



IMpact: An investment management podcast series

Episode 11: Generative AI and the future of investment management: Navigating the new era

Host:

Reese Blair, partner, Deloitte & Touche LLP

Guest:

Mike Bechtel, chief futurist, Deloitte Consulting LLP

Reese Blair: *Hello, everyone. I'm Reese Blair, your host of IMpact, the new investment management podcast series from Deloitte. IMpact brings you hot takes and fresh perspectives from top experts in the industry. Whether we're discussing issues like regulation, recession, or resiliency, we'll take a deep dive into the latest news, trends, and challenges facing investment management professionals. So, tune in, learn something new, and walk away with insights that will help you make an impact on the IM industry and the world around you.*

Welcome back to IMpact, where we explore the cutting edge of financial innovation and unconventional wisdom, aka vujà dé concepts that are reshaping the investment management landscape. I am your host, Reese Blair, and listeners, I cannot be more excited about today's episode. We're diving back into the world of Generative AI, a topic that continues to evolve at breakneck speed. Joining me today is someone you might remember from one of our most downloaded episodes ever, Mike Bechtel, chief futurist at Deloitte. Mike, it is so great to have you back in the studio.

Mike Bechtel: Oh man, Reese, as the great business strategist said, "Tag team back again." And I'm so grateful to be with you to chop it up on all things new and next in this space. And it feels like 10 years since the one year we hung out on this space. I mean, uh—

Reese Blair: (laughs)

Mike Bechtel: I don't know that it's a provocative opening statement, but GenAI has had some developments. (laughs)

Reese Blair: Uh, that might be the understatement of the current year, sir! (laughs)

Mike Bechtel: Oh, man.

Reese Blair: But, listen, speaking of the last time we spoke, I mean, we were literally just scratching the surface of AI's potential—in investment management, of course. Because where are we? At the IMpact podcast. So, fast-forward to today—

Mike Bechtel: Yeah.

Reese Blair: —and you're right. It feels like we've entered an entirely new dimension. But before we dive in, for those listeners who, I don't know how they could've, but they might've missed our previous conversation, Mike. Can you maybe share a bit about your background and how you invest your days helping navigate the future?

Mike Bechtel: Well, Reese, the first thing that I appropriately tend to get asked, by anybody, is what, pray tell, is a futurist? And I love that question because it's either coming from a place of irrational exuberance since we're (laughing) discussing the investment community—a little hashtag to Greenspan! Or it's coming from a place of arms-crossed skepticism, right? It's either really cool or really nuts.

Reese Blair: Right.

Mike Bechtel: And what I would tell you is, it's a shiny way to say emerging technology research director. My team and I—

Reese Blair: Love that.

Mike Bechtel: —about 20 deep, work to make sense of what's new and next in tech. And the tools in that belt are twofold. One is what I call the wide-angle lens. We look around the world for little faces of tomorrow being cooked up today, in both likely and unlikely places. I mean, Reese, it stands to reason you'll see something at NASA that might knock your socks off—and that happens. But one of the most interesting AI use cases I've ever seen came in hot from the Kingdom of Saudi Arabia Tourism Authority –

Reese Blair: (laughs)

Mike Bechtel: – right? And , breadth is the new depth, as regards –

Reese Blair: Mm.

Mike Bechtel: – the treasure hunt for novelty, right? Uh, the second tool in the bat belt is history, right? People say, "What, do you have a crystal ball?" I say, "No, it's actually the opposite." We look back to make sense of what's coming, because I'll tell you, Reese—and I'm sure you feel this too—you'll be with a client and they'll say, "This thing is unprecedented!" And I think you and I've been around enough to know that history might not repeat, but man, it often rhymes. And, so we've seen parts of these movies before.

And so, with that breadth and that pattern recognition in tow, we can help our clients sort of inoculate themselves against that irrational exuberance. But also against that grumpy guardian disposition and get down to what matters, and what is that? The stuff that's merely very useful.

Reese Blair: Hmm. I love that. Well, Mike, I will tell you outside of, potentially being the host of IMpact and an audit partner in our investment management sector, I think you might have one of the coolest jobs at the firm. So, I'm just going to put that out there. (laughs) Do with that what you may, but I'm just going to state it for the record, so.

