Occasionally, I come across an article that sets my mind spinning. "The Fourth Revolution: What It Means and How to Respond," an article that first appeared in Foreign Affairs magazine, affected me that way. Klaus Schwab wrote it and though you may not recognize the name, you've heard of Davos, the small Swiss town where Schwab, a German economist, hosts the World Economic Forum each January.

Instead of farmers with pitchforks, the Fourth Revolution is being led by billions of people connected by mobile devices.

"The First Industrial Revolution used water and steam power to mechanize production. The Second used electric power to create mass production. The Third used electronics and information technology to automate production. Now a Fourth Industrial Revolution is building on the Third, the digital revolution that has been occurring since the middle of the last century," as Schwab puts it.

The Fourth Revolution is already disrupting almost every industry in every country; early skirmishes between Uber and the taxi industry provide just one dramatic example. (You can read Schwab's article in its entirety on the World Economic Forum website).

Curious about another disruptive technology, we sent Sona Shahinian, our new analyst intern, to the 2017 Virtual Reality and Expo Conference held at the UCLA Anderson Center for Media, Entertainment and Sports in Los Angeles in early October. Sona's mission was to find out about virtual reality (VR) and its related technologies, augmented reality (AR) and mixed reality (MR).

The VR industry cites 2016 as its breakthrough year. Sona reports that adoption has been slower than the VR industry expected, but the technology is now catching on. Its application to sports, media and entertainment is obvious, but Sona came away impressed by VR's potential to improve society.

The United Way, for example, has found that people are more likely to make charitable donations after watching a documentary by "being there" through VR, and seeing how donations help recipients. VR is also helping train people in high stakes jobs, like firefighting. Using haptics—the science of combining touch sensation and control to interaction with computers—firefighters can "feel" the heat of the fire as they get closer to it or "experience" the pressure of holding a fire hose at different angles. Realistic training with VR improves performance in real life situations, which could save more lives.

"Capturing Everest" is a compelling VR project, and one close to my heart. A group of climbers recorded their seven-week climb in 360-degree video, the first bottom-to-top climb of the world's highest mountain depicted in virtual reality in four "chapters."

The question is, how to invest in the Fourth Revolution? We'll keep you informed as we explore that challenge by keeping pace with developments.

In the meantime, we continue to view the financial markets with caution. As the second-longest bull market in U.S. history continues, and with the S&P 500, Nasdaq Composite and Russell 2000 each reaching record highs in the 3rd quarter of 2017, you would expect more anxiety about the markets. Instead, there's a "What me, worry?" complacency, judging by the low closing prices of CBOE's S&P500 Volatility Index, or the VIX.

The VIX is often referred to as the "investor fear gauge." It reflects the range of prices that traders think stocks will trade within over the next 30 days. The lower the VIX, the less volatility expected. When traders were very nervous in September 2008, the VIX traded around 59. As of mid-October 2017, it was closing around 9.

We think increased investment in passively-managed funds is helping to dampen volatility—the more money investors put in index funds, the higher the prices go. We've expressed our concerns about index funds and what happens if there is a rush for the exits should markets go south.

On a macro level, we worry that with interest rates so low, the Fed and the central banks in Europe and Japan have less fiscal and monetary ammunition with which to fight a recession or the effects of a trade war, or to cope with a black swan event.

Our strategy is to buy at low enough prices so that if something goes wrong—if Trump can't deliver on tax reform, if Kim Jong-un gets more petulant, if we pull out of NAFTA, to cite a few possibilities—there's potentially less damage on the downside.

As an example, we recently added Mattel to our portfolio, (NASDAQ:MAT). Share prices of the company that makes Barbie, Hot Wheels, and Fisher-Price tumbled by more than half this year. It has a toy box full of troubles, and the bankruptcy of Toys R Us hasn't helped, but we think the handwringing is overdone.

We also took a contrarian position in L Brands, formerly known as The Limited, (LB:NYSE). Wall Street is taking a Halloween ghoul view of brick and mortar retailers, but we think there's value at its current $14.35 a share price, which is near its 52-week low.

We also took a position in the awkwardly named iPath Bloomberg Grains Subindex Total Return ETN. The ETN stands for Exchange Traded Note. This bond-like instrument tracks an index like an ETF. In this case, it tracks an index of grain futures contracts on corn, soybeans and wheat.

This instrument will perform well if demand for those three grains picks up. That wasn't the case in second half of 2016, when commodities showed steep declines. We expect that the multi-year decline in the grains will begin to search for a bottom.

As always, thank you for the trust you have placed in me and in 7Summit Advisors. We work hard to earn that trust each day.

Sincerely yours,

Li Chang