



COLLAR CAPITAL MANAGEMENT
100 West Lawrence St, Suite 418
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CLIENT MEMORANDUM

August 8, 2024

SUBJECT: AI in Your Portfolio

Dear Valued Client,

It is no understatement that Artificial Intelligence is and will continue to impact the investing landscape greatly over the next 5 years. Many clients in recent weeks have asked about AI in general and Nvidia (NVDA) specifically. In some situations, valuation momentum can be so powerful, and media can hype a stock so much that retail investors start to feel like they are missing out on a major trend. When buying a new holding, sometimes you find "the lead horse" and collect 5x to 10x on an investment like SM Energy, Cleveland Cliffs and Micro Strategies. Other times, you can identify a trend, and you get what we call sellers of the "picks and shovels", companies that will benefit from the success of a major sector trend like cryptocurrency, Coinbase comes to mind.

At this time, we don't own NVDA for clients (unless it is via an ETF like ARKK or QQQ). We did take an in-depth look at NVDA, and the current intrinsic value of the shares has already been priced into most of the company's projected growth going out to 2028. The current stock price forces NVDA to execute to perfection, and there are many competitors nipping at their heels. So, we believe that we have identified companies that have large upside but with less downside risk than NVDA. Some companies that we own have already begun to appreciate in price like Apple, Micron, Facebook, and Qualcomm. There are also other companies that we believe we are in on a ground floor so to speak. The following is a list of stocks with direct and indirect exposure to the current AI trend in the capital markets:

Apple (APPL)

The latest version of Apple's operating system will deliver customizable tools using generative AI for iPhones, Mac and iPad, Apple said at the Worldwide Developers Conference hosted at the company's headquarters in Cupertino, California. Language tools will be able to improve or summarize text, and image generators will supplement photos with extra adornment. The AI capability, called Apple Intelligence, amounts to the "next big step for Apple," CEO Tim Cook said on Monday. The advance results from an agreement between Apple and OpenAI, the firm behind popular text bot ChatGPT, Cook added. A revamped Siri, for instance, will draw on generative chat technology to improve its language comprehension and retain context from previous requests, the company said. - From Apple's Developer Conference

Micron (MU)

Headline from Reuters "Micron starts mass production of memory chips for use in Nvidia's AI semiconductors."

Enough said there.



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Meta (FB)

The list here is long...image generation, personal assistant, vocal recognition. Meta may have the most personal data of any company and that is a key to feeding the AI beast.

Qualcomm (QCOM)

From their press release about their Snapdragon X:

“The Snapdragon® X Elite platform features the custom integrated Qualcomm Oryon™ CPU – the new CPU leader in mobile computing – and delivers up to 2 times faster CPU performance versus the competition, matching competitor peak performance with one-third of the power.”

Tesla (TSLA)

Tesla is using AI in many ways, but a highlight is to forecast demand to help manage their inventory. They will also use AI to monitor their solar and battery installations to analyze usage patterns of individuals and companies.

Alphabet (GOOG)

Like Apple and Meta, Google will use AI to better predict searches for you in the future. For instance, your google search won't just spit out suggestions for Italian Restaurants but will use your previous information to send you to a more specific type of Italian cuisine you would like, the time of day you like to dine, etc.

Intel (INTC)

Intel is a leading digital chipmaker, focused on the design and manufacturing of microprocessors for the global personal computer and data center markets. Although Nvidia is likely to maintain a dominant lead in providing data center customers with inference computing power via its H100, and NextGen Blackwell series of processors; Intel may start to erode that dominance with its Gaudi3 processors set to ship in Q4'24.

Palantir (PLTR)

Palantir is an analytical software company that focuses on leveraging data to create efficiencies in its clients' organizations. The firm serves commercial and government clients via its Foundry and Gotham platforms, respectively. The company is a dominant leader in AI software. Their dominant position in support of US Special Forces and Top-Secret Clearances opens many doors for the company with commercial contractors that want to do business with the US and G7 governments.



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Ambarella (AMBA)

Ambarella Inc is a developer of semiconductor processing solutions for high-definition video capture, sharing, and display. The firm's solutions are sold to original design manufacturers and original equipment manufacturers to be designed for use in infrastructure broadcast encoders, wearable device cameras, automotive cameras, and security cameras. Ambarella's system-on-a-chip designs, based on its proprietary technology platform, are highly configurable to applications in various end markets. Their patents for camera AI chips will likely be in most automated devices like robots and vehicles on land, sea, and air.

Other stocks in your portfolio that are either coming alongside or rivaling Nvidia or in some way leveraging AI are Zoom (ZM) and Western Digital (WDC). Other companies benefiting from the use of AI: Boeing (BA), Moderna (MRNA), AT&T (T), Vodaphone (VOD), General Motors (GM), and FedEx (FDX).

We are always looking for ways to add value and growth at a reasonable price while also being mindful of risk for you.

As always we value your trust in us,

Pat and Joe
Collar Capital Management