

ABOVE THE FRAY

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## AI Tide May Lift All Boats

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With the benefit of hindsight, it's hard to imagine a company not benefiting from the advent of e-commerce in the late 1990s. In fact, it's easier to remember the blunders from that era. (Hello, pets.com!)

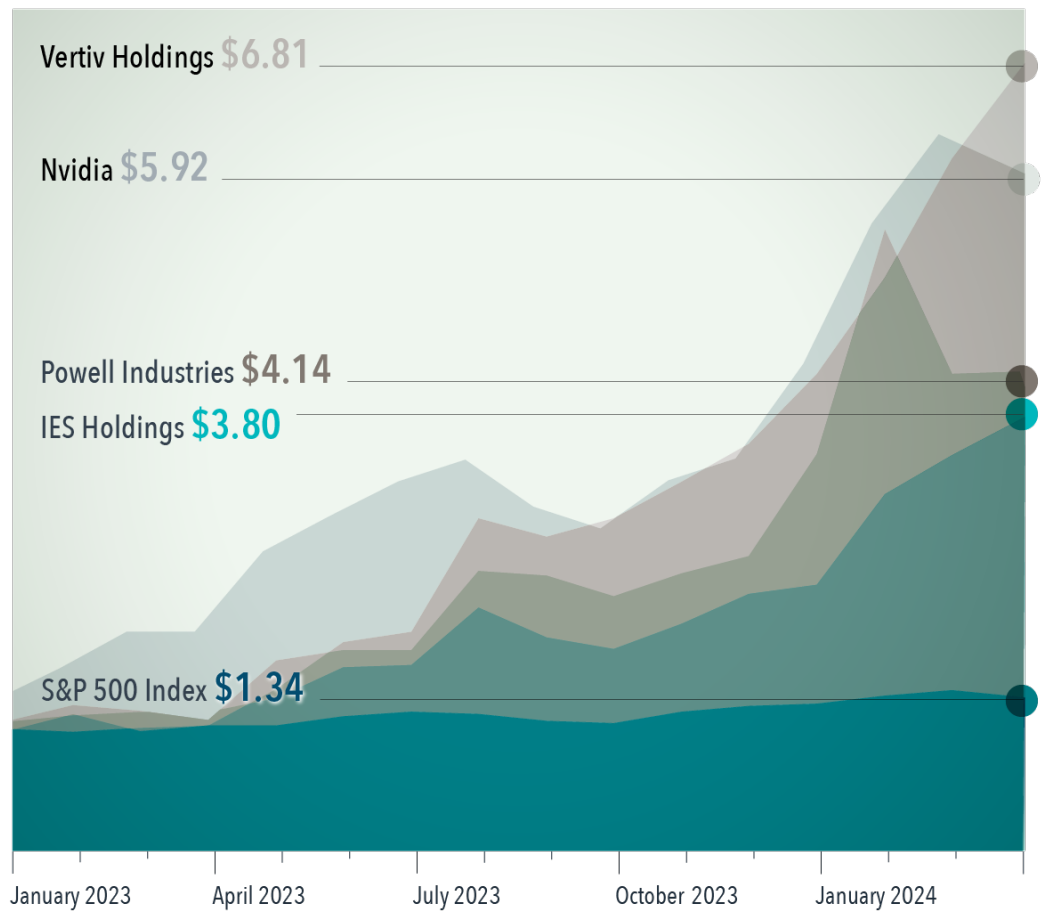
Breakthroughs in generative artificial intelligence seem poised to benefit a similarly wide gamut of businesses. Nvidia has been an early winner in the movement, and its stock has reflected this success. Since the start of 2023, Nvidia has returned nearly 600%. But the cascade effect of generative AI has already spread beyond just the household tech names.

Companies providing support to data centers are benefiting from the computational demands of AI tool development. For example, Vertiv Holdings provides liquid cooling products for these servers, which tend to run very hot. Two other companies, Powell Industries and IES Holdings, provide power and infrastructure to data centers. These three companies joined Nvidia in dwarfing the S&P 500 Index's return since 2023.

The benefits of generative AI will likely spread beyond data centers. Many companies are adopting gen AI tools as implementation assistants to increase efficiency and scalability of their businesses. Eventually, we may reach a point where, like the internet, it's hard to fathom a time before broad AI usage. That means investors don't need a narrow sector fund or concentration in a handful of stocks to capture AI-fueled gains. A broadly diversified portfolio is likely to capture what many view as a sea change event in progress.

**Exhibit 1****Growth of a Dollar**

January 2023–April 2024



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*In USD. Stock returns from FactSet. S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Data presented in the Growth of a Dollar chart is hypothetical and assumes reinvestment of income and no transaction costs or taxes. The chart is for illustrative purposes only and is not indicative of any investment. This information is intended for educational purposes and should not be considered a recommendation to buy or sell a particular security. Named securities may be held in accounts managed by Dimensional.*

*This article originally appeared in Above the Fray, a weekly newsletter for Dimensional clients.*

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