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Robert G. Elliott's FINANCIAL NEWS

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Personal Note

It is no secret that technology and communication networks have evolved significantly in the past few decades. It may be hard to believe, but when I started in the investment business in 1992, we did not communicate via email. Do you remember the "pink slips" that were used in many offices for phone messages? I do. Nowadays, it is hard to imagine life without email, web browsers, and movies on demand! I remember buying the original iPhone for my wife, Cassie, as a Christmas present. At that time, it seemed more like a fun toy rather than the birth of a revolutionary "Smart Phone". That was back in 2007 and she used it constantly while working as an unpaid Uber driver for our two daughters, Sarah and Tate, when they were in elementary and middle school. Today, Sarah is 27 years old and is my business partner (her Personal Note is on page 2) and Tate is 24 years old and works in marketing research in Dallas, Texas. My daughters' generation has grown up surrounded by technology. However, even within their short lives, technology and communications have undergone significant changes. With these advancements in technology, we have access to more information and communication networks than ever before and we have two young researchers to thank for starting it all.

Back in 1974, two young researchers named Bob Kahn and Vint Cerf published a paper titled "A Protocol for Packet Network Intercommunication." The perfect beach read? Hardly. But, unbeknownst to them, Kahn and Cerf had just changed the world. Because, among many other things, the paper introduced a new term. A term that, these days, even toddlers know. *Internet.*

The internet began as a way for computers to share resources and information, whether they were on different floors or even continents. What those early researchers couldn't have imagined is how this experiment would explode into a global system of networks. A system that enables us to communicate, shop, get news, watch videos, listen to music, and yes, share funny cat memes from anywhere in the world.

I've been thinking about the early days of the internet a lot lately. That's because we now have another new phenomenon that will change the world. I'm referring, of course, to the rise of artificial intelligence, or AI.

AI has long been the domain of science fiction, but in recent months, it has exploded into daily life. Schools, businesses, lawyers, teachers, writers, and others have all begun to realize that AI is no longer a thing for the future. It's here *now*.

Which means investors need to start thinking about it, too.

AI comes in many forms, some of which have already been around for years. But the one dominating the news right now is called **ChatGPT**. As your financial advisor, this is something I am watching closely, so I thought it would be smart to brief you on why.

ChatGPT, as the name suggests, is a **chatbot.** A chatbot is a type of software designed to converse with humans, usually via text. Chatbots have been around for a while, but ChatGPT is much more advanced. In fact, ChatGPT can communicate fluently on almost every imaginable topic by mimicking how the human brain works. Trained using the vast amount of information found on the internet – thanks Bob and Vint! – it can predict what the next word should be in any given sentence to a degree far greater than ever before. And it is constantly, endlessly *learning*.

The result is that ChatGPT can do far more than just say, "Hello, world," or "It looks like you're writing a letter, would you like help with that?" Instead, it can be used to draft a thesis paper, solve a math problem, explain the theory of relativity, or look up a fact. It can compose a piece of music, help you brainstorm ideas, extract data, give trip recommendations, and even write computer code.

These abilities are genuinely impressive. But, as with almost any new technology, they also come with a slew of legal, ethical, and even safety concerns. The media is rife with articles and editorials on how ChatGPT can be used to cheat on tests, commit plagiarism, provide incorrect information, or even help hackers create malware.

Despite these concerns, many

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Allie, Bob, & Sarah

Personal Note...

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companies are racing to build their own AI products. Even more are rushing to *utilize* AI to get a competitive advantage. Why? Because the abilities I listed above are really just scratching the surface. One reason ChatGPT – along with the broader notion of "generative" AI – has exploded is because it can potentially help companies boost productivity, increase efficiency, and even connect more directly with consumers.

This, of course, would be of major interest to investors. After all, businesses that are more efficient, more productive, and boast more loyal customer bases tend to be the ones that return the most value to shareholders.

Here again, we have parallels to the internet. More specifically, the wild west days of the early World Wide Web. Companies that were quick to embrace the internet – as an online marketplace, an advertising platform, and as a communications tool – often leaped ahead of their competitors. Many became stock market giants. (Amazon, anyone?)

Companies that embrace AI could be poised for a similar leap. So, as you can imagine, my team and I have been researching how AI could impact the markets. Currently, we are studying the companies, industries, and sectors making the earliest – and best – use of AI. It's all part of our quest to ensure your portfolio remains up to date and cutting edge. It's a fascinating time! But it's also a time for caution.

Advances in technology are always exciting. This one is no exception. But they can also bring unintended consequences. Especially when they come with as much hype as AI.

