easy. Auritro and I have talked. The harder things to be replaced by AI are things that are actually what we would think is more benign. So think about somebody in the self-service or the food service industry flipping burgers. They're actually probably more job-protected for now than someone in the accounting field, legal field, even the marketing field. Meta said, hey, you don't need an ad agency.
00:22:21		We can create an ad for you with AI. So those kinds of things are probably where the use cases are going to be, written material, etc. Those are the immediate ones. The harder ones are going to be when you actually intersect artificial intelligence with robotics and you create a humanoid. That is going to be.... Then you take the next leg of what I call productivity forward. You don't need actual physical workers to the same degree.
00:22:48		I'll give you... It's not AI, but it's based upon basically processing a lot of data that looks like it. You see these self-driving services out... If anybody's been in San Francisco lately, they're learning. They're constantly learning. They're driving. Think about... You don't need a driver anymore. The capex upfront is, you buy a car. The provider buys physical cars and they save on the labour. So, when you intersect some of these things, that's way down the line. That's, I think, the big productivity. But the

Time Code	Speaker	Text
		hype will always come first and the productivity later. That's not new.
00:23:23	JC	So, very specific to the world that I live in on the trading desk, we've already started to see it implemented on trading desks. So many of the algorithms that we're using have AI embedded inside. But, more importantly, the ability to query large data sets multiple times quicker than we could in the past is going to change the way we think about executing some of our orders and where and how we execute those orders as well. So it's already implemented. That's not going to stop anytime soon. That's not to say that we'll ever get rid of traders, Kevin, I'm looking at you at this point, but the technology is already implemented and being used by many.
00:23:59	KM	I found my first use case.
00:24:02	AK	So, if I could just add to that, what Kevin mentioned are actually massive TAM opportunities, massive addressable markets. Drones, humanoids... These are markets that are going to be a multiplier effect on GDP. So what I mean by that is, if you think about AI in general or generative AI and where we are in this cycle, this is a big tectonic shift. So, when I graduated, I was working at the smartphone industry. I was at BlackBerry.
00:24:28		This is just when you started the rise of Apple and the App Store and applications and you moved your PC processing power to your smartphone. When I started in this industry... I'll start on the buy side. This idea was cloud computing. If you've been working long enough, you remember your server was in the kitchen and now we moved that into the cloud. Your capex has become opex and now those cloud companies are giving you all these amazing services.
00:24:52		If you think about the GDP added on each of those, generative AI is probably going to be something even bigger. The multiplier effect, all the applications Kevin mentioned... We don't even know what we're going to use it for. So Goldman Sachs has talked about this adding 9% upside to earnings based on these productivity gains. Bank of America has talked about this being a \$15 trillion opportunity. So the point I'm trying to make is, we're scratching just the surface of this opportunity. So there's this one report that Morgan Stanley has out and they call it Amara's Law.

Time Code	Speaker	Text
00:25:23		What they've done is, they've highlighted every big tectonic shift from a unit perspective. So, if you think about PCs, smartphones, if you think about the cloud computing, and you think about the initial estimates that the street had and what the actual estimates were, Amara's Law is saying that we tend to overestimate trends in the short term but underestimate in the long run. So, to your original question, there is going to be so many applications out there that we don't even know exist that is going to leverage generative AI.
00:25:52	KM	But they don't show up tomorrow. I think that's the main thing for people. The investment cases are in the future, but the spend is today. But I'll give you the Internet example because it's still relevant to me. The Internet was the same thing. We dug fibre everywhere in the world, if you can remember, in the late 90s because everyone was going to jump on the Internet and demand more speed, more speed, more speed, and everybody's going to be in the world on it.
00:26:16		Well, there was a day when the phone companies, basically, around the world said, hey, we've been digging all this fibre and we've been lighting all these circuits and we built all these data centres. So thank all the people in that chain. Intel and Cisco gave you the switches and the modems. And the traffic didn't come, didn't come yet, and somebody stopped spending. Then the whole chain backed up a bit. And we'll see a little bit of that, as we have.
00:26:41		There will be fits and starts of indigestion as we get to that end state that Auritro has mentioned. The spend is today. It may not be this linear path, but the use cases will be there. But they'll show up way down the line.
00:26:57	JC	Hey, David. I have a question for Auritro on this. So this week is Jackson Hole, which is obviously very important to our industry. Next week is Nvidia earnings, as you mentioned. How important are Nvidia earnings to the overall market sentiment and positioning in your thoughts, in your opinion?
00:27:14	AK	I think Nvidia earnings is very important to the market, if not more important than Jackson Hole, and I'll tell you why.
00:27:21	JC	More than Jackson Hole?

