

# Partners in Productivity: How Cornerstone Uses AI

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## Executive Summary

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- Cornerstone uses Generative Artificial Intelligence (GenAI) tools to enhance its investment research process, viewing GenAI as an additional team of analysts that help us efficiently gather and synthesize information to help us "outprocess" the market.
- We leverage GenAI for three primary functions: summarizing complex information, analyzing data quickly, and identifying changes in companies over time, using tools like Bloomberg/Factset, Perplexity, Claude, ChatGPT, and Alphabet's NotebookLM to streamline its research and reduce time-intensive tasks.
- While embracing GenAI's potential, we maintain a critical approach, recognizing the technology's limitations and using GenAI as a directional tool rather than a definitive source, always grounding our analysis in evidence-based fundamental research and primary sources.

*Note: This summary was written using Claude.AI*

## *Generative Artificial Intelligence Tools Are Both Cool and Useful*

One of Cornerstone's key cultural messages we share when we talk to current and prospective clients is that we seek to outprocess the market, rather than outresearch it. We think of outprocessing the market as executing a decision-making structure that allows us to minimize our behavioral biases while taking advantage of the behavioral errors of other investors. Much like our proprietary Fair Value Model helps to make our valuation and research processes more focused, thoughtful, and repeatable over time, Generative Artificial Intelligence and Large Language Model (together, "GenAI") tools have also improved how we collect, summarize, and access fundamental information.

We spoke with a fellow CIO who remarked on the output of one GenAI prompt (one of the examples below), "This is seriously cool." He's right; GenAI is "cool," but the real question is, "Is it useful?" Artificial Intelligence (AI) technologies have advanced significantly in recent years, particularly regarding how useful the technologies are in consumer- and business-oriented tools. We believe that the investment industry will adopt GenAI, and we have already begun using some tools to enhance our own research processes. We see GenAI as a team of additional analysts who work with us to help explore and probe our current and potential investments, enabling us to broaden and deepen our approach simultaneously.

Some ways we use these tools include the following:

### *Gen AI Tools Help Us...Summarize Information*

The world is awash in information, making it challenging to separate signals from noise. GenAI tools allow us to achieve commodity-level information more quickly and efficiently, which allows us to spend more time thinking about investment options. Similarly, our Fair Value Model takes fundamental corporate information from research sources, such as financial filings, market prices, and consensus estimates, and puts them in a concise, coherent, and consistent format. That way, we can review a broader investment universe and understand companies on an apples-to-apples basis.

*Example:*

Earnings season can be a firehose of information. We believe being generalists rather than industry specialists provides significant value, enabling us to think more broadly about the opportunity set, avoid informational biases, and operate as a flat team. We use GenAI tools or work products provided by **Bloomberg's and Factset's earnings call and key issue summaries** to help us more easily review what is happening at those names outside of our portfolio to assess how their fundamental and stock performances will impact those we own. If we identify topics worth further exploration, we can allocate time to focus on those issues that will have a more meaningful impact on stocks inside and outside our portfolio.

### *GenAI Tools Help Us...Analyze Data Quickly and Efficiently*

Our research process is evidence-driven, so we seek to find and utilize primary source data wherever possible. However, that data is often in disparate and difficult-to-find places. We have access to all of the core research tools that you would expect, such as Factset and Bloomberg, corporate filings, sell-side research, government sources, and traditional and non-traditional news and data sources. GenAI tools have helped us find and prepare the data we need so we can focus our efforts on synthesis and higher-level fundamental analysis.

#### *Example:*

Recently, nuclear power has been a critical topic in the market as GenAI-driven data centers have looked to expand access to baseload power generation. We wanted to understand the increase in the number of plants over time, who owned each plant, and where they were located. We found this information quickly by asking **Generative AI search engines like Perplexity, Claude, or ChatGPT**. Combining that with our knowledge of major data center corridors, we could assess whether existing plants could be used. We then learned about the cost and time needed to build additional nuclear capacity in the United States.

### *GenAI Tools Help Us...Identify Changes over Time*

A core assumption of our investment philosophy is that fundamentals determine a company's value over time, so past earnings are essential to understand a company's track record. Our research then seeks to determine if that track record is relevant and repeatable into the future. When we see changes in a company's earnings, return profile, or balance sheet, it's essential to understand why. This effort helps us ask the right questions, which is core to understanding a stock's mispricing.

#### *Example:*

One of our positions has made some changes to its business model over the last decade, and we wanted to understand how the company described itself in the past versus today. This would help us better assess whether these changes were reactive or proactive. We downloaded ten years of earnings call and conference transcripts to explore this and loaded them into **Alphabet's NotebookLM document analysis program**. With over 101 files and 2,900 pages of text and charts, this allowed us to effectively speak with the company without "being sold," and it became clear that the change to its business model was evolutionary and designed to solve a problem, rather than a wholesale shift in its approach. Instead of taking a few days to answer this question, we could understand it in minutes.

### *GenAI Tools Are Best When Working With Investors, Not As Investors*

We recognize significant risks with AI broadly, and we look at all of the data and analyses we receive with a healthy dose of skepticism. We believe fundamental research needs to be evidence-based,

and AI tools don't necessarily give us the answer but instead help to point us in the right direction. Then, we can focus more clearly on the primary sources that have led to our success over time.

In our conversations with clients and other finance people, we have heard some joking comments (or perhaps not so joking) asking whether the machines will ultimately do the stock picking. We emphatically believe that GenAI, at least for the foreseeable future, is not well equipped to select stocks and manage portfolios over time. It does not have an investment philosophy. In our view, GenAI is another tool that advances productivity. Robots didn't remove humans from the manufacturing process, but it did reduce the number of nuts screwed onto bolts by hand. Instead, humans spent time on more value-additive processes, such as improving the manufacturing process.

In the time we have used them, we have found that GenAI tools enable us to improve our investment process by reviewing more information more effectively and thoughtfully. We understand that we remain at the surface of using some of these tools, and we will continue to explore ways to enhance our research and portfolio management processes.

We encourage you to reach out to us if you would like to learn more about our investment process. Please contact Paul Slakter, Partner and Head of Business Development, at [Slakter@cornerstone-ip.com](mailto:Slakter@cornerstone-ip.com) or 813-240-6191. We have built a unique approach to equity investing with strong near and long-term performance that speaks for itself, and our investment team values every opportunity to share our story.

*The opinions expressed represent the personal views of Cornerstone Investment Partners investment professionals and are based on their broad investment knowledge, experience, research and analysis. Past performance does not indicate future results. As with all investments, the possibility for profit is accompanied by the risk of loss.*