



George Stedman, CFA  
Senior Portfolio Manager

RBC Dominion Securities Inc.  
1501 McGill College, Suite 2150  
Montreal, QC, H3A 3M8  
Tel: 514-840-7626  
Fax: 514-840-7639  
george.stedman@rbc.com  
www.georgestedman.com

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## Second Quarter 2025

The stock market's dramatic recovery from the shock on April 2 from 'Liberation Day' tariffs was muted by the sharp fall in the U.S. dollar. A gain of 6.2% in the first 6 months for the S&P 500 in U.S. dollars was translated into a gain of only 0.5% measured in Canadian dollars. The Canadian stock market did much better at 10.2%, helped by gold mining stocks. Small company stocks did worse. The S&P 400, which excludes the 100 biggest companies, had a negative return of -5.2% in Canadian dollars and was about flat in U.S.\$.

In the short term the stock market is being jerked around by Trump's tariff gyrations. In the long term it is technological change that drives stock prices. I have avoided writing much about generative artificial intelligence based on large learning models as I hardly need to add to the hype, but it plays a large role in our security selections. Bill Gates has called artificial intelligence "the most important advance in technology since the graphical user interface [in 1980]". (CNBC March 26, 2025)

"Over the next decade, advances in artificial intelligence will mean that humans will no longer be needed 'for most things' in the world says Bill Gates. At the moment, expertise remains 'rare', Gates explained, pointing to human specialists we still rely on in many fields, including 'a great doctor' or 'a great teacher'. But 'with AI, over the next decade, that will become free, commonplace – great medical advice, great tutoring' Gates said. In other words, the world is entering a new era of what Gates called 'free intelligence'." (CNBC March 26, 2025)

Amazon CEO Andy Jassy wrote that "he expects the company's overall corporate work force to be smaller in the coming years because of the 'once-in-a-lifetime' AI technology." (WSJ.com July 3)

Away from Silicon Valley Ford Motor Chief Executive Jim Farley was quoted by the WSJ.Com on July 3: "Artificial Intelligence is going to replace literally half of all white-collar workers in the U.S. AI will leave a lot of white-collar people behind."

We are participating in this mega trend both directly and indirectly:

Three companies, Alphabet, Amazon and Microsoft, are among the largest operators of data centers used to run large language models. Google's Gemini, Amazon's Alexa and Rufus and Microsoft's Copilot are increasingly popular AI assistants.

Four companies make products that are used in data centers:

Corning provides internet-enabling optical fiber and glass components for the semi-conductor industry and fiber optics that speed communication between graphic processing units (GPUs) in AI data centers.

Cisco makes infrastructure such as GPU servers and switches that connect clusters of AI data centers.

Siemens' electrical equipment and software are used in data center infrastructure.

Xylem's water treatment systems keep data centers cool and remove unwanted contamination.

Three companies provide power:

Boralex makes electricity and data centers have a huge need for power.

Fortis transmits electricity to where it is needed.

TC Energy transmits natural gas that is used to make electricity.

All together a good portion of the companies we are invested in are making the promise of free knowledge a reality.

This summer my son Matthew Stedman has been working for me. It has been great fun sharing my day-to-day challenges with him. Matt wrote his own quarterly letter for investors about artificial intelligence with ChatGPT in about 5 minutes. It was rather good, but it wasn't mine. Elena and Margarita voted for mine instead. Unfortunately, Matt is going on a holiday soon. Diana just finished competing in the TRY (Training Regatta for Youth) which I have run for the last 10 years. It was a great thrill to see her on the podium this year.

Fair winds.

Regards,

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