Mike Bechtel: I'm grateful. Thank you. Thank you, sir.

Reese Blair: That, being said, sir, I'm feeling ambitious, Mike.

Mike Bechtel: Uh-oh.

Reese Blair: I'm looking forward to covering quite a bit of ground, you know, from the latest trends in GenAI. We talked about AI broadly the last time we spoke, but—

Mike Bechtel: Yeah.

Reese Blair: I want to maybe go a little bit deep on some of the latest trends in GenAI. I want to talk about maybe making sense of this ever-expanding universe of large language models, or what folks refer to as "LLMs." I think we're going to explore the fascinating world of AI agents that are beginning to automate complex workflows. We're going to talk about how these technologies are perhaps transforming client experiences for better... or for worse. And we'll wrap up maybe with a little bit of talk, because I can't help myself, about the regulatory and ethical considerations—I am an auditor, Mike, I can't turn this off—

Mike Bechtel: (laughs)

Reese Blair: —that keep compliance officers up at night. So that's really what I want to cover today. Like I said, ambitious, but I think we can get it done because, Mike, when it comes to you, I know, impossible just takes a day. So, with that, let's dive in, man.

You set it up in, at the beginning of your preamble, right? The landscape of Generative AI is evolving dramatically. And so, since our last discussion, what are some of the recent advancements in GenAI that are impacting the investment management industry?

Mike Bechtel: Yeah. Well, you know, Reese, probably the headline that I might start with is that AI is moving from focus to foundation. And here's what I mean. In 2023—way back when—and it pains me to think that that was two lifetimes ago.

Reese Blair: Eons, eons ago! (laughs)

Mike Bechtel: Eons ago. In the before times, AI and GenAI specifically—and particularly in this investment management and finance sector—it felt like an alien life form, right? To be feared or revered, hero or villain. It was just so foreign to so many of us. And as 2024 played out, it graduated from curiosity to I think mass experimentation. I saw with my clients and I'm sure you with yours, Reese, a lot of departmental credit card swipes, a lot of little citizen IT testing. But you know, all the departmental brush fires in the world do not an enterprise bonfire make.

Reese Blair: Mm.

Mike Bechtel: Right? And so, what we're seeing in '25 is that now that organizations have a little bit more sense of what this could be good for, there's a move towards this sort of ubiquity or this ever presence of AI where people are curiously talking about it less. Now, here's what I mean. Electricity. It's in everything we do. It's presumed, right? We used to burn a lot of calories yacking about that, and we don't anymore. And it doesn't mean it's not there; it means it's foundational. So, what I've seen, Reese, is that in all sectors, but particularly here in information management, AI is the stage supporting the other things worth doing. It's not the lead actress. It's the stage below her. Now, what kind of things are that? Well, that's where it gets fun, right? That's where you're like, "OK, portfolio optimization." Of course! That's going to be AI-driven, right? Customer sentiment analysis. Yeah, let's roll that in too. Data integration between disparate silos so that an adviser can make a holistic rec. Yeah, throw that in. And so, perhaps curiously, maybe a bit contrarian, because AI matters so stinking much, we're hearing people talk about it a bit less because, yeah, it's presumed.

Reese Blair: It's a great leveler. At the end of the day, you're right, it is expected. It's sort of par for the course, if you will. And, you know, you mentioned information management, you mentioned this concept of how information management infuses with investment management, and how we think about what undergirds all of this is really this concept of these LLMs, these large language models—

Mike Bechtel: Yeah

Reese Blair: —it's the thing that makes the GenAI go. And one of the things I always thought was so interesting is the emphasis on words. And, you know, sometimes when you're speaking to the LLM and using it to basically do your prompts and whatnot, *emphasis* matters, right? Because if you have the emphasis on the wrong *syllable*—

Mike Bechtel: (laughs)

Reese Blair: —it might not know what you're talking about! (laughs)

But it does! It somehow knows what you're trying to say. And so, the intuitiveness of it, the brilliance that, like you said, it almost feels like magic when it first came out. And now it just is, right? This is what we leverage on a day-to-day basis. And so, we bring it back to the world of investment management and let's maybe think about how many of them there are. I mean, my goodness, I've lost track. I'm up to like 10 or 12 of them at this point—and that's the ones that I know of. I'm sure you probably know of others, but there's this huge mix of LLMs out there.