For example, let's re-consider the early days of the internet. Back then, the Web generated even more excitement than AI. Investors began flocking to almost *any* company that adopted the internet…including unproven startups high on venture capital but low on experience or a proven business model. All the hype inflated the market, with too many investors willing to accept astronomical risk in the expectation of equally high returns.

The result was the **dot-com bubble**, which popped in a big way back in 2000.

The fact is that major technological leaps often take us to unintended destinations. Sometimes, the destination can be largely positive. The internet is a good example, actually. Trolls and spam emails aside, the internet has been a hugely positive force for mankind. It has improved communication. It has opened up new creative and financial opportunities. Most of all, it has made knowledge more accessible. But none of those early internet pioneers could have foreseen that when they were writing about resource sharing and packet switching.

Sometimes the consequences can be negative, at least for a time. One example is the cotton gin. When Eli Whitney invented the machine back in 1793, he hoped it would revolutionize the cotton industry and lead to the end of slavery. Only the former came true. Many historians now believe the gin prolonged slavery because it made picking cotton much more profitable.

Sometimes the effects can be mixed, but still vastly different than what was intended. A recent example is bitcoin. When bitcoin burst on the scene in the early 2010s, the original idea was for a medium of exchange that would completely change currency as we know it. Today, while some people use bitcoin as money, it's more commonly seen as a speculative investment. But that's not what its original creators envisioned.

The point is, *we don't know where AI will truly lead yet*. And that means, as investors, that we need to be cautious, flexible and open-minded about how AI could transform the world around us. Keen to seize any new opportunities that come our way. But also vigilant against hype; against jumping into a pool with both feet when we don't know what lies at the bottom.

In the coming years, we will probably find ourselves facing conflicting stories about AI. We'll probably be bombarded with a hundred sales pitches for investing in AI companies, or using AI to change the way we invest. When this happens, we need to remember that the point of investing is not to get somewhere first. It's to get you where you want, *when* you want…safely.

That's why we will continue to learn more about ChatGPT and the rise of AI. Always open to new ways to help you work toward your goals…but always choosing the solid option over the shiny.

You can't gaze in the crystal ball and see the future. What the world is going to be in the future is what society makes it. – Bob Kahn

P.S. In case you were wondering, no part of this letter was written by ChatGPT or any other kind of AI.

A Note from Sarah:

I just celebrated a birthday recently and have learned that you are never too old to have a birthday party. My friends planned a "Camp Sarah" themed party, but honestly it was an excuse for us all to reminisce on camp experiences from when we were kids. We spent the day outside and had camp names and t-shirts. We played games, ate burgers and hot dogs, and had Capri-Suns, just like camp back in the day. It was so nice to enjoy the outdoors with friends and I can't wait for the summer activities to come!

Coming to Terms with Stocks

With all of the volatility in the stock market over the past few years, it can be difficult to determine how to devise an investment strategy to help reach your financial goals. To help you determine a reasonable rate of return to expect on your stock investments, it might be instructive to review some facts about the stock market:

- **The stock market's historical return can change dramatically depending on the period considered.** For instance, from 1926 to 2022, the Standard & Poor's 500 (S&P 500) had an average annual return of 10.1%. From 1998 to 2022 (25 years), the average return was 7.7% and 12.4% from 2013 to 2022 (10 years).*

- **The market tends to revert to the mean.** There is a tendency for the stock market to revert back to the average return when it has an extended period of above- or below-average returns.

- **History may not be a good predictor of future returns.** The expected rate of return for your investment program is typically based on an analysis of past returns, since no one can predict future returns. However, realize that those returns may not be replicated in the future. During much of the stock market's history, the United States was in a substantial growth phase as it evolved from a struggling nation to a superpower. Growth in the future may not approach those levels.

- **The pattern of actual returns affects your investment balance.** Even if you get the average rate of return exactly right, your portfolio's balance will depend on the pattern of actual returns during that period. Some years will experience higher-than-average returns, while other years will have lower or even negative returns. If you experience high returns in the early years, your portfolio's value will be lower than if those returns occurred in the later years. If you encounter negative returns in early years, you will have a higher balance than if those negative returns came in the later years.

- **Historical returns do not include several factors that investors must deal with.** Two of the most significant factors are inflation and taxes, which can significantly impact the value of your portfolio.

- **Investors have a difficult time earning historical returns.** Several studies have found that investors' returns tend to lag the overall market, since investors have a tendency to buy high and sell low.

What does all this mean to an investor? When design-

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Municipal Bonds

We offer the following bonds subject to prior sale or change in price as of May 2, 2023.

