

THE CATCH-22 OF INVESTING IN ARTIFICIAL INTELLIGENCE

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OVERVIEW

Throughout most of my career as an investment manager, and as an investor in private equity and venture capital, risk was defined in relatively simple terms. If you invested in a company or technology and were wrong, you lost money. If you chose not to invest and the opportunity proved successful, you missed the upside. These were the two traditional dimensions of investment risk. Today, with the rapid emergence of artificial intelligence (AI), that framework is no longer sufficient.

THE CATCH-22

On one hand, caution is warranted. Valuations across segments of the AI ecosystem are elevated, and many forward-looking expectations appear aggressive. Early signs of stress in investor confidence are emerging across private markets, credit, and public equities. More broadly, the pace of technological change has increased the number of plausible outcomes while simultaneously reducing the probability of any single one. By definition, this increases overall uncertainty and risk.

On the other hand -- and this is the critical shift -- avoiding exposure is no longer a neutral decision. Unlike previous technological cycles, where disruption tended to be more gradual, AI is progressing at an exponential pace. This limits the ability of existing portfolio companies to adapt in a timely manner. In some cases, it means adaptation may not be feasible at all, putting core business models at risk of obsolescence.

As a result, the risk profile has changed: **Investing involves risk. Not investing also involves risk.**

PORTFOLIO CONSTRUCTION

In this environment, the decision to "wait for clarity" can be viewed as an active choice, not a passive one. It may effectively mean accepting potential erosion within existing portfolio holdings. If portfolios are not evolving at the same pace that value is being commoditized, caution itself can become a source of risk. This does not suggest indiscriminate allocations should be made to AI-related assets. Rather, I believe it calls for a reassessment of how risk is defined and managed.

Exposure to AI can be viewed through two lenses:

- Participation in a transformative growth cycle
- Protection against structural disruption across existing holdings

Importantly, this shift is not confined to a single sector. It is increasingly affecting multiple asset classes simultaneously, including private equity, venture capital, public equities, credit, and real assets.

CHANGING THE WAY WE THINK

Periods like this require more than adjustments to asset allocation. They require adjustments in thinking. Our focus at Omnia Family Wealth is not only on identifying opportunities, but on continually questioning the assumptions embedded within portfolios. The key question is no longer just *what* to invest in; it is how to think about risk when the underlying system itself is changing.

We are actively studying how technological shifts, particularly in AI, are reshaping business models, cost structures, competitive dynamics, and ultimately, asset behavior. This includes looking beyond the obvious "AI beneficiaries" to assessing second- and third-order effects across sectors.

In practice, we aim to:

- Continuously reassess portfolios as systems exposed to evolving forces, and not as static allocations
- Prioritize adaptability in both capital allocation and the types of exposures we are willing to hold
- Expand our research to incorporate new types of risks not yet fully reflected in market pricing

As the range of outcomes widens, our goal is not to predict the exact outcome. **Our goal is to build portfolios that can navigate the uncertainty.**

CONCLUSION

A core principle of investing is that risk does not stem from what we do not know; it stems from what we believe we understand that is ultimately proven incorrect. The current environment reinforces that idea. In this context, discipline is required not only in selecting investments, but in evolving the framework through which those decisions are made.

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