BIRLING CAPITAL ADVISORS, LLC

Think Strategically

The Wire, the Screen, the Cloud, and the Machine That Thinks: Investing Through the AI Revolution

March 2, 2026

Francisco Rodríguez-Castro, President & CEO

When Revolutions Whisper Before They Roar

History does not pivot with noise. It pivots with quiet inevitability — a line of wire across a field, a humming box on a desk, a signal passing invisibly through air, a pane of glass replacing twenty-seven tools. The disruption feels sudden only in hindsight. In real time, it feels unsettling.

Artificial Intelligence now occupies that uneasy space between awe and anxiety. Investors debate whether it is the next great engine of productivity or the first credible threat to cognitive labor at scale.

To judge clearly, one must step back. The present always feels unprecedented. The past reminds us it rarely is.

When Distance Died: The Age of the Wire

In 1844, **Samuel Morse** transmitted a message that traveled faster than any horse or ship. For centuries, commerce had been bound by geography. Information moved only as quickly as muscle and wind allowed.

The telegraph erased the delay.

Within decades, wires crossed the American continent. By 1866, they crossed the Atlantic. Commodity prices converged. Arbitrage shrank. National markets formed.

And during a visit to **Guayama** in the 1850s, Morse reportedly constructed a working demonstration line on his daughter's estate. Even far from New York's exchanges, the collapse of distance had begun. By the 1870s, **Western Union** had become one of the most powerful corporations in America.

The telegraph did not destroy commerce. It accelerated it.

The Machine on the Desk That Multiplied Minds

In 1977, **Apple Inc.** introduced the Apple II. Global PC sales numbered in the tens of thousands.

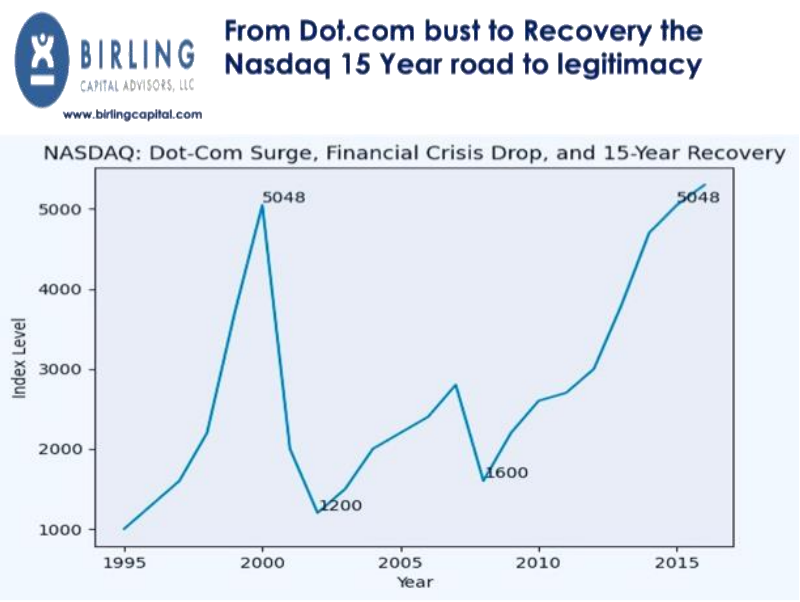
In 1981, **IBM** entered the field, lending corporate legitimacy. **Microsoft** standardized the operating layer. From fewer than 200,000 annual units in the late 1970s, global PC shipments climbed to roughly 350–365 million units at their 2011 peak.

Clerks feared obsolescence. Filing cabinets receded. Secretarial pools thinned.

Yet from 1995 to 2005, U.S. productivity growth nearly doubled relative to the prior two decades. Roughly 20 million net new jobs were created in the 1990s.

The personal computer did not eliminate intellect. It amplified it.