Ref No	Issuer	Maturity Date	Coupon	Yield to Maturity	Yield to Call	Call Date	Rating	Price*
1	Morristown GO	06/01/35	3.500	3.500	3.500	06/01/26	Aa3 / AA-	100.000
2	Maury Cnty GO	04/01/33	3.000	3.030	3.090	04/01/26	Aa2	99.750
3	Johnson City Energy Elec Rev	05/01/31	3.000	3.000	3.000	05/01/29	Aa2	100.000
4	Met Gov't Nashville GO	01/01/30	4.000	4.460	3.920	05/15/31	AA	107.840
5	Met Gov't Nashville GO	07/01/37	4.000	3.430	2.880	07/01/26	Aa2 / AA	103.360

Callable at 100% beginning of the call date above and every call date thereafter with 30 days notice.

In addition to the bonds listed, we have several other corporate bonds available. If you are looking for a specific bond or maturity, please feel free to contact me with your requests.

We are also interested in buying corporate bonds. If you have bonds for sale, please call me for a bid and details on how you can convert your present bonds to cash or alternative investments.

Finally, new bonds are coming to market every day. If you give me a call, I will be more than happy to go over current market offerings and conditions with you.

**Prices Subject to Change*
Although the information and statistics are not guaranteed, they have been obtained from reliable sources and are believed to be accurate. All put/call information may not be displayed and Wiley Bros.-Aintree Capital assumes no responsibility for such undisclosed features or omissions. All are subject to market conditions and/or prior sale.

Coming to Terms...

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-ing an investment program, use a conservative estimated rate of return, since it may be difficult to earn the historical returns of the past. It's easier to start with a lower expected rate of return and find out later that your actual return in higher, which means you just need to save less. However, if you use a higher estimated rate of return than you actually earn, it may be difficult to increase your savings to make up for that difference. Consider these strategies when designing your investment program.

- **Take a fresh look at your financial goals**. Reevaluate your goals, how much you need to reach them, and how much you should be saving annually based on lower expected returns.

- **Save more of your income**. If you can't count on returns to provide growth in your portfolio, you should compensate by savings more of your income. That may mean you'll need to work overtime or take on a second job to provide additional income. Another strategy is to reduce your living expenses and save the reductions.

Invest in a tax-efficient manner. Taxes are often a significant expense, so using strategies to defer the payment of taxes can make a substantial different in your portfolio's ultimate size. Utilize tax-deferred investment vehicles such as 401(k) plans and individual retirement accounts. Or emphasize investments generating capital gains or dividend income rather than ordinary income. Minimize turnover in your portfolio so unrealized gains can grow for many years.

Adequately diversify your investment portfolio. Typically, you do not know which asset class will perform best on a year-to-year basis. Diversification is a defensive strategy- it may help protect your portfolio during market downturns and help reduce your portfolio's volatility. Diversify your investment portfolio among a variety of investment categories such as stocks, bonds, cash, and other alternatives. Also diversify within investment categories.

Evaluate your portfolio's performance annually. If returns are lower than you targeted, you can make adjustments to your strategy in the coming year to compensate for these variations in return.

Please call if you'd like to review your investment program.

*Source: dqydj.com. The S&P 500 is an unmanaged index generally considered representative of the U.S. stock market. Investors cannot invest directly in an index. Past performance is not a guarantee of future returns.

A Note from Allie:

With the weather warming up here in Nashville, my family is feeling ready for summer! My husband, Jack, and I have some long weekends scheduled to visit my in-law's house at Center Hill Lake, and we have enrolled our 18-month-old daughter, Lucy, in swim lessons. Our dog, Nola, is being patient as Lucy takes over the backyard with her wide variety of summer toys including a lawnmower, slide, water table, and baby pool. Lucy is getting much more independent and now insisting on doing many things herself, which will give us lots of adventures this summer!

COMMUNITY SPOTLIGHT:
The Renewal House

The Renewal House mission is to treat, promote healing and provide housing for women and their children affected by substance use disorder. Our vision is that all mothers are made whole again, and empowered to live a substance-free life of love and independence with their children.

Founded in 1996, Renewal House provides specialized addiction treatment and recovery programs for women and their children. We address the unique needs and specific issues that affect a woman. Since its founding, Renewal House has served more than 7,000 women and children through all of its programs combined. We believe that when you treat and heal the whole person, you restore a life that can leave a positive lasting legacy. As a result of Renewal House's treatment and recovery support services, women are able to remain sober, improve their physical and mental health, retain or regain child custody, maintain employment, provide stable housing and other basic family needs, avoid legal entanglements and become contributing community members.

This is not a paid advertisement. The amazing charities and organizations we spotlight have each been specifically nominated by one of our clients or a member of the Elliott Team. WBAC has not vetted this charity for their operational effectiveness, so we encourage you to do your own due diligence..

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