

September 30, 2023

Dear Client:

Our current quarterly letter examines the demands of labor in the 21st century and the ways in which the economy is changing with new technologies, modes of transportation, and approaches to the workday and the workplace. It can be a bit overwhelming and disconcerting when you live within the contours of a specific time period, but from the dawn of human organization, innovation has been a recurring theme, reshaping industries and challenging the livelihoods of untold millions.

There is a rich historical legacy of innovation profoundly transforming the nature of jobs and industries. The printing press (15th century); steam engine (early 18th c); Industrial Revolution (mid-18th c); telegraph (mid-19th c); electricity (late 19th c); internal combustion engine (late 19th c); airplane (early 20th c); mechanized farming equipment (mid-20th c); biotechnology (mid-20th c); telecommunications (20th c); internet/e-commerce (late 20th c); smartphones (early 21st c); artificial intelligence (early 21st c); gene editing (early 21st c); renewable energy (early 21st c); and space exploration (ongoing).

One feature that these societal-changing innovations share was a major disruption in the fortune of labor, its communities, and future fortunes. While it is always lost at the moment, job displacement in a specified time always, *eventually*, generates new industries and employment opportunities on a greater scale. The Industrial Revolution eventually led to many more manufacturing and engineering jobs than were lost to blacksmiths and other craftsmen; the steam engine and the trains they pulled created new jobs in transportation, manufacturing, and logistics; electricity radically transformed manufacturing and generated new employment in power generation, transmission, and distribution; the auto industry created a whole new concept of manufacturing, design, and maintenance (and gave rise to the suburbs and, by extension, basically the whole concept of mid-century Americana); telecommunications introduced jobs in infrastructure, software; and connectivity; biotechnology led to the creation of entirely new industries in life sciences; e-commerce transformed retail, creating new roles in online retail, logistics, and digital marketing; and renewable energy is generating opportunities in green technologies.

And so, the world turns: we also noted in our quarterly letter a comment made by McDonald's CEO, who stated that technology is no 'silver bullet' for labor. While that is largely true at this moment the industry faces a sustained labor shortage and rising wages, and AI is stepping into the breach across aspects of the industry. Chipotle Mexican Grill has developed a "collaborative" robot (or cobot) to cut, core, and peel an avocado, as well as a tortilla-chip maker; Sweetgreen salads are now assembled on an automated line; Starbucks is working on mechanized coffee-making; and nearly all fast-food chains are using AI software in the drive-thru's and large, human-size touch screens to order a meal inside in lieu of a human-to-human cashier interaction.

Machines are ready to take over a vast swath of physical labor, from operating forklifts to doing the laundry. Robots free humans from boredom, repetition, physical strain, and productivity limits that can put their jobs at risk. The introduction of artificial intelligence (AI) has the potential to reshape the job landscape once again. These transformative innovations have not only shaped our world but continue to impact how we live, work, and interact with our surroundings. They represent the cumulative efforts of generations of innovators and thinkers, pushing the boundaries of human knowledge and capability. Nonetheless, the transition from old to new industries can be challenging, and the impact on workers varies widely. The long history of job-threatening innovation teaches us that while innovation can be disruptive, it can also drive progress and open doors to new and unforeseen opportunities.

Regards,



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