

Fiducient Advisors, Nonprofit Investment Stewards Podcast Episode 70, March 18, 2024

The Future of AI: Trends, Opportunities, Risks, and More! with Altan Wuliji

[00:00:00] Welcome to Nonprofit Investment Stewards with Bob DiMeo and Devon Francis from Fiducient Advisors. Bob and Devon are passionate about helping nonprofit organizations prosper. Whether you oversee endowment, foundation, or retirement plan investments, this podcast exists to help stewards improve performance, reduce costs, and discover strategies that enable your charitable organization to prosper and advance its mission.

[00:00:26] Now onto the show. Hello, and welcome back to the Nonprofit Investment Stewards podcast. I'm Bob DiMeo. Always great to be joined by co-host Devon Francis. Artificial intelligence, it's what drove markets last year, and it certainly continues to dominate the news today. But what does it mean for you? Are you excited about the potential upside as an investor?

[00:00:50] Maybe you think AI will help you gain professional efficiencies and capabilities, or maybe you're a little concerned and view it as more of a threat. Regardless [00:01:00] if you're thinking about how AI can impact you, and you definitely should be, then today's episode is for you. We've got a great guest. He's not only a colleague, but a friend.

[00:01:10] And Devon, I hope you're doing well, and would you please introduce our guest? Yeah. Good to see you, Bob. Uh, great to be here today. I'm very eager to glean some insights from our guest today, Altan Wuliji. Altan is a principal and senior consultant at Fiducient. He has worked with a variety of clients, including nonprofit organizations, private families, and financial institutions.

[00:01:33] Altan earned a degree in financial planning from the University of Illinois and a master's in personal financial planning from Texas Tech University. Altan was awarded the prestigious Gates Millennium Scholarship, as well as the President's Congressional Scholarship. He's also a certified financial planner, has served on nonprofit boards and competes in triathlons.

[00:01:53] So Altan, welcome to the show. Thank you for being here. A true honor. Thanks for having me on. Two quick things [00:02:00] I would note is I have many clients that listen to this podcast, so when they're on the go, so I'm sure that's now that they can't escape my voice. So that's reassuring. And then congrats on, I think episode 70 now.

[00:02:13] Uh, so saving the best for last and also, of course, the most humble of guests that are out there too. Oh, that's great. It's great to have you on the show, Altan. And, uh, thank you. Perhaps we can start with your role at Fiducient and really the role that you and your team play, because it's kind of unique.

[00:02:31] Very unique. So, I am a senior consultant and principal at the firm. We work with financial institution organizations, so think of advisory firms that work with a number of end clients. And so, there's a lot of leverage on the research effort. And we've got a robust research team, so we help with the investment due diligence, but also, they're as curious on things on the markets as well as things on artificial intelligence.

[00:02:57] So we like to have those investment [00:03:00] conversations with them. So Altan, AI is everywhere, but I think it might be helpful to level set. So, first of all, what is artificial intelligence and why is everyone talking about it? Those are two great questions. I'll actually add one more sub-question, which is perhaps on everyone's mind, what is ChatGPT, uh, which is often associated with artificial intelligence.

[00:03:24] And so yes, let's set the table a little bit here. AI, in and of itself, is a field that's nothing new. It's, it's north of 80 years old. Essentially last year, it turned on and to the surprise of many, it works really, really well. The reaction by people, you had, uh, Sundar Pichai, Google CEO, on 60 minutes essentially dubbed this a turning point in civilization up there with the discovery of fire, the invention of the book.

[00:03:56] I mean, you also have English teachers across the country up in arms calling it the [00:04:00] end of essays or English composition in high school. Uh, so there's a lot of different views on, on what this is. So, it is everywhere. I believe for many of us, our world view on AI is probably set by every good plot line for a science fiction movie, right?

[00:04:17] It's the well-intended humans that turn on the machine. The machine then takes over the world and we inadvertently destroy human civilization and, and in the process, live in this, this dystopian society. I think that's perhaps conflated much of the hype and I think that couldn't be further from the truth.

[00:04:34] I do believe, and this is the general view, is that AI will be more of a partnership rather than an adversarial one, which will ultimately lead us to better outcomes. And so, everyone's talking about, and of course, perhaps a good time to talk about ChatGPT, which was turned on in in 2023. and maybe just a few moments here, how I'd have you think about ChatGPT.