And I'm just curious as to whether or not you're familiar with some of your frames and not looking to endorse any, but just more so talk about, how do you think they're being used —

Mike Bechtel: Yeah

Reese Blair: —In the investment management space to maybe enhance performance, manage costs, get to the right answer, be smart in front of their clients. How do you think folks are leveraging a mix of LLMs?

Mike Bechtel: Yeah. Well, you know, Reese, what we've seen as this sort of emergent movement in this space is that, whereas a couple years ago, it felt like we had one super intelligence to rule them all. I'll never forget, and I may have made mention of this when we hung out last episode, but it's such a formative memory for me. As a geek, I see newfangled tech every gosh darn day. I'm up to my eyeballs in novelty. And so, it takes a lot for me to actually go, "Holy smokes!" And it was Christmas on the southeast side of Chicago when my aunt Terese, a retired ceramicist —

Reese Blair: Mm.

Mike Bechtel: —putting sweet potatoes on my plate, says, "Did you know robots can paint pictures and write poems now? It's nuts!"

Reese Blair: (laughs)

Mike Bechtel: (laughs) You know?

Reese Blair: It's a great way to frame it, right? (laughs)

Mike Bechtel: Right. I mean there's the executive summary, but Reese, the reason I open with this is, emerging technologies come and go, but they rarely make it into what I fondly call "gen pop"—general population. So when Aunt Terese was making mention of this capability set, I thought, "Whoa, we got a live one here in something that's deeply relevant." Now, for the next two years, it felt like that one super intelligent chat box was going to be the cure for all of our ills. But what we learned is—and this gets to your great question about mixture of models—what we're finding is that just as teams don't have one super intelligent hero, digital intelligences aren't best delivered as a single super intelligent AI.

And so, what we're starting to see is, OK, role players, right? You've got multimodal AIs—things that take in text, give you a picture; or take in a picture, give you back text. You've got audio-centric models that can listen to speech and either give you a textual summary. I know I use that for meetings all the time. Or better still, real-time language translation. Reese, this morning, I read about a company that will do dialect and accent alteration. The particular tool I read about can identify 15 American accents and 15 continental Indian accents and switch real time between and betwixt.

And I thought to myself, "Goodness, that's a lot different than the thing Aunt Terese was reacting to two holidays ago."

Reese Blair: Absolutely.

Mike Bechtel: And so, in investment management, what we're starting to see is, oh, OK, it's not this large language model chat box for every gosh darn thing. Rather, it's, OK, let's go ahead and use this model over here for risk and volatility assessment. Let's go ahead and use this tool over here to optimize the look and feel of their website based on our understanding of their preferred visual representation.

Now, taken to an unhealthy extreme, you re-create the echo chamber problems we got with Web2, where everybody's living in their own manufactured reality. But I think for investment management, where it's all about the best of global perspective with a bespoke framing that's right for you? That tuning and pruning and customization is much more virtue than vice.

Reese Blair: No, well stated, Mike. You touched on something that actually sparked. The other thing that I wanted to pivot to—not necessarily just focusing all on the LLMs—but just the notion of when you pull teams together, you don't expect to have all folks doing one thing. Everybody has a unique skill set, everybody comes in with certain capabilities, and you leverage the synergy to create a "one plus one equaling three." Before we get into my question around how we think about GenAI agents, let's talk about this definition of agentic AI for our listeners.

Mike Bechtel: Right on. And Reese, it needs to be said that the future is literally coming faster. We had 30 years to get used to this once provocative notion that computers could remember things better than us, aka the internet. We've had less than three years to begin coming to terms with this idea that they might be able to think as well or better than us too. And so, think about that: 30 to three. Agents, or agentic AI, has really only been on our tongues for three months! And so, anybody feeling future shock, me too. Now, that said, what is an agent?

Well, I like to lean into a curious pop culture reference that—whether or not it resonates with you, Reese, I'm going here anyway, so get ready!

Reese Blair: (laughs) I'm strapping on a seatbelt. Come on, let's go!