The Great Digital Mania — and the Fifteen-Year Patience Test

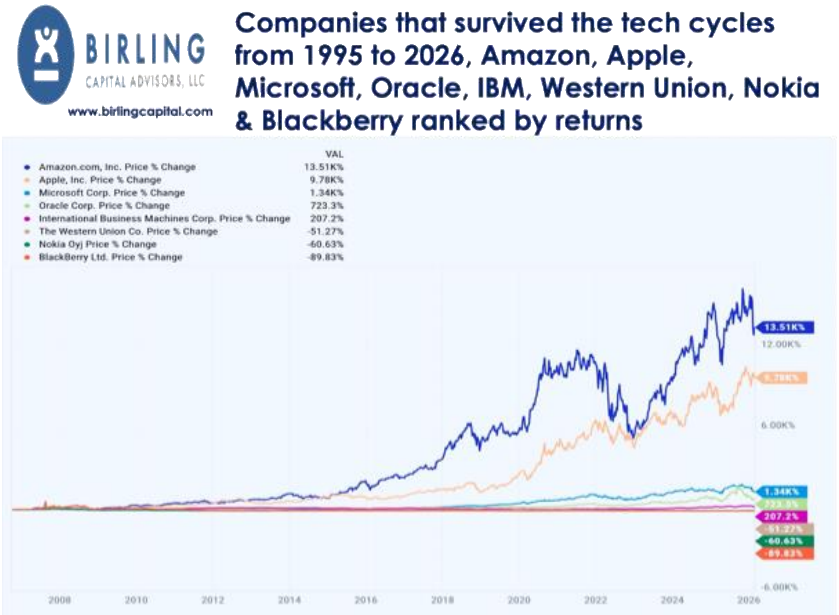


The internet was not simply a speculative episode. It was an industrial reallocation.
From 1995 to March 2000, the NASDAQ surged more than 400%. Then it fell nearly 80%, erasing roughly $5 trillion in market value.
And the harder lesson: it took **15 years** for the NASDAQ to reclaim its March 2000 peak.
But beyond the index, entire industries contracted or collapsed:

- U.S. newspaper advertising revenues fell more than 70% from their 2000 peak. Thousands of local newspapers shuttered.
- Magazine circulation and print advertising deteriorated sharply.
- Physical music retail disappeared.
- Video rental chains vanished.
- Travel agencies were displaced by online booking platforms.
- Brick-and-mortar retailers retrenched as e-commerce expanded.

The internet did not gently disrupt. It reallocated revenue streams with precision and force.
Yet new sectors emerged: cloud computing, digital advertising, streaming media, and global logistics.
Amazon not only survived and evolved into a foundational pillar of global commerce, but it now boasts a market cap of $2,254 trillion.
The bubble collapsed. The infrastructure endured.

The iPhone: The Platform That Erased Giants



In 2007, **Apple Inc.** introduced the iPhone.
Over time, the iPhone absorbed at least 27 separate consumer instruments — from GPS devices and point-and-shoot cameras to MP3 players, camcorders, calculators, boarding passes, ticket wallets, and credit card terminals.
Entire hardware categories collapsed:

- Standalone GPS unit sales fell by more than 80%.
- Point-and-shoot camera shipments declined from over 120 million annually in 2010 to under 15 million by 2020.
- MP3 players effectively disappeared.

But the most dramatic consequence was competitive annihilation.
In 2007:

- **Nokia** controlled roughly 40% of the global handset share.
- **BlackBerry** dominated enterprise mobile communication.

Within five years, both were structurally displaced. Market share collapsed. Tens of billions in equity value evaporated.
Apple's market capitalization rose from roughly $150 billion in 2007 to a peak of approximately **$4.229 trillion in December 2025**, and now stands near **$3.878 trillion**.
Platform shifts do not gently rotate leadership. They redefine it.

Artificial Intelligence: The Acceleration of Thought

The Real Anxiety Is Velocity, with the central fear surrounding AI not that it will fail. It is that it will succeed — too quickly.
Another major pillar of today's AI wall of worry is not whether AI creates value, but whether it creates it at a pace that unsettles business models before they adapt and reshapes labor markets before they recalibrate.
This is a debate about speed.
Markets reflect that tension. The S&P 500 has traded in one of the narrowest ranges on record this year, masking internal dispersion. Infrastructure beneficiaries have surged. Application-layer incumbents have stumbled.
Capital is not retreating from AI. It is repositioning within it.

