

# 2024 Idea Lab Highlights

This year's Idea Lab explored strategies to enhance portfolio resiliency at a time that established paradigms across financial markets are being tested by the forces of disruption.

Although challenging to summarize the broad range of discussions that unfolded across the two-day forum, a few areas are worthy of note. First, the struggles of macro forecasters and market pundits to predict market moves in recent years were probed, as was the resulting impact on uncertainty, risk, and opportunity. Second, several external speakers specializing in public and private market investing highlighted the role that a focused, thematic investment approach can play in building a sustainable competitive investment edge. Finally, numerous investment opportunities were discussed, ranging from private markets opportunities in early-stage artificial intelligence companies, to ongoing opportunities in fixed income (which has shed its staid reputation in recent years given attractive yields and shifting market dynamics). Additionally, General David Petraeus, a 37-year veteran of the U.S. Army and the former Director of the CIA, shared his views on disruption and modern warfare, while Michael J. Mauboussin, a renowned investment strategist, author, and professor, led an interactive session on behavioral finance.

## From Uncertainty Rises Opportunity

Strategic's Office of the CIO kicked off the forum with a review of the disruptions impacting the macroeconomic environment. A breakdown in the efficacy of economic forecasts following the onset of Covid-19 has contributed to an environment of uncertainty, as have a series of hot, cold, and trade wars, and shifts in immigration patterns. The crucial takeaway is that while uncertainty can contribute to elevated volatility, it also breeds opportunity. Consistent with the investment approach Strategic has honed over the past three plus decades, we are casting a wide net in rigorously assessing the risk/reward profiles of these opportunities. We see continued favorable prospects for a strategy based on diversification, an awareness of fundamental valuations, and a singular focus on adding multiple, varied sources of excess return, or alpha, to client portfolios.

## Identifying Long-Term Winners in AI

Our first external speaker, a venture capitalist focused on early-stage opportunities in the artificial intelligence ("AI") sector, walked through the multiple eras of AI, highlighting key breakthroughs and providing a glimpse of what the future may hold. She emphasized the breadth of opportunities for early-stage investors, given the sheer number of AI companies being formed. She also highlighted the diligence approach used by her firm to try to identify AI's long-term winners, given the challenges of maintaining a competitive advantage in such a rapidly evolving field.



## Lessons in Strategic Leadership

General David Petraeus, our dinner keynote speaker, shared his views on strategic leadership, with a particular focus on the leadership traits of those currently involved in the geopolitical conflicts roiling the globe. Consistent with our conference theme of disruption, General Petraeus also reviewed the evolving role of technology in the military theater. Highlighting the growing impact of electronic warfare and unmanned aircraft, the General leveraged his decades of "boots on the ground" experience to provide a unique perspective on modern warfare and its current and future impact.

## Key Contributions from Private Markets

The importance of private market investments to generating absolute returns and increasing portfolio diversification came into focus on the second day of the forum. An external speaker focused on private equity investing in the entertainment, media, and communications sectors provided an overview of these quickly evolving areas. He also highlighted the merits of sector-specialization to developing and maintaining a competitive edge as a private markets investor.

Another speaker with experience investing in distressed real estate reviewed the current state of that market. While factors such as the level of interest rates and structural changes such as widespread "work from home" policies are depressing real estate values, he noted that there are a select number of properties in sectors like industrial that have the potential to add value to client portfolios over time. But he emphasized that there are few such opportunities today and provided insights on avoiding value "traps".

## Behavioral Foundations of Investing

The forum closed with our general session keynote speaker, Michael J. Mauboussin, who shared his thoughts on a range of behavioral issues impacting investors. He reviewed the destructive impact of overconfidence and confirmation bias, which he characterized as a "brick wall" preventing investors from updating their views with new information. He also discussed the role of intangible assets in equity valuations and provided a historical perspective on today's equity market concentration.



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