Mike Bechtel: OK. Have you ever heard of, maybe even better, watched an English television show about 10 years old called *Downton Abbey*?

Reese Blair: Absolutely.

Mike Bechtel: Oh, really? OK, cool. Alright, cooking with gas.

Reese Blair: Absolutely.

Mike Bechtel: Here's the thing. *Downton Abbey*, it was a period drama, right?. Victorian age, Lord Grantham —

Reese Blair: (laughs)

Mike Bechtel: —He's got this estate, right? The Earl of Grantham. And what makes it a great show is it's really not about him; he's kind of a stiff. It's about the staff, the team! The people that keep this place going: the butler, the valet, the footman, the chauffeur. Well, where on earth is this "future guy" going? Hang on, team, I'm getting there.

Reese Blair: (laughs)

Mike Bechtel: When Lord Grantham wanted to go to town, to London, here's what he did not say. He didn't say, "Gas the car. Make my lunch—sandwich, ham, no pickles. Tie my tie, cravat, just so. Left turn at Tewkesbury." No, what he said was, "I'm going to town." And what happened? The team figured it out. Why? Because they knew their jobs, and they had great relationships with one another. They could federate; they could orchestrate. "Bob, gas, the car." "You got it, Cindy." Make the lunch." "Great, ham, no pickles, right?" "You know it!" Fist bump. Agents are digital *Downton Abbey*.

Reese Blair: Wow.

Mike Bechtel: Agents are AI role players, right? They're not all Michael Jordans. They don't have to be. They're role players. "What do you do?" "I shoot threes." "What do you do?" "I box out." And merely very useful role players with the ability to communicate, coordinate, and federate can move mountains. Because what you find in business, just like you said, Reese—and this is your insight, not mine, man—a great team, if you've ever seen a supergroup in rock and roll, they're typically terrible because they're all showing off. You ever see an all-star game in professional basketball? Also terrible! (laughs) They're all showing off.

Reese Blair: Right.

Mike Bechtel: What makes a great team? People who know their role and communicate. And so agentic AI, whether you go digital *Downton Abbey* or, you know, my '90s Bulls or—Reese, I don't know, who's your team? I don't know.

Reese Blair: Hey man, listen, I say the Philadelphia Eagles. What can I say? (laughs) I'm a Philly guy.

Mike Bechtel: Hey, that's good, that's good!

Reese Blair: We got a dynasty! (laughs) I'm saying I'll put it out there!

Mike Bechtel: Yeah. Congratulations.

Reese Blair: Too soon, too soon! (laughs)

Mike Bechtel: Yeah, yeah. I'm still waiting on the Bears.

Reese Blair: (laughs)

Mike Bechtel: But I'll tell you, a team of well-connected role players wins every time.

Reese Blair: Nice.

Mike Bechtel: And so, when you hear people talk about agentic AI, resist the temptation to roll your eyes into the back of your head and say, "Uh-oh, buzzword alert." Rather just think, OK, no, a team of digital role players that can take a high-level order and figure it out. So, investment management, it makes a lot of sense, right? Like, cook me up the right portfolio for Ms. Simmons, given her recent family transitions and global market turmoil. Right? And then you go grab a cup of coffee and have a conversation with Ms. Simmons—because that's what humans do. While that agent superteam comes back with the right stuff at the right time.

Reese Blair: Man, listen, Mike, I know you're someone who loves quotes, and so what you just said sparked something that I heard the other day. "Agency is achieved in the greatness of others."

Mike Bechtel: Ooh, ooh, ooh, goosebumps!

Reese Blair: Agency is achieved in the greatness of others. Because I am a leader, you're a leader, but we are nothing without our team, and having that team complemented by these digital *Downton Abbey*. (laughs) My mind is blown. I mean, let's just call it what it is! Like, you have such a way with words and a way of painting a picture. That is such a great mental representation to wrap your head around, and some of it's just happening behind the scenes, happening seamlessly, while the human interaction is happening, right? These GenAI agents are doing a lot of the heavy lifting behind the scenes and making the impossible possible. How did you come up with an answer that quickly?

