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THE IMPACT OF AI ON INVESTING

BY LLOYED UREN | JUNIOR PLANNER, BRENTHURST WEALTH GRANGER BAY

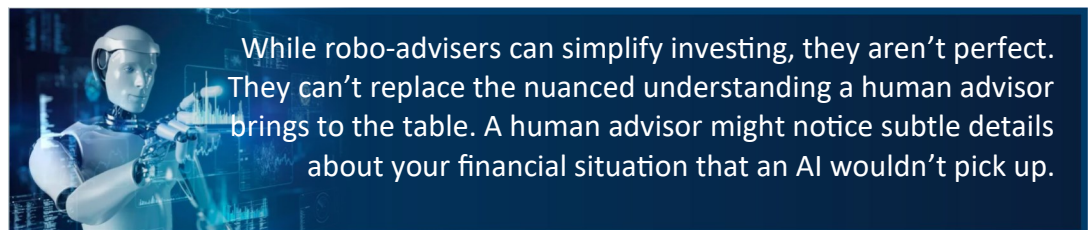
Suddenly, Artificial Intelligence (AI) is all around us, stirring up emotions which range from amazement to outrage at the capabilities on display. It seems that every aspect of society is being affected by this new technology, and the world of investing is no different. The question that you need to ask yourself: "Is it hype or is it truly helpful?"

Unfortunately, at this very early stage of development, it's difficult to make a call on whether AI is going to transform our lives or, as some fear, take over our lives.

When it comes to investment planning, it's easy to believe that these sophisticated models can outperform humans. The speed at which information is processed by these AI models is mind-blowing, with bespoke AI trading tools revolutionising high-speed trading.

This might be of interest to professional traders and money managers, but for ordinary investors it's far less important. For the majority of us, it's more about finding ways to simplify the investment process, especially if it contributes to lower fees.

These are clearly important benefits, but I'm not convinced that going all in on AI investment tools and services is a sound move – not at this stage.



While robo-advisers can simplify investing, they aren't perfect. They can't replace the nuanced understanding a human advisor brings to the table. A human advisor might notice subtle details about your financial situation that an AI wouldn't pick up.

DATA ACCURACY AND PRIVACY CONCERNS

With the technology, and the companies behind the technology, still unproven, there are obvious concerns about balancing convenience and data privacy.

I fully comprehend the convenience and insight that comes from logging into your banking or trading application to obtain a detailed breakdown of your spending habits or your portfolio. It's difficult to argue against the convenience of the banking app categorising your transactions and suggesting ways to save money based on your spending patterns.

It's like having a personal financial advisor in your pocket, helping you create a budget that works for you.

However, one of my concerns of relying solely on AI-powered insights or advice is the question of the accuracy and bias of these models. A financial provider can easily programme the tool to suggest products or solutions that are more in their favour than yours.

And, of course, there's the ever-present danger of your personal and sensitive information being leaked, should criminal hackers break through security systems.

ROBO-ADVISERS

You might have heard of robo-advisers. These are AI-driven tools that claim to create customised financial plans based on your goals, income and spending habits.

For instance, if you're planning for retirement, a robo-adviser can help you design a savings plan that fits your timeline and risk tolerance. These digital tools have been around for some years already, but are enjoying a rebirth on the back of chatbot and virtual assistant technology powered by generative AI models.

These have become so good that it's sometimes difficult to tell whether you're talking to a real human or a chatbot.

While robo-advisers can simplify investing, they aren't perfect. They can't replace the nuanced understanding a human advisor brings to the table. A human advisor might notice subtle details about your financial situation that an AI wouldn't pick up.

So, while these tools are helpful, don't solely rely on them. Keep building your financial literacy and consult with a human advisor whenever you're unsure.

BENEFITS AMONG THE RISKS

One way that AI can benefit you as an investor is guiding you to invest in the right AI stocks at the right time. If you've been following the NVIDIA story over the past year or two, you'll be aware that its share price has rocketed since the beginning of 2023, from around \$40 to \$120, on the promise of mega profits from the AI boom.

As noted in a recent Investec blog, the real value for investors lies in adopting the same approach as during gold rushes of eras gone by. Rather than backing individual prospectors to strike gold, put money behind the people selling picks and shovels to the prospectors.

You can get direct access to the likes of NVIDIA and other hardware makers, like ASML, through popular investment platforms, or through funds invested in these AI opportunities.

Brenthurst uses a number of these funds to give South African clients exposure to these high-growth stocks.

I have no doubt that AI is going to infiltrate further into our daily lives as the technology matures, and I'm sure we'll find fantastic applications and solutions based on this technology. But I don't think AI is at that level yet where it can be fully trusted. Not for your financial needs, anyway.

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Lloyd joined the Brenthurst Wealth Team in 2023 as a paraplanner/advisor and currently works under the direct supervision of Sonia du Plessis, Renee Eagar and Ruan Breed in our Cape Town, Granger Bay office.

He obtained his BCom (Investment and Financial Management) degree from the University of Stellenbosch, as well as his Postgraduate Diploma in Financial Planning through the Stellenbosch Business School.

Lloyd previously worked in the IT Services industry as a data officer for Wyzetalk before beginning his career in financial services with Brenthurst. He is passionately driven to help individuals achieve their lifetime financial goals and, thus, is working towards earning his CFP® designation to enable him to provide advice on all financial matters.

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