

thoughts

FROM HANSON+DOREMUS



Spring 2026

Welcome to the new-look *Thoughts* newsletter! You will notice we have moved to a quarterly cadence and a more free-flowing format where articles might extend beyond one page. We have done so in order to give us more room to cover complex issues in depth, and because we value data visualization and have always wanted to have more and bigger charts. While some things have changed, we still aim to write articles of interest to our clients about financial topics and often, more broadly, about the increasingly complex world around us. And, of course, we are still producing the Hanson Index, 40 years on...

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While we are taking a fresh look at *Thoughts*, we thought it was high time to bring those who work behind the scenes to the front pages and explain some of the structure under the hood of how we operate.

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Who's who, who's what?

Every so often, we like to bring the people behind the scenes to the front pages. It has been a couple years since we last did so, and since then we've added some new faces and evolved some of our roles. We firmly believe the reason clients stay with us is for the people—they form the relationships that are everything in this business. So let's take a look...

Client Services Team

If we were stranded on a desert island, these would be the most essential people to run the business and serve our clients. They are the glue for the firm, making sure everything works smoothly. Every time you didn't notice something happening, it is our client services team that took care of it.

Jordan Lafayette is our Head of Operations, leading the day-to-day of client reporting, trading, and internal processes. She excels at sorting out the “edge cases” when things get complicated in the background—if you've never heard of those cases, Jordan is the reason why! She is a 2023 graduate of the Leadership Champlain program and lives in South Burlington with her husband, two daughters, and a Yorkie.



Kristen Audy Rich is our Office Manager, literally and figuratively keeping the lights on. She also runs our human resources and is our store of intuitional memory, having been with the firm since 1996! She lives with her family in Williston.



Alma Pilausic is our main Equity Trader and is also responsible for managing client accounts and requests. She serves on the board of Nordic soccer club and travels across New England with her kids for sporting events. She is an alumna



of Champlain College and lives with her husband and three children in Williston.

Advisor Team

Our advisors are the people who build the trust that underpins our relationships with clients, making the arcane accessible in a real, personal, way. We believe it will always be human connection that survives any shifts in how society approaches money management or fancy new technologies (including AI). Our Advisor and Client Services teams are always thinking of how to better serve clients through the weekly Financial Planning Committee.

Sven Eklof is the Managing Partner and has been with the firm for nearly two decades. He loves helping people make sense of their financial situations and brings a nice balance of rigorous thinking and common sense to any issue. Sven has done just about every job at the firm and is very active outside of it as well, serving on boards of Essex United Soccer and Tree Farm Sports, and coaching many of his children's sports. He lives in Essex with his wife and three children.



Art Wright is a Partner and leads the client relations efforts of the firm. He loves the coaching aspect of serving clients and extracting practical guidance from complex situations. He brings this ethos to pursuits outside of work as well, including teaching personal finance at the University of Vermont and (previously) serving on the board of Wake Robin



Continuing Care Retirement Community. Art lives with his wife and three children in South Burlington.

Alex Watson is a Partner and responsible for client portfolio management and financial planning. He is one of the techiest among us and has the happy distinction of managing the firm's IT resources. Outside of work, he serves as a Trustee for the UVM Health Network's Home Health and Hospice organization. Alex lives with his family in South Burlington.



Liz Ford is our Chief Compliance Officer and also works closely with clients managing portfolios and on financial planning. She is passionate about helping people meet their socially responsible investment goals. When Liz isn't at the office we often literally cannot find her—she spends most of her vacation time backpacking in the wilderness. Now that she has completed the Appalachian Trail, however, we'll be even less sure of where she is! Liz serves on the board of the South End Arts and Business Association.



Sarah Cocina is a Financial Advisor responsible for portfolio management, financial planning, and nurturing client relationships. She loves to help bring new clients into the firm and find the best advisor “match”. Sarah is currently on the board of Wake Robin Continuing Care Retirement



ment Community and volunteers as a Shelburne Recreation soccer coach. She lives in Shelburne with her husband and two daughters.