Time Code	Speaker	Text
00:27:22	AK	I'll tell you why.
00:27:23	JC	Poor Mr Powell.
00:27:25	AK	I think there's a lot of questions to the sustainability of this, what their numbers are going to be, what their guidance is going to be. The commentary affects a lot of companies. Part of what's happening with Nvidia is... If you go back a year or so, the bottleneck was the GPUs. When these LLMs and ChatGPT came out, there was a shortage of GPUs.
00:27:46		Then that shortage moved to industrials and moved to literal buildout of the data centres, to HVACs and transformers and something called liquid cooling, an investment opportunity as well that we're in. So you move from that now. After that, how do you power these data centres? So now it's like we can't even get enough power. We can't even get enough power from renewable sources. Hyperscale customers are willing to pay whatever they want.
00:28:09		So the implications from Nvidia's earnings, as simple as it sounds, is so profound across various sectors. There's so much correlation now within the markets that I'd argue it is going to be a very important and fascinating earnings report.
00:28:21	KM	One of the things that happened in that two weeks of the doldrums, as David said, and I called it the fireworks, was that cautionary tale by Google about, where's the spend versus the return? The names that got pounded the hardest were these names. They had the highest multiples. Part of it... And intersecting all the things we talked about.
00:28:41		If Nvidia has a crack in it because it says maybe the next-generation chip is delayed, maybe the expectations aren't as high as we thought... It's the largest market cap name in the US market. To Auritro's very important point, the tail effect, other than technology sectors, is pretty wide. It, to me, probably is going to be something that creates a lot of volatility. The average stock actually did much better in that two-week firework period.
00:29:12		It didn't go down as hard. We're seeing real earnings coming out of the other 493 for the first time in a couple of quarters. So you may see the same effect. It may have

Time Code	Speaker	Text
		a big market cap at the cap-weighted index impact. It may not be the average stock, but its tentacles reach into a lot of other sectors. So I think, absolutely right. It's unfortunately, because of its weight and its significance, going to be firework-inducing maybe.
00:29:44	DP	All right. Maybe last question. How do you, Auritro and Kevin as CIO... How do you take advantage of the huge opportunity here but level-set in terms of all the hype that goes with it in the near term? What are you looking for, without getting into specific companies that we own? What's the mindset for you, Auritro, when you're getting involved in this trade, if you will, the AI trade?
00:30:21	AK	Yes. I think it's an iterative process. You're constantly trying to understand where the industry is going, what companies are saying. At the end of the day, we're evidence-based and we want to see the earnings. We want to see the fundamentals inflect and companies continue to beat and raise. So that's important. But at the same time... I think you said something earlier. This isn't the only trade in the market right now.
00:30:49		Yes, AI is great and fantastic, but there's so many other fantastic opportunities as well where companies are probably leveraging AI. So you have to start thinking of the second-order effects as well and which companies can apply this. So there's a company I'm fascinated with and Kevin and I have talked about called Axon, which does bodycams and tasers in the US, but where they've really grown is in software. They're leveraging a lot of software to help state and local municipal governments.
00:31:17		They have this product called Draft One. So, if you get a chance, listen to the earnings call and talking about how they're leveraging generative AI to help the bodycam footage do the paperwork. So police officers can be back outside, doing their day job, where they don't have to be doing mundane paperwork back. So that's an example of a company that's leveraging AI to do something that's really productive for society and investors.
00:31:45	DP	All right. I think that's a wrap, guys. Auritro, thanks very much for being here, and Kevin and John as always. We will see you in a couple of weeks. I think we got Greg Valliere back and we're going to talk US politics.

Time Code	Speaker	Text
00:31:59	KM	Nothing going on there, is there?
00:32:01	DP	Nothing going on there. Anyways, have a great day, guys, and we'll see you later.
00:32:05	JC	Thank you.
00:32:10	VO	For a full transcript of today's episode, visit agf.com/podcast and don't forget to subscribe to hear more from us at Apple Podcast, Spotify, Stitcher, Podcast Addict, and Pocket Casts. This episode of Inside Perspectives was recorded on August 20 th 2024 at AGF's offices in Toronto, Ontario, Canada.
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