Mike Bechtel: Well, to be fair, Reese, it [goes] back to the futurist role. It's something our team's been seeing coming in slow motion for a good five years. And the following is not a boast, or a call for help; it's just sort of the trajectory. You know, four or five years ago, what we started seeing was that descriptive analytics, aka the trusty data science that many of our teams—certainly here in investment management do—to understand patterns in the past, that they were giving way to predictive analytics or projecting patterns in the future.

Now, it was the mashup of those two that we, as human beings, receive as a simulation of human decision-making and discernment. Like, human intelligence is sort of this mashup of patterns of the past and projections of what's next, right? And so, it was that married up with what we saw happening with interfaces, namely desktop to laptop, to screen, to headset. You were like, "Man, this is going to be chaos. It's going to be a hot mess unless we have addressable role players." And so, ironically, you know, admittedly a tiny sidebar here, but we were talking about digital *Downton Abbey* three, four years ago, not realizing that the market would one day call it "agents."

Reese Blair: Mm. (laughs)

Mike Bechtel: And so, when it came out, it wasn't prideful. It wasn't like, "Ha, we're right!" It was more of a, "Ha... that took a different description than we expected."

Reese Blair: (laughs)

Mike Bechtel: But we're here for it. Yeah.

Reese Blair: We're here for it, indeed. As we think about maybe pivoting away from some of our GenAI agent conversation to just this concept of automation, I want to ask you a really quick question because I realize that some folks who may have not listened in the first time around and are now joining us for 2.0. trying to do my best British accent, but you do it way better than I do.

Unpack predictive AI versus GenAI—because we are talking about investment management, we are talking about forecasts. And I think it's very helpful to delineate that we are trying to draw a differentiation between predictive AI and GenAI.

Mike Bechtel: Yeah, for sure. So, if you pull the lens all the way back, there's sort of two flavors of applied mathematics. And I'm imagining a whole gaggle of my old math and engineering teachers are going to find about a million flaws in the following, but I'm ready for it. Bring it!

Reese Blair: (laughs)

Mike Bechtel: You've got calculation, which is the sort of computation that, I think, Reese, you and I, and most of our listeners, grew up with. I distinctly remember in eighth grade my computer science teacher on the south side of Chicago looked us all right in the eyes and says, "Computers don't make mistakes, programmers do."

Reese Blair: Mm.

Mike Bechtel: And I remember thinking, "Well, that's tough." (laughing) Right? Like, thanks Mr. McMillan, love you if you're out there.

Reese Blair: (laughs)

Mike Bechtel: But what he meant essentially was that a calculator can never be wrong, right?

Reese Blair: Mm.

Mike Bechtel: Like five plus five continues to be 10, in all contexts. But if the programmer goofs up somewhere and five and five shows to 11, then OK, that's on her or him, right? Well, AI, or "machine learning" as the OGs would call it, machine learning is less about calculation. It's more about probabilities. It's statistics. It's N times out of X, this is the answer, but sometimes in other things, the answer. And so, when you get into the world of probabilities, you're making educated guesses. Well, descriptive analytics made educated guesses on data we already had. Predictive analytics, or predictive AI, makes educated guesses around what's likely to happen next, given what we have.

I think what Generative AI brings to the mix is its predictive analytics on steroids. It's saying, given what we know now, this is the most likely string of things for your question. And the reason I use that curious word "string of things," if you're asking to complete a Shakespearean sonnet, you'll get a convincing bag of words that feels like the bard. Back to investment management, if you're asking for a convincing string of events that might happen based on today's news, you get that.

Reese Blair: Mm-hmm.

Mike Bechtel: Convincing string of events—

Reese Blair: Mm-hmm.

Mike Bechtel: —on the future price of a securities basket, you'll get that. Now, Reese, the kicker I think for the IM community is it's still just educated guesses. BUT the education is trillions of data points in and trillions of calculations per second. And so, what we receive as magic bordering on super intelligent truth, in fact, is just a staggeringly good guess. But it's still a guess, which is why we still put an asterisk on the end of it and continue to use the age-old language of our sector. Uh, "The past—

Reese Blair: "—performance—"

Mike Bechtel: Keep going!

Reese Blair: "—indicative of the future." Listen, I know exactly where you're going, Mike! (laughs) It is an age-old adage. You're right.