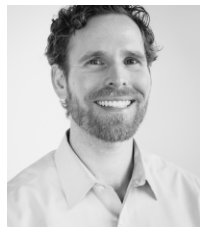
Evan Pemberton

is a Financial Advisor who enjoys digging into the details of clients' financial plans. He is also our main bond trader. Evan is modest, so we had to pull this detail from his wife, but he recently won Volunteer of the Year at his children's middle school for his help with set building for the drama club and chaperoning the ski club at Bolton Valley. He lives in Richmond with his wife, two kids, and a chocolate lab.



Research Team

As we've grown, the firm has more officially designated the Research function, which oversees investments and related analysis through the Investment Committee. These are the people who dig into the nitty gritty on stocks, develop a view on the macroeconomic environment, and help contextualize what is going on in the wild world of global financial markets. Importantly, the Research team considers what it all means for our clients and their portfolios.



Mark Andrews is Co-head of Investment Strategy, running the Investment Committee alongside Neil and Anne. He is the editor of these pages and is always accepting feedback on their content! Mark brings his prior experience at the Federal Reserve to understanding the global macro picture. He serves on boards of the Vermont Council on World Affairs, Gifford Health Care, and the Randolph Area Community Development Corporation. Mark lives in Randolph with his family.

Neil Macker is Co-head of Investment Strategy, bringing a wealth of equity research experience to the role from his prior work for Morningstar Research. Neil, along with Jordan, is the firm's resident repository of all things pop-culture and an avid consumer of all forms of entertainment. Recently, Neil has become active in the local cribbage community and on the weekends is often chasing after his four nieces and nephews.



Anne Doremus hardly needs an introduction to these pages. After stepping back from managing the firm in 2021, she continues as a Senior Advisor for Investment Strategy. Anne is a wellspring of experience in investment research and portfolio management. She is a founding member and past president of the Vermont CFA Society, sits on the Investment Committee of a number of Vermont non-profits, and is a Trustee of the University of Vermont Medical Center. Anne lives in Shelburne with her husband and the two have recently welcomed their first grandchild!



Yuliya Paylor is the newest addition to the team, joining in 2025 as an Associate Research Analyst. She contributes actively to the Investment Committee and is also involved with client services. Yuliya is a recent graduate of the University of Vermont's MBA program where she continues to advise on the student-run investment fund. Prior to joining the firm, she worked in education and is also a practicing artist. Yuliya lives in Winooski with her husband.



Founder

Eric Hanson is the firm's founder, establishing the DNA for how we work, and the understanding that we better serve our clients when we also serve our communities. While he is no longer employed by Hanson + Doremus, he still contributes to these pages. Eric continues to be actively involved in the community and currently serves on the board of VT Digger. He lives in Greensboro with his wife. 🍷



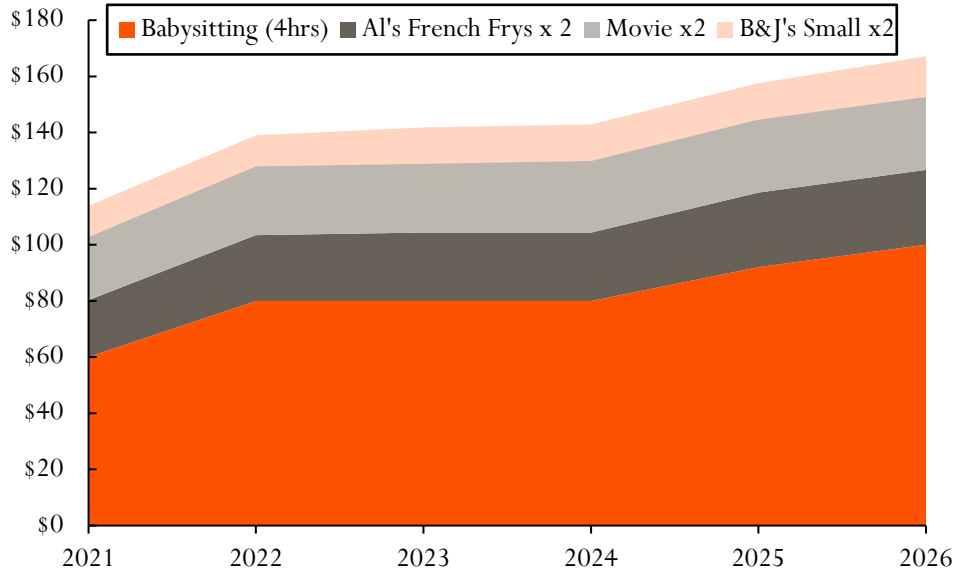
The Hanson Index turns 40...