Where the Shock Is Felt First: Software Under Pressure

The software subsector has declined roughly 30% from its peak, and its weight in the S&P 500 has fallen from about 12% to 8%. Meanwhile, semiconductor stocks have dramatically outperformed.
Investors ask: if AI agents can draft, code, reconcile, summarize, and analyze autonomously — what becomes of legacy enterprise software?
The divergence between semiconductors and software has become extreme. Historically, such dispersion rarely persists indefinitely.
Recent positioning by firms such as **Anthropic** emphasizes integration rather than replacement—embedding AI within existing enterprise platforms.
History suggests platform transitions redefine categories before eliminating them.
AI may compress margins in certain niches. It may obsolete certain modules. But it is more likely to restructure software than extinguish it.

Work After the Machine Thinks

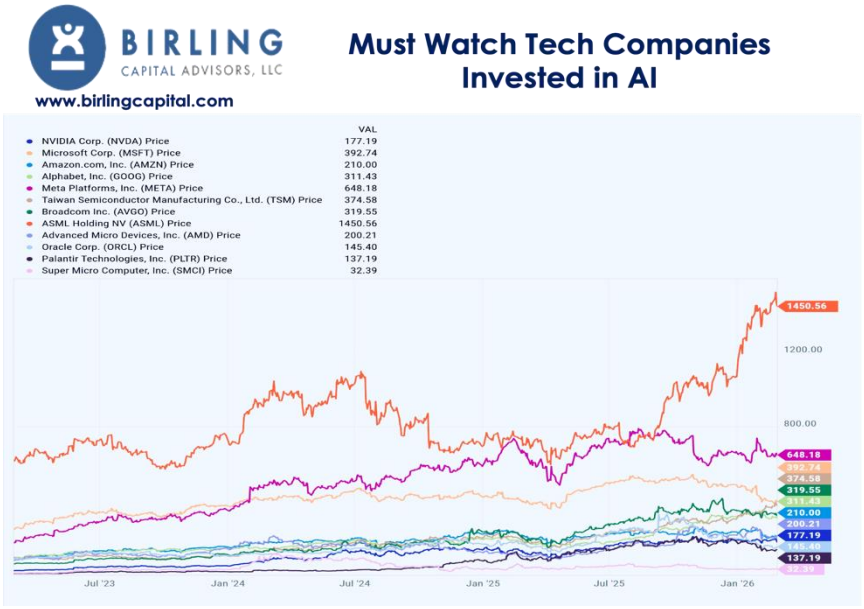
Labor-market anxiety has intensified. Yet according to Challenger, AI accounted for roughly 7% of January layoff announcements and about 4.5% of the total 2025 layoff plans.
Electrification displaced manual labor.
The PC automated clerical calculation.
The internet hollowed out entire media industries.
Yet employment expanded over time.
Approximately 60% of today's occupations did not exist in 1940.
Productivity lowers costs. Lower costs stimulate demand. Demand drives investment. Investment creates new forms of work.
Jobless claims show no structural deterioration. Hiring is cautious. So is firing.
Recalibration is not collapse.

Strategy in an Age of Cognitive Compression

Artificial Intelligence represents both risk and opportunity.
Prudence suggests:

- Exposure across the AI value chain — semiconductors, cloud platforms, enterprise applications.
- Allocation to productivity beneficiaries — industrial automation, healthcare innovation, financial analytics.
- Balance between growth and real assets to dampen volatility.
- Geographic diversification to broaden opportunities.