Mike Bechtel: You know it, you know it. Even with 99 more nines in the certainty, it's still not going to be 100.

Reese Blair: Wow, well stated. The reason why I wanted to sort of take a step back to, again, reframe predictive AI, in the context of GenAI that we're talking about today, is because I really want to get to now this concept of automation potential —

Mike Bechtel: Hmm.

Reese Blair: — in AI, right? Because at the end of the day, when you think about taking those trillions and quintillions of data points and trying to forecast it in an automated way so that we don't have to be there punching a button every single time, that the thing just does the thing, like in digital *Downton Abbey* fashion, right? Like, maybe with that potential, there seems to be so much benefit that can come from that.

Mike Bechtel: Mm-hmm.

Reese Blair: And I want to hear about that, from your perspective, Mike. And I also want to hear—again, because I'm balanced—the drawbacks, right?

Mike Bechtel: Right.

Reese Blair: There's benefits to this automation potential, and there's got to be drawbacks —

Mike Bechtel: Right.

Reese Blair: —to this automation potential. So, I want to hear both sides of the coin from you.

Mike Bechtel: Well, a big “yes” to both. I'll just start out with an affirmation that the future can be really bright or the future can be a hot mess. And, I think, the thing I remember—

Reese Blair: (laughs)

Mike Bechtel: (laughs) The thing I remind all my clients is that we are the heroes we're looking for—

Reese Blair: Mm.

Mike Bechtel: —in this. Because, I think, Reese, technology from the jump has always been a four-syllable synonym for tool. And tools force multiply our human ambitions. So, if we're do-gooders, we can become do-greaters, right? And if we're mustache-twisting cartoon villains, you know, you don't want to give that person a jackhammer or even a hammer, right? And, so that's all to say, there is good and bad, and it's not the tech; it's those wielding it. Now, when you introduce automation, which is, I think, a beautiful question. Honestly, Reese, this is a nuanced and important and elegant question.

The trick is you're creating some self-sustaining behaviors on behalf of these systems that can get a little bit out of control. So, I'm going to lean into another analogy. This one's even older, but bear with me. Did you ever see *Fantasia*? It was Mickey the Sorcerer, like Sorcerer—

Reese Blair: I was going to say there's a different Fantasia that I'm thinking about! (laughs) She's an R&B singer! (laughs)

Mike Bechtel: Wait, Fantasia Barrino?

Reese Blair: Yes.

Mike Bechtel: Yes, yes! *American Idol*, season two.

Reese Blair: That's not the Fantasia you were talking about! Sorry.

Mike Bechtel: No, no, no.

Reese Blair: I digress. (laughs)

Mike Bechtel: There was this old cartoon from the '40s, I believe. It's wonderful—

Reese Blair: Yes.

Mike Bechtel: —where Sorcerer Mickey—he was like a kid in the candy shop at the Sorcerer's place called the Sorcerer's Apprentice. And he gets a hold of the magic book and he accidentally enchants the brooms, and the brooms start sweeping, and then they keep sweeping and now there's a million sweeping brooms. And here's where I'm going with this. The brooms were not coming to get him. The brooms were not the Terminator, right? Rather the brooms were

trying to do their job. They had a simple script “automate the cleaning,” and it created chaos for Mickey because he is running for his life from these automated brooms. And so, what I see with automation, Reese, and what our team has really dug up here is best-laid plans mindlessly repeated ad infinitum can create unintended externalities.

Reese Blair: Oof.

Mike Bechtel: And so I think automation used wisely frees even more time for humans to do humane, elevated things. I think the trick is *mindless* automation creates, you know, best case thoughtless orthodoxies, right? Like mindlessness scaled is still noise.

Reese Blair: Mm.

Mike Bechtel: Or worse, unintended externalities and low-key peril, as we discussed. And so, TLDR, you don’t want to throw the baby out with the bathwater, right? Automation is a super tool. It’s that we just need to be super vigilant so that we’re not mindlessly scaling unintended behaviors.

