



# Portfolio Confidential

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*Do you have questions about your own investment portfolio? I have recently set up The Rich Thinking® Financial Advice Hotline. This will be a win/win: you get a free 30-minute confidential Zoom chat offering an independent, unbiased perspective on your financial situation with no sales pitch! In exchange, I get to use the anonymized data that will come from these conversations to make my Rich Thinking research even better. Email me to book your Zoom discussion: [barbara@barbarastewart.ca](mailto:barbara@barbarastewart.ca)*

I am a long-time “do-it-yourself” investor, and I’m now considering environmental and/or social corporate practices when I think about what type of companies to invest in, and I am also really excited by the potential of generative Artificial Intelligence (AI) in doing research. Is there some sort of rating guide that you can recommend? Would ChatGPT be useful?

I was once in an airport and saw something that was called a “fit brownie”. Before buying and eating it, I wanted to see if the ingredients measured up to the claim. They were WORSE than other snacks at the same counter, and I didn’t buy them.

Companies, mutual funds, and Exchange-Traded Funds (ETFs) mostly claim to be sustainable these days, but how does the average investor know what’s really inside? There is a lot of what is called “greenwashing” where they are overstating just how sustainable or Environmental, Social, and Governance (ESG) compliant they are.

Many retail investors are looking for tools and data to cut through the greenwashing, with Millennials, Gen-Z and women particularly interested in investing this way and with these tools. There are firms that do in-depth research and assign ESG ratings to individual companies, mutual funds, and ETFs: MSCI, Clarity and perhaps the best known is Sustainalytics, now owned by Morningstar. I’ve been on panels and interviewed researchers for these companies, and I know their reports are usually

subscription-only and can cost tens of thousands of dollars.

I have a ChatGPT account, so I asked it to “write an ESG rating for Bank of Montreal in the style of Sustainalytics.” It took about 10 seconds, and I read that it “learned” that BMO has a medium level of ESG risk and a score of 27.3.

But then I tried a really “old fashioned” approach: I Googled “Sustainalytics Bank of Montreal ratings.” In less than a second, it gave me a link to the actual Morningstar Sustainalytics site, with their November 22 updated report on BMO.

- 1) It was fast.
- 2) It was free.
- 3) It said that BMO has a rating of 15.3, which is actually the lowest (e.g. the best) ESG risk category!

To be clear, if I wanted to dive deeper or compare BMO to other Canadian banks, I would need to become a subscriber. But at a high level, a simple Google search reveals that there is a lot of good, free, accurate info out there.

Importantly, I do NOT think it is a good idea to use ChatGPT as a research tool. I have read many articles about how generative AI tools can “hallucinate” and give answers that sound plausible but are badly wrong. As the next question shows, generative AI has all kinds of uses in the ad industry and many others. But stick with a search for research!

I read a *Financial Times* article last month that said WPP has teamed up with Nvidia to use generative AI in advertising. It looks like the advertising industry is undergoing an extreme shift: “WPP will use AI to create in minutes campaigns that would have previously taken weeks.” What is your perspective on this industry, and how can investors capitalize on this trend?

*[I reached out to my long-time friend Peter Coish, who is a peripatetic Newfoundlander with 25 years of experience running ad agencies. Now president of Kuration, which offers digital advertising strategy development and campaign execution. Here is his response:]*

Technology has a way of taking the dollars made by legacy industries and turning them into dimes. Just ask anyone who works in the newspaper or movie exhibition business. Generative AI will have similar disruptive effects on advertising agencies, an industry that has heretofore relied heavily on the billable hours of sentient life forms.

First, it's important to note that technology, and the internet, has already irrevocably transformed the business of producing ads. The days of agencies charging \$25,000 to create a full-page newspaper ad or \$500,000 for a 30-second television spot are over. Today clients are dealing with a canvas for their ads that is often just 300x250 pixels and viewed on teeny weeny mobile phone screens, so they are understandably reluctant to invest big bucks in producing ads for that space.

Now enter AI. In my opinion, it's not necessarily a direct threat to advertising agencies but rather a transformative force. Agencies that embrace AI technologies (both older AI tools and the newer generative AI tools) while understanding their limitations, will find ways to leverage them for efficiency and improved outcomes for both themselves, and their clients. Here's how:

**Efficiency:** As the FT article noted, AI could drastically reduce the time it takes to develop advertising campaigns. Tasks that once took weeks could be done in minutes, thereby increasing the pace of the creative process while reducing costs (and billable hours). Speaking of the creative process.

**Creativity:** This one is controversial. Most of my colleagues in agency creative departments would argue that theirs is the one department that can't be replaced by AI. They have a point: human creativity, critical thinking, and emotional intelligence will always play essential roles in developing impactful and resonant campaigns. But generative AI has the potential to innovate and create new advertising concepts that we humans might not think of. At my agency, we're already using AI to do just that. We've even used it to write copy for email campaigns (shhh!)

**Personalization:** AI can process large amounts of data to deliver more targeted and personalized ad campaigns. This could improve engagement rates and the effectiveness of advertising. Platforms like Google Ads and Meta

are already making easier-to-use AI tools available to advertisers.

**Predictive analytics:** AI can analyze past data to predict future trends and customer behaviour, allowing companies to make more informed and automated decisions about their advertising strategies.

**Performance tracking:** AI can automate the process of tracking the effectiveness of advertising campaigns, giving businesses real-time feedback and enabling them to adjust their strategies accordingly. At my agency, all our clients get access to real-time reporting now, something that was unheard of just five years ago.

Investors looking to capitalize on AI in the ad business could consider a few strategies:

**Invest in advertising holding companies:** Just as the business of selling advertising space has become an oligopoly favouring Alphabet, Meta and Amazon, the same will likely happen in the agency world. The industry is already dominated by a few agency-holding companies, such as WPP (WPP: LON). These large hold cos have the resources to be early adopters of AI technologies, resources that smaller ad agencies simply don't have. Investors might want to consider these companies as they may see significant growth.

**Invest in AI-focused ETFs:** There are several ETFs that focus on AI and technology, providing diversified exposure to this sector.

**Monitor upcoming IPOs:** There is an ecosystem of companies that support the business of digital advertising. Startups that offer innovative AI solutions for the advertising industry could be good investment opportunities. Understanding that ecosystem and keeping an eye on the IPO market could help investors identify these companies early on.

**Invest in AI companies:** Nvidia is a key player in the AI space, and its involvement with WPP suggests it could be a promising investment. (In fact, if you had invested in Nvidia in January, you'd be up almost 140% as I write this!) There are many other companies in the AI sector that could offer attractive investment opportunities. To be clear, even Nvidia isn't an AI "pure play", as they make chips for other applications as well, such as gaming.

The future of AI in advertising seems promising, but the technology is still evolving, and there are many uncertainties ahead. It's also worth noting that changes in regulations related to data privacy and (especially) copyright could impact the development and application of AI in advertising.