...and the winner is, childcare! More on that later. For now, welcome to the 40th year of the Hanson Index, our annual look at the cost of everyday life in Burlington. What began as a simple snapshot of local prices has become a record of how inflation reshapes our financial reality.

Let's start with a local family where the parents are looking to spend a Friday night out. According to the Index (bottom of opposite page), that costs around \$170 today: babysitting, dinner for two at Al's French Frys, two small cones from Ben & Jerry's, and two movie tickets (see chart at right). If that doesn't give you sticker shock—and we are talking Al's here, not Hen of the Wood!—consider the price of a date night has risen by nearly 50% since the pandemic. The culprit is babysitting, which accounts for most of the cost and the increase. In fact, as the Hanson Index turns 40, it is babysitting that claims the bragging rights, surpassing all other items we've tracked since inception and growing at an annualized rate of around 6.9% versus the Consumer Price Index's (CPI) 2.7%.

The Hanson Index is by no means scientific, but the rise in babysitting costs mirrors the childcare component of the official CPI data, which has grown enor-

COST OF A DATE NIGHT IN BURLINGTON



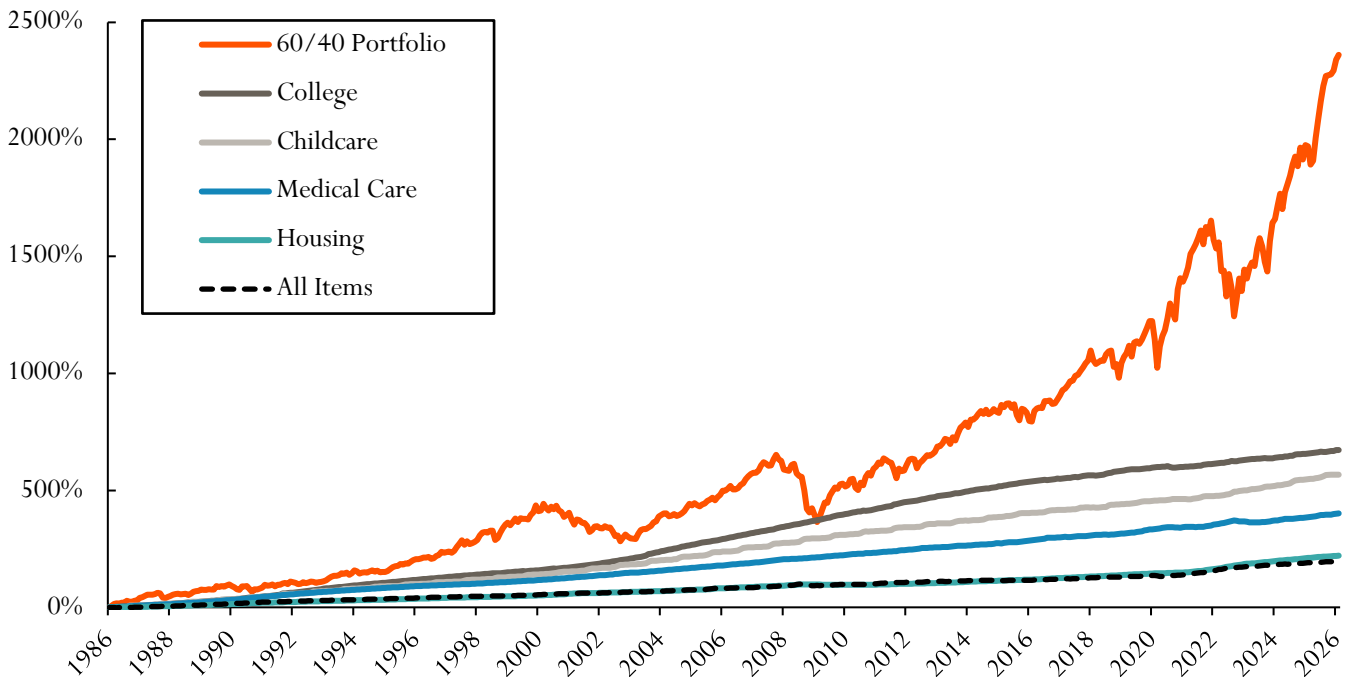
Source: The Hanson Index

mously, especially since the pandemic. Many childcare centers had to close, and while the issue is much more complex, some of it is simply supply and demand. In Vermont, the numbers are bleak, with the

cost for just one kid in daycare around \$19,000 per year, or 22% of median household income, according to the Census Bureau's 2024 data.¹