[00:04:59] [00:05:00] By default, think of it like an auto complete. And so, and on your phone, instead of just doing an auto complete with a single word, it's a very sophisticated one. So, it can do, it can complete or can predict the next sentence, paragraph, even, even thousands of words that are, that are out there. and essentially, it's been trained on the sum total of human expressions.

[00:05:23] So think of like billions of data points. And so traditionally, if you think of a computer, if you ask a computer a question, computers are very literal. Uh, it will give you the same answer over and over again. ChatGPT on the other hand isn't deterministic. It's probabilistic. And so, ask it the same question again.

[00:05:44] It will give you more and more different answers, essentially taking you down different paths on this probability tree it wants to present you. I won't get into neuro networks and machine learning, but essentially it has a collective understanding of everything all [00:06:00] at once. And you as a user can really give it direction on, on where to go.

[00:06:05] And so ask it enough questions, it will get, it will give you better answers, but what it ought to do eventually is be able to generate new chemical compounds, new cancer therapies, new screenplays, and connect the world in a way that we have yet to do. I think more practically, you know, just compare it to perhaps an overworked medical professional looking at thousands of patient histograms or x-rays.

[00:06:33] It could eventually identify a micro-tumor that may be seemingly overlooked by, by humans. So, there's a lot of potential with these types of tools and, and I think that's where there's a lot of excitement and buzz. So, Altan, I'm not sure if you know this, but I am a former English teacher for a very brief period of time, and dystopian fiction is my favorite genre.

[00:06:54] So, I have to admit, I'm one of the people that has been a little bit nervous about AI. [00:07:00] But let's switch gears a little bit. And as you know, most of our audience is leaders of nonprofit institutions that are kind of focused, uh, on the investment side of things. So what opportunities does AI present for investors?

[00:07:14] Yeah, that's a great question, Devon. Uh, the opportunity's quite meaningful just in terms of revenue and economic impact. PWC just had a, a study come out that AI could contribute. I mean, just

under 16, \$16 trillion to the global economy by 2030. Uh, that's more than the output of India and China combined.

[00:07:35] And so when you think of the opportunity, you know, it's really important to parse out the noise that that's out there and, and really look for what's significant. And so here in the US you have really essentially the Magnificent Seven really leading the charge here. and they're most known for the state-of-the-art, artificial intelligence.

[00:07:54] So you've got companies like Google, Microsoft, Amazon, Tesla, Meta, [00:08:00] Nvidia, all on the leading forefront. As we sit here in 2024, you're seeing a real move towards monetization. So, it's as easy as downloading the app for ChatGPT and subscribing for \$20. You're also gonna see more monetization on the business front.

[00:08:16] All of this artificial intelligence will eventually lead need, will have a need for more computing power, for more processing chips, more transformational technology. And so, the knock-on effects here are not just the rest of the 493 companies in the S&P 500, uh, you'll also need a, you'll also see it as it relates to infrastructure, hardware, data centers, uh, to house all of the systems.

[00:08:44] And so it could be a real knock-on effect that we haven't seen, frankly, since the, you know, beginning of the internet age or, uh, you know, the airline industry. This is, this is quite meaningful. Yeah. So Altan, I think from an investment perspective, you probably [00:09:00] always have speculators, like think of Bitcoin or anything new.

[00:09:02] You've got speculators, but then you have legitimate long-term investors like those overseeing endowments and foundations and folks are wondering how does AI translate into my portfolio and my investment opportunity set? And there might be a misunderstanding that many folks overseeing pools of money or investments don't necessarily think that they're already invested in AI.

[00:09:26] Can you talk a little bit about that? Absolutely. Uh, like it or not, investors are essentially already subscribed to this journey. In order to create these neural networks, it requires billions of data points. And so, look no further than our big technology companies leading the charge here.

[00:09:44] So, for a investor really looking to dial into this artificial intelligence revolution, you really don't have to look far than what you already own today. I think many of the other companies [00:10:00] not involved in artificial intelligence are absolutely looking for ways to leverage these tools and of course these technologies to become more profitable.

