



The New Tech Mania: AI

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With the slow leak in the markets lately, you might not realize that we are currently experiencing an outrageous investment mania. Stocks of companies that are involved in artificial intelligence have been soaring at unprecedented rates, prominently including Upstart Holdings (up 393% this year alone); C3.ai (255%); Nvidia (220%); Palantir Technologies (177%) and Meta Platforms (170%).

It's a bit of an understatement to say this is not normal, especially for a firm like C3, which reports just \$266 million of annual revenues on a market capitalization of \$3 billion. And these manias don't end well.

To be fair, there is no question that artificial intelligence technology is going to change our lives in a variety of interesting ways, most of which we don't know about yet. There will come a time when AI is as ubiquitous and helpful as mobile phones or social media. The problem is that the current pioneers are not guaranteed to be the benefactors of this transformation.

We have actually been through this kind of tech mania once before, in the late 1990s, when anything with '.com' after its name soared in price regardless of earnings or potential. Firms were valued not on revenues or profits, but on 'eyeballs,' which turned out to be a weak metric for predicting future returns or relevancy. Some of the pioneers were later superseded by larger, better-capitalized companies that simply pounced on their turf and took away their market, improving the technology in the process. Remember Ashton-Tate (database technology), WordPerfect (word processing), VisiCalc and Lotus 1-2-3 (spreadsheets) or Netscape Navigator (the Mosaic browser technology)? Chances are you don't, but all of them pioneered important advances in technology at the time, and investors who bet on them were (to put it mildly) not rewarded.

Betting on the winners of any new technology is nearly impossible; it was impossible back then and it is today. History tells us that the astonishing runups of the early AI firms will, probably sooner rather than later, disappoint.

Sources:

<https://www.fool.com/investing/2023/07/31/artificial-intelligence-ai-stocks-a-rough-2024/>

<https://finance.yahoo.com/news/7-very-overvalued-ai-stocks-103058090.html>

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

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