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Dear Client,

This summer was another positive period for us, but more importantly, it appears to be a transitional quarter. In August, we began to see a broadening of the stock market with greater participation among many sectors. Hopefully, this participation continues and is a healthy sign for the market. However, a very short-term correction could occur over concerns about the government shutdown and the over-extended Magnificent Seven, the seven stocks that Wall Street is giddy about. This is especially true for Nvidia, which the CNBC talking heads literally do back flips over with each nickel new high. One pundit claimed that Nvidia's valuation of four and a half trillion dollars was just the start and that a ten-trillion dollar valuation was next! This is the silly stuff more often heard at record highs for a stock.

Please don't misunderstand me, I think Nvidia is a great company. They have created and are producing the most powerful computer chips ever, and I am in awe at what they have done. For example, you can put the ChatGPT or Perplexity App on your cell phone, and with AI (artificial intelligence), you can ask any question you want. Most of you may already know this, but bear with me. You can ask who won the Rice - Florida Atlantic football game this weekend, and in a flash, it will tell you more than you want to know. Or you could ask how many Diet Cokes does President Trump drink per day. Ask anything! My parents spent hard-earned money on a twelve-volume set of "The Book of Knowledge", the must-have encyclopedia which they were sure their little boy would need. I never used the encyclopedias – they should have bought some blue-chip stocks instead.

So, what are Perplexity and ChatGPT? When I ask the Perplexity App what it is, I get an instant reply: "Perplexity is an AI-powered answer engine that searches the internet in real-time to deliver fast, clear answers to any question ...". And it's free. So, how exactly do Perplexity and ChatGPT make money; how do they pay for this service? Their response is not to worry, as that will be figured out later. In the meantime, billions of dollars are being committed to building data centers, with some covering areas as big as Manhattan to house powerful servers to fulfill the anticipated demand for AI, not just for ChatGPT but anticipated demand from industry, government, and healthcare. In other words, just about everyone.

These data centers require unimaginable amounts of electricity, so we are facing a need to increase our power production by orders of magnitude. It seems like we might be getting ahead of ourselves. The last time I heard this was about electric vehicles (EV). The EV was supposed to replace the internal combustion engine (ICE) by 2035, and there would be a shortage of electricity to recharge all these vehicles, especially since we were going to eliminate hydrocarbons, coal, oil, etc. I enjoy riding in an EV; I think they are here to stay, but so are the hybrid and ICE engines. Now that the \$7,000 tax subsidy ended on September 30, sales of EV's are expected to decline dramatically.

If you are still reading, this last part says a lot. In August, my wife, son and I traveled to Alaska. This was our second time in Alaska, and it is a great place – I highly recommend it. By happenstance, one evening in Anchorage, we found ourselves at a popular seafood pub locals told us about. When we got there, it was crowded and there was no place to sit. We were told the pub has open seating and to grab a table when something opens. Well, I could see we were in a difficult situation – we were hungry and wanted to sit. I noticed two young guys at high top table with a few empty chairs and asked if we could join them. “Sure,” they said, we were in luck, more than I realized. Turns out they were two Chinese college students vacationing before school starts up again in the fall. Both were very polite, friendly, articulate 20 something year olds who spoke perfect English and were happy to have us sit with them. My son and I both peppered them with questions. What school were they attending? Graduate school at the University of Wisconsin. What are you majoring in? Computer Science. Who is paying for their education? Their parents. And what about their travel? Parents and frequent flyer points. Wow, you travel a lot? Yes, we love America, it is easy to get around. People are very friendly, great country, we like it here. Are you going to work here after you graduate? We want to but it's not easy to get a job and since we are each the only child, our families want us to come home. I paid for dinner, theirs and ours.

Anticipating the future is not just where the United States is going, but where the world is going. I never expected a chance visit to an Alaskan pub to be what I remember most.

Very truly yours,

Richard J. Fruth