Reese Blair: Got it. Yeah. I mean, you certainly want to mitigate that as much as possible. And, yes, we talk about the human race, and this concept of a race is something that makes me want to think about the next topic that I want to cover with you because there’s been some new “solutions”—we’ll call it that—that have been developed by our very own investment firms, and they’ve significantly lowered the cost of GenAI solutions, and it’s a race, right? And so, I wonder, from your perspective and from your line-of-sight, Mike, are you seeing, or do you believe more investment management firms are possibly going to join the race to develop their own models?

Mike Bechtel: Frontier models need not necessarily have trillion-dollar capital expenditure hardware behind them or multibillion-dollar software development behind them. That necessity is the mother of invention.

Reese Blair: Mm.

Mike Bechtel: That scarcity creates the constraints that help innovators focus. And that sometimes good enough can be pretty darn great. And, so I think here in the IM community, to answer your question, my friend, I do think we’re going to see sector-specific AIs bubbling up that are less about the Einstein-grade AI and more about domain-specific knowledge and nuance and mojo. Because back to the agentic discussion earlier, if you don’t need superstars for everything, you just need to have a role-playing digital mind, who better than the investment management organization to imbue their role player with their playbook? With their approach to customer service, with their ways of working and tuning and pruning models. So, I think, yeah, that waterline will keep going up, and it will afford investment management firms the opportunity to direct more of their precious people towards the creation of those differentiated assets.

Reese Blair: Now pivoting to the topic of sort of regulatory and ethical considerations in the world of AI. And I want to think about, from your perspective, what are some of the—we’ll call it “potential regulatory and ethical challenges”—

Mike Bechtel: Yeah

Reese Blair: —that practitioners may face in deploying GenAI in investment management.

Mike Bechtel: Well, you know, Reese, if I haven’t demonstrated it overtly enough, I mean it when I say we future types are secretly historians. And so, let’s go back yet again this time to an old tune by Crosby, Stills, Nash & Young called “Teach Your Children Well.”

Reese Blair: Mm.

Mike Bechtel: You know, I think with these AIs what you’ve got to realize is that unlike that first class of computers we discussed, calculators, AIs are students, they are our digital progeny, they’re our digital children. We’ve got to teach these digital children well, and more specifically, we’ve got to teach them to be what we wish to be, not to settle

for being who we've been. And so, the way I like to think of regulatory ethics and trust on AI is if you feed it a bunch of 20th century sort of investment data, right? And say, "Here's how we do things around these parts. Go forth and amplify, go forth and automate—

Reese Blair: (laughs)

Mike Bechtel: —what do you get? You get subtle biases that metastasize into giant problems.

Reese Blair: Mm-hmm.

Mike Bechtel: We didn't mean to teach it gender biases on portfolio construction, but oh gosh, there it is. And so, I think step one—Rayid Ghani is a computer scientist. He testified before Congress on this very matter. He said, "Step one is the uncomfortable act of taking tacit biases and making them explicit. Looking each other and the database in the face and saying, 'We hadn't been fair to people in these eight ways.'" That's an ugly document to look at and say, "Behold our sins." (laughs)

Reese Blair: (laughs)

Mike Bechtel: But only by feeding a machine those sins, can you say, "See this? That ain't OK."

Reese Blair: This is what happens. Yup.

Mike Bechtel: Right. And then that's the beginning of doing better digitally, because you can say, "OK, now amplify and force multiply all the things with these guardrails in mind." That's, I believe, how you can create a better digital future. And you'll notice it's all about just putting regulatory ethics and trust at the front of the process, not coming in at the back with like a paintbrush and nipping and tucking. Like, you've got to start with trust. Take it from a geek: tech comes last.

Reese Blair: (laughs) Well, Mike, I could do this all day, and we ran into this the last time. I just want to keep talking to you and just picking your brain. I mean, you always have such profound insights, but I want to maybe bring this plane in for landing and think about maybe some of the future exciting opportunities that GenAI has for the investment management industry—and any firms that are maybe on the ground floor of this journey, right? What are some of the things that those firms and folks who are starting their journey in the world of AI, what are some of the things they should be thinking about? What should they be considering?

Mike Bechtel: Yup.

Reese Blair: And what are some other exciting opportunities for folks who may be further along in that journey and maybe want to tap into some other elements of a more mature realization of where they are in that GenAI journey?