While babysitting serves as a proxy for

THE 60/40 PORTFOLIO VERSUS INFLATION SINCE 1986



Source: BLS, Bloomberg; 60/40 is built from Total Return MSCI World Index and Total Return Bloomberg U.S. Aggregate Bond Index

childcare in the Index, some of the costliest, fastest growing, and most essential parts of household spending are conspicuously absent. Notably, housing, healthcare, and education, and each of these areas has put the squeeze on families, outpacing CPI over the past 40 years. This is, sadly, well-worn and hard felt territory, and the sum of it is, it's becoming harder for many to just get by. Real (i.e. inflation-adjusted) household income in the U.S. has barely budged, on net, since 2019.² We would pile on with the recent rise in gas prices, but this has taken too dismal a turn as it is.

Instead, let's look at what's been most immune to price hikes: coffee. And mercifully so—coffee has been one of the most critical inputs to productive human capital

here at Hanson and Doremus. Really, though, it is impressive that an espresso shot from Leunig's managed to ignore rising costs for so many years, and even with the \$1.25 bump this year, it wins the prize for lowest inflation over the last 40 years.

Finally, when inflation gets us down, it's worth reminding ourselves of the power of market forces and the magic of compounding returns. Since the start of the Hanson Index, a portfolio of 60% global stocks and 40% U.S. bonds has produced a total (i.e. with dividends and interest reinvested) annualized return of 8.3%. That far outpaces the CPI and even some of the largest and fastest growing components of it (chart bottom of opposite page). Not everything moves in uni-

son, and every decade has its own story, but investing--especially in equities--has thus far proven to be an effective strategy to keep up with the cost of living. 🍷

Endnotes

1 ChildCare Aware, "Child Care in America: 2024 Price & Supply", <https://www.childcareaware.org/price-landscape24/#PriceofCare> and Census Bureau, "QuickFacts Vermont" <https://www.census.gov/quickfacts/fact/table/VT/INC110224>

