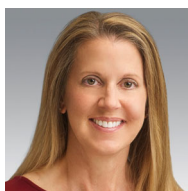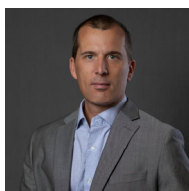# Harnessing AI: Risks, Engagement, and Opportunity

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Agenda & Key Learning Objectives

- What is Artificial Intelligence (AI) and what isn't
- AI governance and why you need it
- Practical uses of AI in public sector retirement plans and with participants
- AI trends in the retirement planning industry

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Artificial Intelligence

What is AI?
Any computing system designed to perform tasks that normally require human intelligence.

In general, how does AI work? These systems ingest large amounts of (training) data, analyze it for patterns (via a neural network), then use these patterns to make predictions (via statistical models).

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These Technologies Are All Artificial Intelligence

Machine Learning	"Deep Learning"	Natural Language Processing	Generative AI
Algorithms trained to detect patterns and make predictions (*e.g.*, Netflix recommendations)	A type of ML that uses neural networks to learn from vast amounts of data for more complex applications (*e.g.*, self-driving cars)	Helps computers understand human language (*e.g.*, Email filters)	Large language model (LLM) based applications that create new text, images, video, and audio. This is the "AI" that is garnering all the attention

A key fact for you to understand: these systems are generating output based on statistical model-based predictions; there is no actual 'computer intelligence' involved.

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How Does AI Feel?

"It's like collaborating with an alien."

"It feels like I've hired an intern."

"What used to take me around a half-hour to write now takes one minute."

"It's enormous fun."

"Everything is becoming much easier."

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Artificial Intelligence Myth Busting

NOT	NOT	NOT	NOT	NOT
Sentient	Robotics	*The* problem-solving tool	Interpretive	*The* decision-making tool
Generative AI is not self-aware. It is not Artificial *General* Intelligence (AGI)		You (the human) still have to know how to formulate a problem to get good results	GenAI cannot use common sense or understand nuances like humans can	You (the human) still have to apply critical thinking to the output.
				Ask: Does this make sense?

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Some Generative AI Tools

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AI Risks

Salesforce and YouGov survey of 14,000 employees around the world revealed:

55%

Have used unapproved generative AI tools at work

64%

Have passed off generative AI work as their own

69%

Have never received training on how to use generative AI safely and ethically at work

It's about governing the use of AI and enforcing that governance

AI Governance includes:

Avoiding and correcting misinformation

Removing embedded bias and preventing the insertion of new bias

Protecting privacy

Implementing and monitoring security controls

Complying with intellectual property laws

Prevent shadow IT

Review and identify ethical considerations

Spot emerging legal issues

Complying with regulations

Avoiding bad optics (PR)

Avoid Hallucinations!

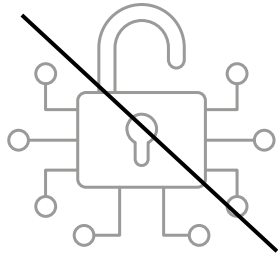NAGDCA
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Biggest AI Risk

AI may lull people and organizations into the false sense of security that they don't have to use their critical thinking skills.

Leading them to . . .

Do dumb things . . .

Faster (with AI)

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Leveraging AI for Enhanced Participant Engagement and Retirement Outcomes

AI exists in all facets of our daily life…

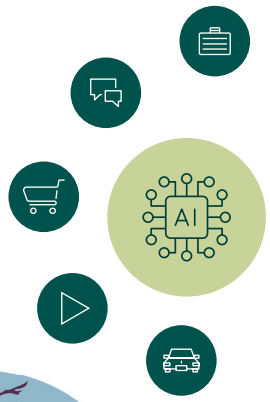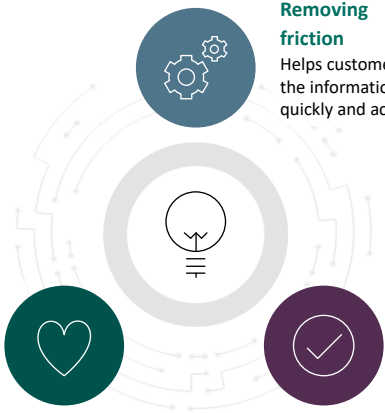…and at Fidelity, we've been harnessing AI to improve the customer and associate experience

