



What and Who is ChatGPT?

In 1974, two young researchers named Bob Kahn and Vint Cerf published a paper titled “A Protocol for Packet Network Intercommunication.” The perfect beach read? Hardly. But, unbeknownst to them, Kahn and Cerf had just changed the world. Because, among many other things, the paper introduced a new term. A term that, these days, even toddlers know.

Internet

The internet began as a way for computers to share resources and information, whether they were on different floors or even continents. What those early researchers couldn't have imagined is how this experiment would explode into a global system of networks. A system that enables us to communicate, shop, get news, watch videos, listen to music, and yes, share funny cat memes from anywhere in the world.

We've been thinking about the early days of the internet a lot lately. That's because we now have another new phenomenon that will change the world. We're referring, of course, to the rise of artificial intelligence, or AI.

AI has long been the domain of science fiction, but in recent months, it has exploded into daily life. Schools, businesses, lawyers, teachers, writers, and others have all begun to realize that AI is no longer a thing for the future. It's here now.

Which means investors need to start thinking about it, too.

AI comes in many forms, some of which have already been around for years. But the one dominating the news right now is called **ChatGPT**. As your financial advisors, this is something we are watching closely, so we thought it would be smart to brief you on why.

ChatGPT, as the name suggests, is a **chatbot**. A chatbot is a type of software designed to converse with humans, usually via text. Chatbots have been around for a while, but ChatGPT is much more advanced. In fact, ChatGPT can communicate fluently on almost every imaginable topic by mimicking how the human brain works. Trained using the vast amount of information found on the internet – thanks Bob and Vint! – it can predict what the next word should be in any given sentence to a degree far greater than ever before. And it is constantly, endlessly learning.

The result is that ChatGPT can do far more than just say, “Hello, world,” or “It looks like you’re writing a letter, would you like help with that?” Instead, it can be used to draft a thesis paper, solve a math problem, explain the theory of relativity, or look up a fact. It can compose a piece of music, help you brainstorm ideas, extract data, give trip recommendations, and even write computer code.

These abilities are genuinely impressive. But, as with almost any new technology, they also come with a slew of legal, ethical, and even safety concerns. The media is rife with articles and editorials on how ChatGPT can be used to cheat on tests, commit plagiarism, provide incorrect information, or even help hackers create malware.

Despite these concerns, many companies are racing to build their own AI products. Even more are rushing to utilize AI to get a competitive advantage. Why? Because the abilities we listed above are really just scratching the surface. One reason ChatGPT – along with the broader notion of “generative” AI – has exploded is because it can potentially help companies boost productivity, increase efficiency, and even connect more directly with consumers.

This, of course, would be of major interest to investors. After all, businesses that are more efficient, more productive, and boast more loyal customer bases tend to be the ones that return the most value to shareholders.

Here again, we have parallels to the internet. More specifically, the wild west days of the early World Wide Web. Companies that were quick to embrace the internet – as an online marketplace, an advertising platform, and as a communications tool – often leaped ahead of their competitors. Many became stock market giants. (Amazon, anyone?)

Companies that embrace AI could be poised for a similar leap. So, as you can imagine, Shik & I have been researching how AI could impact the markets. Currently, we are studying the companies, industries, and sectors making the earliest – and best – use of AI. It’s all part of our quest to ensure your portfolio remains up to date and cutting edge. It’s a fascinating time!

But it’s also a time for caution.

Advances in technology are always exciting. This one is no exception. But they can also bring unintended consequences. Especially when they come with as much hype as AI.

For example, let’s re-consider the early days of the internet. Back then, the Web generated even more excitement than AI. Investors began flocking to almost any company that adopted the internet...including unproven startups high on venture capital but low on experience or a proven business model. All the hype inflated the market, with too many investors willing to accept astronomical risk in the expectation of equally high returns.

The result was the **dot-com bubble**, which popped in a big way back in 2000.

The fact is that major technological leaps often take us to unintended destinations. Sometimes, the destination can be largely positive. The internet is a good example, actually. Trolls and spam emails aside, the internet has been a hugely positive force for mankind. It has improved communication. It has opened up new creative and financial opportunities. Most of all, it has made knowledge more accessible. But none of those early internet pioneers could have foreseen that when they were writing about resource sharing and packet switching.

Sometimes the consequences can be negative, at least for a time. One example is the cotton gin. When Eli Whitney invented the machine back in 1793, he hoped it would revolutionize the cotton industry and lead to the end of slavery. Only the former came true. Many historians now believe the gin prolonged slavery because it made picking cotton much more profitable.

Sometimes the effects can be mixed, but still vastly different than what was intended. A recent example is bitcoin. When bitcoin burst on the scene in the early 2010s, the original idea was for a medium of exchange that would completely change currency as we know it. Today, while some people use bitcoin as money, it's more commonly seen as a speculative investment. But that's not what its original creators envisioned.

The point is, we don't know where AI will truly lead yet. And that means, as investors, that we need to be cautious, flexible and open-minded about how AI could transform the world around us. Keen to seize any new opportunities that come our way. But also vigilant against hype; against jumping into a pool with both feet when we don't know what lies at the bottom.

In the coming years, we will probably find ourselves facing conflicting stories about AI. We'll probably be bombarded with a hundred sales pitches for investing in AI companies, or using AI to change the way we invest. When this happens, we need to remember that the point of investing is not to get somewhere first. It's to get you where you want, when you want...safely.

That's why, here at Patel Wealth, we will continue to learn more about ChatGPT and the rise of AI. Always open to new ways to help you work toward your goals...but always choosing the solid option over the shiny.

In the meantime, we'd like to know what you think. Are you excited about the increases in artificial intelligence? Concerned? Indifferent? What questions do you have? What would you like us to know for the future? Please feel free to shoot us an email or bring it up at our next review.

Have a great month!

You can't gaze in the crystal ball and see the future. What the world is going to be in the future is what society makes it. – Bob Kahn

P.S. In case you were wondering, no part of this letter was written by ChatGPT or any other kind of AI.

Thank you and be well,



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