2 The Census Bureau, American Community Survey Data

THE HANSON INDEX

| | 2026 | 2025 | 2021 | 1986 | 1-yr | 5-yr | since 1986 |
|---|----------|----------|----------|----------|-------------|--------------|---------------|
| Babysitting - 4 hours | \$100.00 | \$92.00 | \$60.00 | \$7.00 | 9% | 67% | 1329% |
| Burlington Free Press (newsstand) | \$2.50 | \$3.50 | \$2.50 | \$0.35 | -29% | 0% | 614% |
| Cable TV and Internet (monthly) | \$95.00 | \$90.00 | \$79.99 | \$10.50 | 6% | 19% | 805% |
| Ben & Jerry's small cone | \$7.20 | \$6.50 | \$5.54 | \$0.94 | 11% | 30% | 666% |
| Burlington Parking ticket | \$15.00 | \$15.00 | \$15.00 | \$3.00 | 0% | 0% | 400% |
| YMCA adult membership (1 year) | \$820.00 | \$791.00 | \$673.00 | \$190.00 | 4% | 22% | 332% |
| Al's French Frys - double cheese, fries, Coke | \$13.36 | \$13.29 | \$10.15 | \$3.15 | 1% | 32% | 324% |
| Funeral | \$11,020 | \$10,800 | \$10,550 | \$2,950 | 2% | 4% | 274% |
| Handy's Lunch (Big Daddy & Coffee) | \$15.25 | \$15.25 | \$11.75 | \$3.90 | 0% | 30% | 291% |
| Fishing License | \$28.00 | \$28.00 | \$28.00 | \$8.00 | 0% | 0% | 250% |
| Gallon unleaded gas | \$3.99 | \$3.21 | \$2.79 | \$0.95 | 24% | 43% | 320% |
| Beach permit | \$55.00 | \$50.00 | \$45.00 | \$15.00 | 10% | 22% | 267% |
| Movie | \$13.00 | \$13.00 | \$11.25 | \$4.00 | 0% | 16% | 225% |
| Shoe repair (half sole and heel) | \$80.00 | \$70.00 | \$70.00 | \$26.00 | 14% | 14% | 208% |
| Massage (1 hour) | \$120.00 | \$90.00 | \$90.00 | \$30.00 | 33% | 33% | 300% |
| Bounced check | \$35.00 | \$35.00 | \$35.00 | \$12.00 | 0% | 0% | 192% |
| Taxi (airport to Hilton) | \$18.00 | \$19.00 | \$20.00 | \$6.75 | -5% | -10% | 167% |
| Dock space Shelburne (30; boat - season) | \$3,810 | \$3,600 | \$3,210 | \$1,425 | 6% | 19% | 167% |
| 1 lb decaf beans | \$13.49 | \$11.79 | \$12.49 | \$5.50 | 14% | 8% | 145% |
| Leunig's espresso | \$4.00 | \$2.75 | \$2.50 | \$1.50 | 45% | 60% | 167% |
| L.L. Bean Men's 8" Duck boots, basic | \$150.00 | \$149.00 | \$139.00 | n/a | 1% | 8% | n/a |
| 2 in x 4 in x 8 ft prime whitewood stud | \$3.62 | \$3.85 | \$7.48 | n/a | -6% | -52% | n/a |
| 1 gallon Vermont Maple Syrup | \$55.00 | \$55.00 | \$55.00 | n/a | 0% | 0% | n/a |
| 8 oz block of Cabot Extra Sharp Cheddar | \$3.29 | \$3.09 | \$2.79 | n/a | 6% | 18% | n/a |
| 4 Pack - Heady Topper | \$15.00 | \$14.00 | \$13.00 | n/a | 7% | 15% | n/a |
| Uber - (airport to Hilton) | \$18.93 | \$16.91 | \$14.99 | n/a | 12% | 26% | n/a |
| Burlington --> NYC via Amtrak | \$196.00 | \$224.00 | n/a | n/a | -13% | n/a | n/a |
| Increase in CPI | | | | | 2.4% | 20.0% | 190.0% |

Source: Staff survey of local establishments, BLS

Artificial Intelligence, but for whom?

These last few weeks, investor attention has shifted away from all-things AI to the latest conflict in the Middle East. But when the clash ends, sooner rather than later we hope, AI will once again take center stage and for good reason. This rapidly evolving technology has the capacity to fundamentally alter key aspects of the real economy and, by extension, financial markets.

In our October newsletter, we wrote about the structure of the AI marketplace, focusing mostly on the major players and the services they provide (this would be a good starting point for those not as steeped in the world of AI).¹ Now, with that work as background, we turn to the big question on investors' minds today. What is the business case supporting AI use? More specifically, who is using the technology, and, importantly, who is willing to pay for it?

Answering these questions is no easy task for at least two reasons. First, the business models of most AI firms, and the underlying technology, are rapidly evolving. Second, because many of the major

players remain privately held, access to critical information is limited. Nonetheless, let us look at what we do know.

So, who are all these companies using AI? While "use cases" are rapidly expanding, the clear winners in the AI deployment race today are software developers who use it to generate code and test software, as well as customer service functions (think chatbots, automated email responses, and call center assistants). Marketing and sales teams are also using AI to personalize advertising, automate ad copy writing, and design targeted ad campaigns. These deployments all have several things in common; they involve rules-based, repetitive tasks that rely on large,