[00:10:08] And so, look no further than what you already own today to capture a lot of that. I think where we are rolling up our sleeves and where managers are, are having conversations are, well, what are the next companies to really take on this next revolution? And of course, you're, you're starting to see on the Silicon Valley side and VC, uh, start to think about how these technologies can be deployed, as well as in the other technology and sectors in the economy.

[00:10:39] Uh, begin to think about use cases across the board. So, the good news is not very far you have to look. There's no angle or additional work needed to really access this, uh, this phenomenon that's taking place today. And, and what do you see as some of the risks or limitations on that front?
[00:11:00] A couple of risks out there.

[00:11:03] Um, I mean, first and foremost, this technology is new and they're still, so to speak, ironing out the, the bugs. And so, one of those things that ChatGPT can do is it can concoct entirely fictional answers. Perhaps one of the more infamous cautionary tales out there was in the New York Times last year.

[00:11:26] There was a poor fella who was on an Avianca flight, uh, had a run in with the metal cart, injured his knee, hired two New York personal injury attorneys. Those injury attorneys then in their

briefing submitted a dozen or so case citations to the judge, at which point in time the judge or frankly, the rest of the court could not identify.

[00:11:54] Where those, uh, legal briefings came from. And so, it put those personal injury, uh, attorneys [00:12:00] on the hot seat because ChatGPT made up those, uh, case briefings entirely. And so, there is a, uh, there is a risk out there that you really have to make sure you're, you're doing your due diligence and not just allowing ChatGPT to give you answers.

[00:12:15] So, determining truth from fiction is one of those important things, especially in this kind of work in progress that we see with, with, with AI. I think another risk out there, and this is more philosophical, but AI is general purpose intelligence. So, it can do whatever intelligence can do. So, if you ask it to generate hate speech, it can do that.

[00:12:41] If you ask it to commit a terror act, it can help you figure out how to rob a bank, right? So there are those scenarios out there from an ethical standpoint we'll need to think through, but it will also help you figure out, uh, how to be a better person, better advisor give you good medical advice, be a mentor, [00:13:00] be a teacher, be an advocate.

[00:13:01] It can be very honest with you. And so I think there are, are really opportunities for, for better outcomes for, for people across, across the board. I think something else to pay attention to is because it's a new technology, there's really two countries leading this effort. One is the US where we have these big tech companies leading the charge.

[00:13:24] You also have this open-source movement where you have, you know, individuals that are creating this for free, for the benefit of people, much like a Wikipedia, so to speak. At the same time, you compare that to China where the government is really keen on developing these technologies because it can potentially help achieve population control.

[00:13:48] And this is nothing, uh, hidden. China's very vocal about their AI agenda through their Digital Belt and, and Silk Road initiative where they're wanting to overlay AI [00:14:00] on top of their smart cities, their network capabilities, and, uh, you know, security cameras and drones can do all the kinds of things like facial recognition and traffic control and issue fines, and so.

[00:14:12] More of a philosophical question, but is AI a tool to watch and control us? Or is it a tool to inform us and, and make us better? Uh, so I think those are the, the risks that we're, we're facing today. Yeah. That's, that's great input, Altan. And I appreciate the, uh, the story about the, uh, the courtroom and such.

[00:14:32] I guess one other risk or consideration or downside for investors to think about is, in some ways I think of AI like electricity in the early 1900s. And at that point you know, there was going to be a need for electricity for a hundred or hundreds of years. Right? But that doesn't mean all investors made money on it and utility stocks were trading at a hundred times earnings and it didn't exactly play out well for them.

[00:14:59] So we've got that [00:15:00] side as well. So Altan, let's talk a little bit about how you see AI potentially reshaping more traditional industries and what implications this might have going forward. And then if you could maybe tie in any specific impact you might be able to identify, um, for nonprofit organizations.

[00:15:21] Initially there was a belief that AI would mostly affect manual labor, right? We'd have automatic robots, uh, in factories, driverless cars, drones, hovering around delivering, delivering packages 24/7. But it's become quite evident that the implications are much more nuanced and widespread. So far, you're seeing most of the disruption on the office related tasks, uh, that.

[00:15:45] And jobs that are more error prone and require a lot more time. I think the implications are that you'll essentially split businesses into two camps. Those that leverage the technology versus those that, that don't. I think [00:16:00] specifically for nonprofit organizations there's a, there's a number of different ways this can be applied.