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Leveraging AI for Enhanced Participant Engagement and Retirement Outcomes

At Fidelity, we are pursuing the use of AI and machine learning in three ways:

Removing friction
Helps customers access the information they need quickly and accurately

Understanding customers
Anticipating customer needs to improve personalization

Improving quality
Driving higher operational quality and reducing errors with predictive quality control

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Leveraging AI for Enhanced Participant Engagement and Retirement Outcomes

Removing friction

Understanding customers

Improving quality
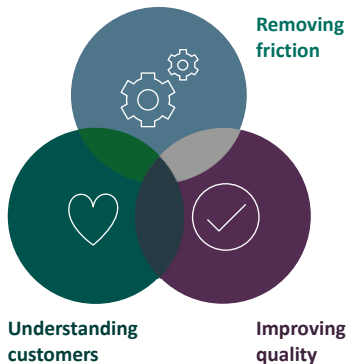
Friction
- Using AI in phone systems to understand caller intent and route the call to the right Fidelity representative.
- Bringing insights and data to phone representatives for faster and more needs-specific service.

Understanding Customers
- Optimizing call transcriptions to gather insights, sentiment and patterns to help ensure higher quality service.
- AI powered Learning Agenda with our Seminar Recommendation Wizard to help our Communications Consultants deliver personalized education

Quality
- Automating document processing to rapidly produce a decision, speeding up processing times.
- Improving quality assurance automation in outbound regulatory communications.

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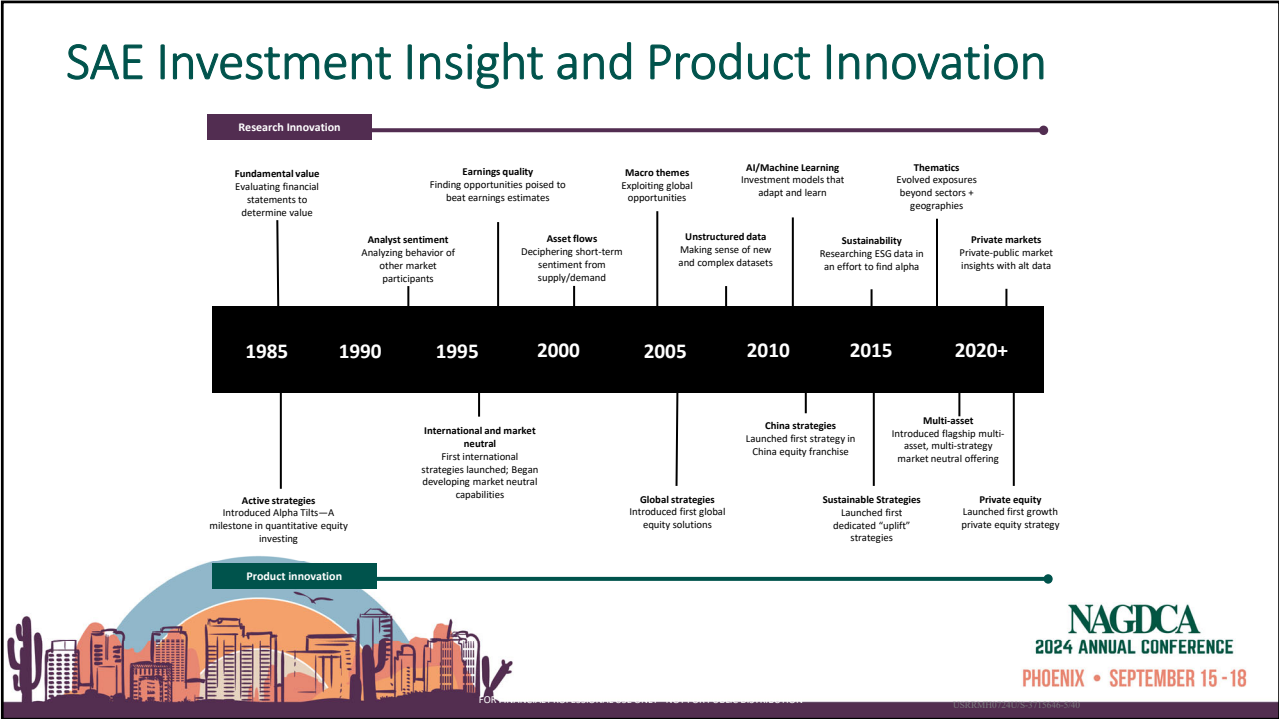13

