Where is life on Earth heading, and how will artificial intelligence (AI) feed into that? That question drove me to read *Life 3.0: Being Human in the Age of Artificial Intelligence*, written by Max Tegmark, professor of physics at the Massachusetts Institute of Technology.

Tegmark describes life on Earth in three stages of “hardware” and “software, “beginning with Life 1.0, a period of biological evolution that began millions of years ago. During this period, life is “unable to redesign either its hardware or its software during its lifetime: both are determined by its DNA, and change only through evolution over many generations.” Then came Life 2.0, the period of cultural evolution in which we live. “Life 2.0 can redesign much of its software: humans can learn complex new skills—for example, languages, sports and professions—and can fundamentally update their worldview and goals.” There’s a big difference between Life 1.0 and 2.0. A third quantum leap, driven by AI, will take us to the next stage. “Life 3.0, which doesn’t yet exist on Earth, can dramatically redesign not only its software, but its hardware as well, rather than having to wait for it to gradually evolve over generations.”[1] Clearly, this creates huge potential for change in Life 3.0.

Tegmark quotes a mathematician who foresaw in 1964 that ultraintelligent machines could create an “intelligence explosion” in which “the intelligence of man would be left far behind. Thus, the first ultraintelligent machine is the last invention that man need ever make, provided that the machine is docile enough to tell us how to keep it under control.”[2] That last phrase suggests that AI could threaten humans. That’s something that concerns Tegmark, whose AI Safety Group seeks to diagnose, improve, and guarantee the trustworthiness of AI.[3]

Tegmark’s “AI Aftermath Scenarios” suggest a range of outcomes engendered by AI. Among the more positive are “libertarian utopias” in which “Humans, cyborgs, uploads and superintelligences coexist peacefully thanks to property rights.” Tegmark also proposes an “egalitarian utopia” in which “Humans, cyborgs, uploads and superintelligences coexist peacefully thanks to property abolition and guaranteed income,” as well as the emergence of a “protector god” in which “Essentially omniscient and omnipotent AI maximizes human happiness by intervening only in ways that preserve our feeling of control of our own destiny and hides well enough that many humans even doubt the AI’s existence.” Other possibilities include the “conquerors” scenario in which “AI takes control, decides that humans are a threat/nuisance/waste of resources, and gets rid of us by a method that we don't even understand," or "Superintelligence is never created because humanity drives itself extinct by other means (say nuclear and/or biotech mayhem fueled by climate crisis)."[4] This array of futures makes it important that we grasp the opportunities and risks of AI.

Despite potential negative outcomes, Tegmark says, "I'm feeling more optimistic about the future of life than I have in a long time."[5] That's because the AI community has come together to shape the trajectory of AI in a way that benefits humans. Still, uncertainty about the future means that it's critical to monitor AI in terms of how it might affect our lives beyond how AI may steer our investments.

Since the launch of ChatGPT in November 2022, AI has rapidly penetrated our awareness—which reinforces my belief that we must be alert for developments that will dramatically affect the future and potentially derail longtime industry leaders while creating new winners. For example, the introduction of electric vehicles has disrupted the automotive industry on a global scale. In China, the growth of the electric vehicle market and manufacturing is driving change, including a potential merger of longtime Japanese car rivals.[6] The proliferation of self-driving cars could accelerate this change. Survivors will be companies able to position themselves for the long term instead of focusing on short-term tactical moves.

Looking to AI's unexpected capabilities, Tegmark describes a "defining moment" when DeepMind AI system AlphaGo won a five-game Go match against top ranked player, Lee Sedol. Because the number of possible Go positions is vast, it is hopeless for a player to attempt to analyze all sequences of future moves. Thus, players complement conscious reasoning with intuition. Demonstrating the power of deep learning, AlphaGo integrated intuition and logic to perform a highly creative move—defying the traditional wisdom that dictates playing on the 3rd or 4th line from an edge. In the 37th move of the second game, AlphaGo played on the fifth line, "as if it were even more confident than a human in its long-term planning abilities and therefore favored strategic advantage over short-term gain."[7] It was a stunning move that ultimately won the game. Tegmark believes that AI is now ready to assist with planning beyond the game board: including investment, political and military strategy.

In addition to being alert to opportunities and threats from technological advances, we're wary of an apparent bubble in stocks like the mega-cap Magnificent Seven—Apple, Microsoft, Google parent Alphabet, Amazon.com, Nvidia, Facebook parent Meta Platforms, and Tesla. The $6.24 M sale of a conceptual art piece consisting of a banana duct-taped to a wall is another example of excess.[8] Such excesses concern us because while the market often rises more than one expects, it often collapses faster than expected.

Against this backdrop, I am positioning client portfolios defensively. I favor investments that offer a margin of safety because they appear attractively priced and positioned to ride out a downturn. Such investments make up the majority of our portfolio holdings. Where appropriate, I also make smaller, tactical investments that have the potential to provide higher returns in portfolios.

I haven't bought or sold much in client portfolios. In the current environment, sticking with existing investments appears to be the best approach, avoiding the froth affecting other market areas. I remain alert for opportunities that may arise, especially with any pullbacks in stock prices. I continue to reinvest portfolio dividends in existing positions with attractive valuations and prospects.

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

[1] Max Tegmark, Life 3.0: Being Human in the Age of Artificial Intelligence (Alfred A. Knopf, 2017) 26.

[2] Tegmark, 4.

[3] "Welcome to Tegmark AI Safety Group!" https://tegmark.org

[4] Tegmark, 162-163.

[5] Tegmark, 316.

[6] River Akira Davis and Neal E. Boudette. "Honda and Nissan Are in Talks to Deepen Ties and Possibly Merge," The New York Times (Dec. 17, 2024), https://www.nytimes.com/2024/12/17/business/honda-nissan-talks-merger.html

[7] Tegmark, 86-8.

[8] Oscar Holland, "Viral banana artwork has sold again — this time for $6.24 million," CNN (Nov. 21, 20224 https://www.cnn.com/style/duct-taped-banana-maurizio-cattelan-auction-hnk-intl/index.html