[00:16:06] I think even just on the hiring standpoint, maybe just something to keep in mind is that I do think people on their resumes will start to put artificial intelligence as a skillset much like they do for Excel or coding or something else. If I can do a quick story of this and, and just why it's important to, uh, express the, the right type of prompt for, for a, for a tool like, uh, ChatGPT.

[00:16:33] Just yesterday, I got a flat tire. I called, uh, the roadside assistance. It was gonna take two hours for them to change out the tire. I just realized, look, while it's been 20 years I haven't changed the tire, why don't I just plug it in a ChatGPT, look at YouTube and figure out how to do it myself.

[00:16:50] So I rolled up my sleeves, but I can't just ask ChatGPT to say change tire. I was like, well, what do I need to do? What do I need to watch for? How do I make it easy? And [00:17:00] so it was able to really give me nice prompts. And so how you interact with the tool is, is really important. I use that as an example.

[00:17:07] Uh, and just to tie this back into nonprofits, you think of the, you know, the top three things that are on nonprofits minds are fundraising, mission, and even just measuring and evaluating how much change they're making. So on the fundraising side, you know, being able to personalize or curate the engagement with individual donors or being able to respond to that kind of communication, I think there's more of a.

[00:17:32] Engaging experience that, uh, that donors can have and, and effectuate a more, an improved, uh, fundraising process. I think as nonprofits across the spectrum think of their mission, you know, they'll be able to better quantify or identify the impact that they're having and, and ultimately as they think about deployment of those, those investment funds towards different projects or goals, how to create a proposal. [00:18:00]

[00:18:00] How to measure that effect, evaluate it. Ultimately, the optimization of that process is also something that will be really interesting. So, I think just being a more productive and sharper organization is something that we can all look forward to. And that's both on the actual business, but also, uh, as it relates to the goals that the nonprofit has in mind.

[00:18:24] Altan, what are some of the key trends in AI and maybe what can we expect for the rest of this year and beyond 2024? I mean, even as you think about just on your phone or on the internet or as you, as you use the, the technologies you have today, you're noticing a button pop out for AI. So, I think it's something that is here to stay.

[00:18:48] As I mentioned before, these tools are essentially trained on the sum total of human written expression. In 2024, we're already seeing it become multimodal, [00:19:00] where you can feed it not just text, but images. You can feed it music. You can feed it this nonprofit podcast and videos and all kinds of data.

[00:19:09] So it's gonna have a very complete view on our world and, and get very interesting in its, in its use cases. I also think there's a big push for regulation. So, there's a lot of interesting questions being asked on Capitol Hill as it relates to what we should do here in the US but also what it means for, for countries like China that are, that are out there, I think look no further than this election to be almost the first election with AI.

[00:19:36] One of the challenges here as we think of November's election is deep fake videos where you can essentially have a candidate say a prompt or things and it wouldn't have, uh, that actually

didn't happen. Entirely fictional. Uh, and so there are 77 elections around the world this year. So, what's it stop?

[00:19:55] What's gonna stop it from being misused, uh, is the genie perhaps out of the [00:20:00] bottle. Uh, I think how we mitigate some of those negative implications is gonna be one of those key trends. But I also think with any new technology, we're also gonna grow in the understanding of how to leverage it.

[00:20:13] So, your kids, your, your grown, your, your parents, us, we're all gonna have growth with this type of technology. So it could be, hey, ChatGPT, explain, uh, quantum physics to my 10-year-old, or explain, modern portfolio theory to my, to my, uh, grandparents. I think there's, there's a whole host of use cases out there, and it, and it's gonna be very interesting over time.

[00:20:37] Altan, when we think about investment strategy and maybe even portfolio construction, what thoughts do you have on that? I think two thoughts come to mind. One is a just a sense of humility. It's an important reminder that these technologies are black box. It may come up with, [00:21:00] it may create solutions that are just beyond our comprehension.

[00:21:04] And so without any evaluation or oversight, there is with artificial intelligence, if they're pushing the button, it's important to recognize the responsibility still falls on the individual or on the, on the persons to re-engineer how they come up with that answer. And so, I think that's really important to note.