The Final Word: The Long Horizon on AI



History, when viewed patiently, does not read like a series of collapses. It reads like a succession of accelerations — each unsettling in its moment, each transformative in its aftermath.
The telegraph did not merely transmit messages faster. It altered the structure of markets. Before it, price discrepancies persisted because time intervened. After it, information arbitrage narrowed, capital flowed more efficiently, and national markets emerged. The cost of delay fell — and with it, the fragmentation of commerce.
The personal computer did not merely replace paper ledgers. It reorganized workflow, collapsed administrative friction, and allowed a single worker to accomplish what once required several. From the mid-1990s onward, measurable productivity gains accelerated meaningfully. Corporate margins expanded. Output per hour rose. Entire industries digitized. The anxiety of obsolescence proved real in certain functions, but the broader economy absorbed the shock and expanded.
The internet was harsher. It destroyed industries outright. Newspapers lost their advertising monopolies. Music retail vanished. Video rental collapsed. Travel agencies shrank. Entire physical distribution models dissolved. The NASDAQ, inflated by exuberance, required fifteen years to reclaim its 2000 peak. That recovery timeline is critical. It reminds us that technological inevitability does not immunize investors from valuation excess. Structural progress and speculative mispricing can coexist.
The smartphone accelerated the pace further. It did not just improve communication; it consolidated platforms. Incumbents that once appeared untouchable were displaced within half a decade. Dominance proved fragile when architecture shifted. Yet the broader digital economy expanded dramatically, spawning new business models, new professions, and new capital formation.
Each revolution shared three characteristics:

1. **Initial Fear** — anxiety over job loss, competitive displacement, or economic instability.
2. **Market Overshoot** — periods of valuation excess followed by painful correction.
3. **Productivity Expansion** — long-term increases in output, efficiency, and economic complexity.

Artificial Intelligence now enters this lineage.

It does not compress distance.
It does not digitize calculation.
It does not merely connect markets.
It compresses cognition — drafting, coding, diagnosing, forecasting, optimizing. Tasks once thought uniquely human can now be augmented, accelerated, and in certain cases automated.
That velocity unsettles investors and workers alike.
Some firms will adapt their architectures and integrate AI into their core operations, strengthening their competitive moats. Others will hesitate and lose relevance. The dispersion between infrastructure providers and application incumbents suggests markets are already pricing that differentiation.
Valuations will oscillate. Capital expenditures may overshoot. Productivity gains may arrive unevenly.
Labor markets will recalibrate, as they always have.
But history offers a consistent pattern: when technology materially reduces friction — whether informational, computational, or cognitive — aggregate economic capacity tends to expand over time rather than contract.
The danger, therefore, is not innovation itself. It is misinterpreting the speed of change as evidence of systemic collapse. It is allowing short-term valuation volatility to obscure long-term structural transformation.
The telegraph unified markets.
The PC accelerated productivity.
The internet reallocated industries and demanded patience.
The smartphone redefined platform dominance.
Artificial Intelligence may reshape the architecture of work and enterprise more rapidly than any of them.
Yet if the past is a guide, the ultimate outcome is not contraction — but reconfiguration and expansion.
Velocity is disruptive, Excess is cyclical, and Productivity is cumulative.
The long-term view demands discipline, diversification, and perspective
Before the age of artificial intelligence, before the internet rewired commerce and long before smartphones compressed twenty-seven instruments into a single pane of glass, there was a quiet technologist in Palo Alto studying the rhythm of disruption.
Roy Amara, founding president of the Institute for the Future, spent decades observing how new technologies move through society — first as spectacle, then as disappointment, and finally as infrastructure. He watched computing emerge from laboratory curiosity to economic backbone. He saw waves of optimism crest and collapse, only to return in more durable form. His work was not about hype. It was about pattern recognition.
From that study came a simple but enduring insight:
"We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run".
It is not a slogan. It is a warning—and a discipline—that became known as **Amara's Law**.
The short run produces volatility, valuation excess, and anxiety. The long run produces productivity, reallocation, and expansion. The telegraph, the personal computer, the internet, the smartphone — each followed this arc. Artificial intelligence now stands at the same threshold.
The question is not whether the pattern holds.
It is whether investors have the patience to recognize it.

BIRLING CAPITAL ADVISORS, LLC

Francisco Rodríguez-Castro, President & CEO • frc@birlingcapital.com
PO Box 10817 San Juan, PR 00922 • 787.247.2500 • 787.645.8430