Mike Bechtel: Well, Reese, for starters, pleasure's been all mine. And you had me at "hello" with the opportunity to come back, and you confirmed it with accents on syllables because I haven't heard that one in a while.

Reese Blair: (laughs)

Mike Bechtel: And man, that, you, goosebumps. But here's what I'd say, sir. Every time we automate, we should think of it as a license to elevate. Like, we can be negative and think about this rising AI water line feeling like sinking, right? Like a lot of the robots are coming for all the things. Yikes.

Reese Blair: (laughs)

Mike Bechtel: I think of it more like this rising water line is freeing precious human cycles to raise our sights, to elevate. And so, you know what excites me are all of the new categories of offerings and products that investment management firms can begin to deliver. Because doing today's work cheaper and faster, that's a race to the bottom.

You can't shrink your way to success, right? Right? Especially when your competitor just hired Toby (laughing) right? Think of it rather like this. Think of it, like, "Huh, in a GenAI world, we could offer not just customized portfolio recommendations, we could create a literal capability."

And I thought of this one before we met Reese because this question always fills me with energy. Like, imagine a world where a client in that meeting with the adviser can say, "You know, I grew up here, I believe in this, here's my values. And just that declaration of values, intent, and lived experience—turns into a thoughtfully constructed portfolio based on not people *like you*... based on *you*."

Reese Blair: Mm.

Mike Bechtel: And then, you cross-reference that against high-performing deciles and quartiles, and you ensure that the guardrails and ethics we discussed earlier are maintained. You can have an entirely new world of values-driven investing that's not for segments. It's for you. And so, that's what gets me excited is, you know, anybody sweating about robots coming for today's work, I would say make yourself a nice tea and celebrate all the cool new things you can get busy building because this is rocket fuel for your elevated ambitions. Your new classier problem? Flexing that imagination muscle and figuring out what do you want to do next?

Reese Blair: Wow. Go from being engineers to imagineers, right? How about it? That's pretty incredible, man. And Mike, I'm taking a lot away from this conversation, but that notion of embracing the chance to automate as an opportunity to elevate? Come on, man. I'm getting a shirt made! (laughs) I'm going to be your brand ambassador for that one. That was really powerful. So, once again, Mike, thank you. That brings us to the end of yet another thought-provoking episode of the IMpact podcast. Mike, you are, man, a gem, right?

I can't thank you enough for sharing your insights with us today. It's absolutely been my pleasure. As we've explored, GenAI is fundamentally changing investment management from how analysts process information on how advisers engage with their clients—the Ms. Simmons of the world, right? The LLM landscape continues to evolve at lightning speed. Again, how many probably started since this conversation, right? Who knows? They offer specialized tools for our industry's unique challenges, and look, while agentic AI systems are automating increasingly complex workflows, let's be clear, Mike, the human element remains irreplaceable in building genuine client relationships.

And the regulatory and ethical considerations that we discussed, like you said, they underscore a crucial point. These technologies are tools that amplify human potential; they don't replace it. And so, the firms that thrive will be those that thoughtfully integrate AI while preserving the trust and human judgment that our clients value most.

And that brings me to what I hope our listeners take away from today's conversation. Whether you are a portfolio manager exploring AI for investment research, a fintech developer building the next generation of tools, or a student considering a career in this rapidly evolving field, you have a unique opportunity to shape how these technologies serve humanity.

The decisions made today about how to implement and leverage these systems will reverberate for years to come. So, to all our listeners across the globe, from industry veterans to the academics training tomorrow's leaders, I encourage you to approach these technologies with both bold curiosity and thoughtful responsibility. Ask the difficult questions, challenge assumptions, and most importantly, until the next time, keep making an IMpact.

Reese Blair: *Thanks for joining us for today's episode. Be sure to listen to IMpact each month. You can find us on [Deloitte.com](https://deloitte.com), Apple Podcasts, Stitcher, Spotify, or wherever you get your favorite podcast. Simply search I-M-P-A-C-T. For more insights on investment management, visit the investment management page at deloitte.com. You can also connect with me on social media. Just search Reese Blair on LinkedIn. Until we meet again, keep making an impact.*

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