

MONTHLY NEWSLETTER

01

The Turning Of The Tide, Wrapping 2024 and Putting Our New Strategy Into Effect

By now you will have received your statement for the final month of 2024. The month of December was down ~2.5% as tax loss selling pressured a few of our names a bit lower. We have put our new focus on autonomous vehicles to work this year and have seen a significant shift in performance with January posting a strong month of performance above 5%.

You've heard us talk about how we have been re-focusing the fund on autonomy over the last couple of months, so it is refreshing to hear that at the Consumer Electronics Show ("CES") earlier this month, autonomy completely stole the show. There was a plethora of booths from the likes of Waymo (Google), Mobileye (Intel), Zeekr, Xpeng, Zoox (Amazon), Mercedes Benz, Honda, Volkswagen, Volvo (Geely), etc.

Even more companies with only indirect autonomous vehicle product offerings were also all over the prospects for autonomy. Microsoft, for example, highlighted its Azure cloud platform, which automotive companies are increasingly using to power the computing needs of autonomous vehicles. This includes supporting vehicle data storage, real-time processing, and machine learning for developing self-driving systems. Microsoft also demonstrated how its AI capabilities are advancing autonomous vehicle technologies, particularly in areas like perception, mapping, and decision-making. These AI tools are vital in creating the systems that allow vehicles to understand and navigate their environment



Bullish On The Future Of Autonomy

All were bullish on the future of autonomy, from Amazon to Zeekr. Yet, the more convincing messages on autonomy came from the minds of two of the most clairvoyant, prominent and successful business people of all time. Separately, they have built businesses from essentially zero to over US\$5 trillion (not a typo) of collective market capitalization, figures that would make even John D. Rockefeller and Cornelius Vanderbilt nod in approval. Their names are Jen-Hsun "Jensen" Huang and Elon Musk.

Let's start with Jensen Huang's (co-founder and CEO of Nvidia, which has boasted a market cap of US\$3.7 trillion) keynote speech at CES 2025:

"The autonomous vehicle revolution has arrived. After so many years, with Waymo's success and Tesla's success, it is very very clear autonomous vehicles have finally arrived.

Autonomous, 100 million cars built each year, a billion cars, vehicles on the road all over the world, a trillion miles that are driven around the world each year, that's all going to be either highly autonomous or fully autonomous coming up. And so this is going to be a very large industry. I predict that this will likely be the first multi-trillion-dollar robotics industry.

The AV industry is here. This is an incredibly exciting time, super, super, super excited about the next several years. I think you're gonna see, just as computer graphics was revolutionized at such incredible pace, you're gonna see the pace of AV development increasing tremendously over the next several years."

Jensen was correct about A) computer graphics, B) video games, C) Esports, D) blockchain, E) cryptocurrency, and F) AI, all megatrends; so he is highly credible and worth listening to when he's speaking passionately about a technology.

Onto someone else who has been incredibly right about a lot of things and also made a few shillings along the way: Elon Musk. Here's what he said at CES:



"The rate of improvement is exponential in terms of how good the self driving cars are. We feel confident that we will be better than human driving in about 3 months, basically Q2 of this year. We feel confident in the probability of accident being better than the average experienced driver. And then it'll keep improving from there. Ultimately I think it will be 10x safer than a human driver, and then 100x safer to the point where it just won't crash."

DeepSeek Accelerates The Speed of Innovation and Automation

Elon went on to provide additional insight in his most recent quarterly conference call this past Thursday night:

*"What we're seeing [in terms of other auto companies licensing FSD], at this point, significant interest from a number of major car companies about licensing Tesla full self-driving technology. What we've generally said is the best way to know what to do is take one of our cars apart, and then you can see where the placement of the cameras are, what the thermal needs are of the Tesla AI inference computer. That's better than us sending some cat drawings. And then we're only going to entertain situations where the volume would be very high. Otherwise, it's just not worth the complexity. And we will not burden our engineering team with laborious discussions with other engineering teams until we obviously have unsupervised full self-driving working throughout the United States. **I think the interest level from other manufacturers to license an FSD will be extremely high once it is obvious that unless you have FSD, you're dead.**"*

"I think we'll have unsupervised FSD in the U.S. this year, in many cities, but nationwide next year, and hopefully, we have unsupervised FSD in most countries by the end of next year. That's my prediction"

Basically, Elon is saying that nobody is going to want a car that can't drive itself in the future. He's right about that, and it's coming quickly.

Excitingly, there was very big news a week and a half ago when it was announced that DeepSeek's chatbot outperformed many leading chatbots. We came away with one big takeaway: **building and training AI models can be done much more cheaply and run more efficiently than previously thought. This means that unsupervised full self-driving vehicles (i.e. L3+ autonomy) is going to happen faster and by more OEMs than previously thought.** That's nothing but a good thing for the Vivid Energy Fund.

Lastly, a quick note on hedges. We've been adding to our hedges lately as Trump's tariffs threats were starting to look a lot less like threats. With yesterday's tariff news, it looks like those may come in handy.

Reach out any time.

JB