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Power of AI in Investing for Retirement

- Evolution of data / technology within investing and lessons learned – "how to approach the space"
- Examination of how AI, data science, and NLP are reshaping investment strategies. – "what are we doing to deliver alpha"
- With the advent of ChatGPT, is this now becoming the standard in the market – "human intuition matters and drives the process" compare SAE to GPT
- Discussion on the future state of the industry / role of PMs – "evolution of delivering outcomes"

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SAE Investment Insight and Product Innovation

Research Innovation

Fundamental value
Evaluating financial statements to determine value

Earnings quality
Finding opportunities poised to beat earnings estimates

Macro themes
Exploiting global opportunities

AI/Machine Learning
Investment models that adapt and learn

Thematics
Evolved exposures beyond sectors + geographies

Analyst sentiment
Analyzing behavior of other market participants

Asset flows
Deciphering short-term sentiment from supply/demand

Unstructured data
Making sense of new and complex datasets

Sustainability
Researching ESG data in an effort to find alpha

Private markets
Private-public market insights with alt data

| 1985 | 1990 | 1995 | 2000 | 2005 | 2010 | 2015 | 2020+ |

International and market neutral
First international strategies launched; Began developing market neutral capabilities

China strategies
Launched first strategy in China equity franchise

Multi-asset
Introduced flagship multi-asset, multi-strategy market neutral offering

Active strategies
Introduced Alpha Tilts—A milestone in quantitative equity investing

Global strategies
Introduced first global equity solutions

Sustainable Strategies
Launched first dedicated "uplift" strategies

Private equity
Launched first growth private equity strategy

Product innovation

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Data-driven security selection across three insight groups

Tech-centric investment process transforms vast sets of unstructured data into useful investment information—**dynamically** providing insights **faster**, at **greater scale**, and with **more granularity**.

COMPANY FUNDAMENTALS

Stocks underpinned by attractive long-term fundamentals

- Improving profits and earnings
- Attractive valuations
- Real-time activity tracking

MARKET SENTIMENT

Stocks supported by positive sentiment and market activity

- Analyst expectations
- Unstructured text
- Relationships between stocks and other assets

MACRO THEMES

Stocks supported by broader macro themes

- Evaluate trends across industries, countries and styles
- Similarity analysis

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Big Data: New Tools of the Trade

COMPANY FUNDAMENTALS

Real-time activity tracking

Tracking B2B activity through trucks

Observe evolving transportation in real-time for a better understanding of company fundamentals and industry trends.

MARKET SENTIMENT

Natural language processing

Conference call sentiment

Text mine over 5,000 earnings call transcripts every quarter for a real-time read on company sentiment.

MACRO THEMES

Regime identification

Market Regime Similarity

Use advanced modeling techniques to identify similar past periods based on macro variables and state of the economic environment to predict industry returns.

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Using AI to navigate changing markets

1. HUMAN

Expert portfolio manager insight underlies each step, from identifying themes to expressing insights

2. MACHINE

Large language models (LLMs) enable a systematic approach to building equity baskets that is fast and flexible

3. DATA

Process leverages vast unstructured datasets in seeking to uncover differentiated insights

Thematic Robot

- Defines the theme/scenario
- Ability to add seed companies
- Can correct LLM logic and iterate on the output before implementing

- Identifies exposed business models at a granular level
- Brings speed and scale to constructing baskets while providing full transparency

- Conference call transcripts and other data sources provide deeper insight on how companies are impacted by themes

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Questions?

1. In the conference app, select this session from the schedule.

2. Select "External QA/Survey."

3. Type your question and tap send.

CONTINUING EDUCATION CODE:

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Questions

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