

# FCMI

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## Second Quarter 2021 Commentary

One of our most important responsibilities is to make our clients aware of new investment ideas. The explosive rate of change in innovation and how it might affect clients is one such new idea, and we use a comparison of the power of a mouse brain to that of a human brain to illustrate that example.

Tom O'Halloran, partner with Lord Abbett, one of our sources for market insight and investment themes, describes the tech revolution as the revolution of the brain. He says that in 2010, \$1000 of computing power bought the equivalent of one mouse brain, in 2023 it will buy the equivalent of one human brain, and in 2050 it will buy the equivalent of all human brains.

Think of the changes to our daily lives we have experienced since the turn of the century, from cloud computing to artificial intelligence; from gene therapy to cancer diagnostics; and from e-commerce to social networking. With this perspective of recent history, we believe it's not an exaggeration to imagine that someday we may take for granted the life-changing innovations yet to come.

For example, think of doctors using robotics for minimally invasive surgery. At Houston's Baylor College of Medicine, Dr. Kenneth Liao recently completed his 200<sup>th</sup> robotic cardiac surgery. According to the BCM website Dr. Liao embraced robotic surgical technology in 2000 and is among a handful of surgeons worldwide who are versatile in performing a wide range of robotic cardiac procedures.

As another example, think of how often we talk *to our phones*, and ask for driving directions or to recommend a good restaurant. The predecessor to Hey Google was introduced in 2011, and Amazon's Echo was released in 2014. What was once a futuristic novelty is now a ubiquitous feature of daily living.

More than 100 companies comprise the New York Stock Exchange's Global Robotics and Artificial Intelligence Index, which includes companies involved in medical robotics and voice recognition technology. Through an exchange-traded fund we own shares of all 100-plus. Many of these companies will prosper and grow, while others may never break even.

Researching each of these companies to determine the winners would be difficult if not impossible. Thus, we own the index to track the sector.

Over the past several calendar quarters we've seen market leadership switch between value and growth. At the halfway point this year both the S&P 500 and the Nasdaq 100 have year-to-date gains in the mid-teens. Our bread-and-butter dividend paying stocks have kept pace and rebounded well from the covid-driven fear and genuine value destruction of 2020.

Investing for reasonable growth and equity income continue to drive the lion's share of our portfolio decisions. We consistently hit our objective of an equity yield superior to that of the S&P 500, and we own stock in companies we believe have staying power as well as future growth potential.

With that said, it would be a mistake to rely exclusively upon Dow Jones-like blue chip companies for our portfolio returns. Entirely forsaking innovative growth, especially cutting-edge growth, would be imprudent and short-sighted. Yet with risk management being one of our primary charges, we temper our enthusiasm for growth, and moderate our exposure to risk by diversifying within sectors we believe represent such cutting-edge potential.

The realities of today and the possibilities of tomorrow for robotics and artificial intelligence are perfect illustrations of how we attempt to see through daily noise and distractions to capture and participate in growth and innovation. The revolution of the brain is afoot, and because we believe it will be felt across multiple sectors, we are positioning portfolios for what we see are bright opportunities.

We at Founders Capital Management, Grant, Jamie, Will and Rosanne, thank you for your business, and we welcome your comments and questions.

Grant



Jamie



Will



Rosanne

