

Market Commentary Fourth Quarter 2025

In aviation, an airplane's steep, powerful ascent is known as a "hard takeoff"—an aggressive move using maximum engine power to quickly gain altitude, with the plane's nose angling up sharply. Artificial intelligence (AI) is about to make similar progress.

Eventually, AI will act as an agent able to "achieve goals in a wide range of environments," as described in James Barrat's *The Intelligence Explosion: When AI Beats Humans at Everything*.¹ Generative AI falls short of that ability, and is limited compared to what is coming. Systems are being developed that will rapidly learn and rewrite AI software to learn better. As this cycle repeats, AI will become exponentially faster, more powerful, and more efficient than anything we've yet experienced. More intelligent AI will create even smarter AI, "leaving man's intelligence behind," as Barrat says.²

These advances in AI will power a "robot revolution" that propels "us into an era in which intelligent machines will affect every facet of our lives," says Barrat.³ Like the steam power in the Industrial Revolution, AI is a "general-purpose technology that transforms whatever it comes in contact with."⁴ In an early indication of AI's impact, in December 2025, an unstaffed, automated factory opened in Xinjiang, China, with 5,000 AI-run looms.⁵

AI might replace many workers. "By 2030, AI could displace between 1.3 million and 2.3 million jobs in the United States," according to a Brookings Institution study cited by Barrat. On the other hand, it could create new jobs. There is significant uncertainty about how the ratio of jobs created and destroyed will develop.

Moreover, as AI analyst Rohan Paul notes, "A recent Meta paper also warns self-improving AI is appealing but risky since removing humans from the loop can amplify misalignment."⁶ AI systems must develop ethics "to guarantee that they act in a way that upholds human rights, prevents damage, and is advantageous over time."⁷

Whatever the risks, the U.S. can't slow its pursuit of AI. If we don't develop it, China will. That'll leave our country far behind. This imperative reminds me of what cable company executive John C. Malone said in *Born to Be Wired: Lessons from a Lifetime Transforming Television, Wiring America for the Internet, and Growing Formula One, Discovery, Sirius XM, and the Atlanta Braves*:

When you run a technology company you have to take your shots, and sometimes that means losing hundreds of millions of dollars. I call it tuition. You either adapt to new technology, disruptive or not, or die with "this is the way we've always done it."⁸

As clients of 7Summit, you already benefit from AI because it improves our due diligence on potential new investments by making it more efficient. For example, AI can summarize “pitch decks,” the presentations that investment firms create for potential investors. This also enables us to review more investments.

We find AI particularly useful in reviewing non-liquid investments, which can help diversify sources of risk and return when appropriate in client portfolios. We are looking at investments in private markets and hedge funds.

There are also opportunities in energy firms because AI's power requirements are so high. The December acquisition of a renewable energy project developer by Alphabet, Google's parent company, is an example of AI's accelerating demand for power.⁹

Despite positive opportunities, we remain concerned about economic weakness. It seems as if economic prosperity is concentrated among the wealthiest. In this environment, I am raising additional cash to position portfolios for economic uncertainty likely to continue, while pursuing tax-loss harvesting opportunities when appropriate.

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 Barrat, St. Martin's Press, 2025, p. 23.

² Barrat, p. 145.

³ Barrat, p. 179.

⁴ Barrat, epilogue.

⁵ China Perspective (@China Fact), "An unmanned textile factory with 5,000 looms in Aral, Xinjiang runs 24/7 on AI and automation. pic.x.com/CHVcKnYEXG." X.com, Dec. 23, 2025, 4:41 AM, https://x.com/china_fact/status/2003430809236291758?s=43&t=e2gg_mw9oHxSylF8_3iq2A.

⁶ Rohan Paul (@RohanPaul_AI), "Stuart Russell says an AI with IQ 150 could upgrade itself to 170, then 250, very soon leaving humans way behind. A recent Meta paper also warns self-improving AI is appealing but risky since removing humans from the loop can amplify misalignment." X.com, Dec. 8, 2025, 9:30 AM, https://x.com/rohanpaul_ai/status/1998082723270029398.

⁷ Barrat, p.200.

⁸ "Learning from the Cable Cowboy - John Malone," Investment Masters Class, Sept. 25, 2025, <https://mastersinvest.com/newblog/2025/9/22/learning-from-the-cable-cowboy-john-malone>

⁹ Kelly Pickerel, "Google buys renewable energy project developer Intersect for \$4.75 billion," Solar Power World, <https://www.solarpowerworldonline.com/2025/12/google-buys-renewable-energy-project-developer-intersect-for-4-75-billion/>.