[00:21:26] And so when we think of scenarios where, you know, this may have a pitfall, there are already victims of this AI that have led to failure. So, there was a hedge fund, uh, that came out. It raised a couple hundred million dollars or the idea was AI is gonna do all the trades and all the, all the execution.

[00:21:47] And lo and behold it became defunct and, uh, it really led to poor outcomes there. So I think as people are using these types of tools, it's really important to think of it much like a Swiss Army knife. It [00:22:00] is a tool that can be used amongst a variety of different things out there, but it's incumbent on the user to really identify how to leverage it as it relates to investment strategy, investment management.

[00:22:12] It can handle a lot of data. And again, begin to draw connections that, perhaps we haven't otherwise. And so I think there's a big benefit when it comes to risk management, thinking about running different simulation tests and scenarios, uh, that can make more informed decisions. So that's the really exciting part here as we think about investment strategy rather than the next hot stock or hot tiff that's out there.

[00:22:39] That is really exciting and super interesting, and I think we can have you back to really spend an entire episode just on that and, and, uh, the potential benefit for investors in portfolio construction. Uh, so we've covered a lot to this point. Anything else you'd like to share or perhaps underscore?

[00:22:57] I would just underscore that I, [00:23:00] I think there are two camps there. One is that's a bit more adversarial and, and one that's a bit more of a partnership. I, I truly do believe that there are some meaningful opportunities for businesses and, and organizations out there to frankly take away a lot of the mundane work and, and tasks that are prone to error.

[00:23:18] So it's worth a look in that regard. Uh, I also think it just in terms of civilization, we are seeing an emerging technology unfold in front of our eyes. So, I do think it requires a bit of patience, uh, but also, uh, as this, there are known risk, but also unknown opportunities and potential that's out there.

[00:23:36] So that's also equally exciting. So, I think it's a, if a, it's a half glass full and half glass empty and, and, uh, and it's worth dialing into as we, as we look into the, into the years to come. Great. So, before we wrap up, let's move to Altan, the person. What types of things do you enjoy doing when you're outside of work?

[00:23:55] Terrific question. I do feel like my bio's a bit [00:24:00] out of date. Maybe I would throw in a couple of things. I think during the pandemic, I had this vision of, of getting back into rugby and, and I eventually tore my Achilles, so no rugby. I stick to the Peloton bike. But outside of that, and outside of work.

[00:24:16] My wife and I love to host. We love to cook. Uh, we like the food scene. I think in absence of sports, uh, we've, I've developed a really keen interest in F1, in Formula, in Formula One racing, so that takes up a bit of time there. Love a good podcast. Uh, again, a big fan of the nonprofit podcast here, but I can put those in my earbuds and, and tune out for a couple hours.

[00:24:39] Love to, love to spend time on the podcast routes as well. So, that's just a little bit about me there. Great. Thank you so much. Well, we really appreciate your insights, your expertise. You've shared so, so much of interest to, uh, Bob and I and to our listeners. So thank you very much for being with us. [00:25:00]

[00:25:00] Thanks for having me. Thanks so much, Altan. That was absolutely terrific. And as always, thanks to our audience we're grateful for, for you. And, uh, as Altan mentioned, we've had a number of episodes and just keep chugging along here. And, uh, I did want to mention three special reports we'd like to share with our nonprofit leaders.

[00:25:17] The first is hot off the press. It's a groundbreaking study on cultural institutions, think museums and zoos and gardens and so on, and it really delves into their investment practices and the governance around them. It was a joint effort with Fiducient and the American Association of Museums and The Morton Arboretum and the findings are super insightful.

[00:25:38] Next, we have a very similar study. But that applies to associations, both their investment and their reserve funds. And then finally, and this would be more for those of you who are involved in higher ed, we have insights and perspective on the NACUBO study. So if you're a nonprofit leader and you're interested in how your peers are investing and how they're governing and so on, reach out to me or reach out to [00:26:00] Devon on LinkedIn or email us and you'll see that in the show notes.

[00:26:03] So to you, good stewards, thanks for investing time to help your nonprofits prosper. We'll connect with you soon on the next episode. Thank you for listening to the Nonprofit Investment Stewards podcast. Click the subscribe button below to be notified of new episodes and visit fiducientadvisors.com for more information.

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