

Ep 171 - The Magnificent 7

Patti

Hi everyone. Welcome to the Patti Brennan show. Whether you have \$20 or 20 million, this show is for those of you who want to protect, grow and use your assets to live your very best lives. This is another segment of the Ask Patti Brennan show. My goal in these shorter podcasts is to take something that is complicated or take something that you guys are hearing about and boil it down in simple terms that's hopefully easy to understand (because that's the way I need it.) One of the things that we are hearing a lot about is technology, technology, technology, and the market is super expensive, and it's going to crash, especially those tech companies. So, when I look back at last year, S&P 500 had a fantastic 29% return. What's interesting about that is the mag seven, those seven huge companies, Amazon, Apple, etc. Those companies averaged about 50% and those seven companies contributed 55% of that return of the S&P 500. What about the other 493 companies? And if those companies now represent so much of the S&P 500, is it going to crash? Is it too much, too soon? Is it overvalued? The purpose of today's podcast is to really talk about technology and what might be going on. And really go into these two laws that we hear about, the first one being Moore's law. Moore's Law was created by a guy who was the CEO of Intel, and what he noticed is that with innovation, the number of transit transistors that at that time on a computer basically doubled every two years. That is crazy, because when you think about it, fast forward to today, our smartphones hold capabilities and strength, the computing strength that would have filled an entire room in Gordon Moore's time. So that's, that's what happened?

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Okay, so this thing that we hold in our hands has the computer computing power of what it took, and it was an entire room of machines 50 years ago. And what's interesting about Gordon Moore's law is that every two years, you're stacking on top of prior innovation. So, it's compounding and it's pretty nuts. We can do things with a phone that they couldn't even dream about. So that's first and foremost Moore's law. The second thing is this thing called an S curve. Now chances are you probably haven't heard about S curves. S curves basically apply to anything as it relates to innovation. Okay, so here's the thing about the S curves. I'm going to draw it for you, just so that you can see an S Curve, real growth is not linear. It's kind of like with our kids, right? They go through their growth spurts and then they stay the same height for a few months, or what have you. It's the same thing with innovation and pretty much everything. It doesn't happen straight up. You go through period. So, you have one S Curve that gets replaced by another S curve, right? Just when things are getting all hyped up, hyped up, then then people realize, oh, this stuff isn't as easy to do as it used to be. But what happens is that innovation comes in, because we've got to solve a problem. We've got this great thing. It could have been let's go back to electricity. We've got electricity. What did that lead to? It led to a lot of things, including the invention of the computer. Now we have these computers, pretty cool, right? We can all have a computer on our desk. What did that lead to the next S curve? Once people got all their computers and everything, kind of, okay, same old, same old, then the Internet came about, right? So now we have the

internet. That was the period of innovation. Every time it begins to go down, we innovate, we invent, then we apply. The application of the internet was e commerce, for example. And here we are today with smartphones that are, you know, unbelievably powerful, that we could buy stuff, talk to people, text people, communicate all over the world. And now suddenly, this thing called artificial intelligence is coming about, so that is going to probably lead to a lot of different applications that we can't even begin to imagine. But you see how this works. Every cycle of innovation leads to another S curve, because there's going to be a pause people are going to digest. We're going to figure out how we're going to apply it, and it leads to yet another cycle of innovation. It's cool. It's been happening since the beginning of time, and it will probably continue to happen forever. At least one can hope, right? I am Patti Brennan. That is our Ask Patti Brennan, topic for the day, I'm going out on a limb, don't give up on those companies. Don't give up on innovation. That is the most important message to you today. Thanks so much for joining me. I hope you have a great day. Take care. Bye.