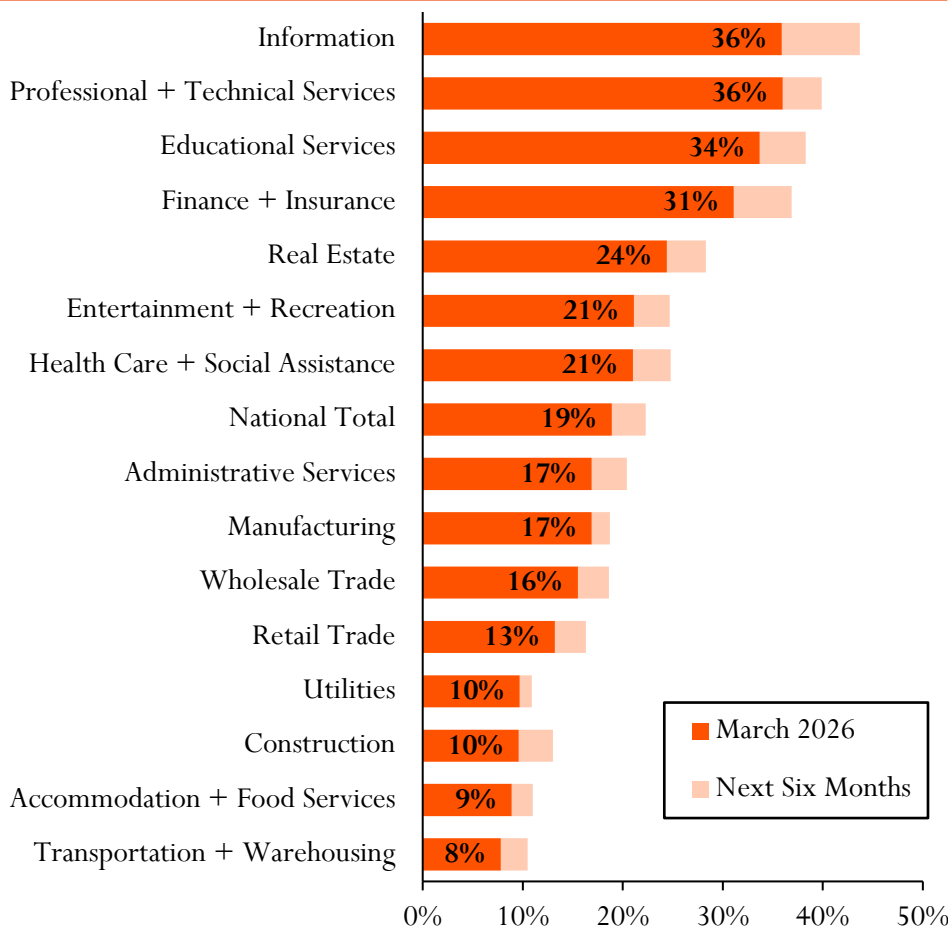
stable data sets—a feature of all types of language, including code. Importantly, in each of these cases, easily measured and robust financial benefits (read: cost savings) have also spurred adoption.

The chart to the left provides further details on the types of firms that are using AI today for any business purpose. Not surprisingly, the technology sector ranks highly as do a range of other "knowledge-based" industries such as legal, engineering, education, and finance. Meanwhile, many "old economy" sectors, such as construction and manufacturing, and customer facing areas, like retail and food services, lag.

When compared to historical technological innovations, the current rate of AI adoption has been lightning-fast. Consider the case of electricity, which first became available for commercial use in the U.S. in the early 1880s. By 1909, electricity still provided only 9% of manufacturing horsepower and it would take another 20 years for it to provide more than 50%. In a more recent example, it took a full 13 years for work use of computers to double from approximately 25% in 1984 to 50% in 1997.² From the second chart (opposite page), we can see that at a national aggregate level, AI is already used by an estimated 15% of businesses in producing goods and services and by around 20% in any business function (the big jump is when the Census Bureau changed the question's wording). Other surveys of AI use have found that only 8%-13% of workers use it on a daily basis.³

And yet, from the headlines we read, we might assume these numbers are higher. Despite AI's early success and transformative potential, it is important to keep in mind that for many firms, obstacles to adoption remain formidable. In the business context, the technology often involves manipulating enormous

USE OF AI IN ANY BUSINESS FUNCTION BY SECTOR



Source: Census Bureau Business Trends and Outlook Survey

amounts of critical, non-public information. Clearly understanding and mitigating the related privacy, security and regulatory risks of this work is both complicated and time consuming. For example, in monitoring the companies among our investment holdings, we find that many firms, especially those in non-tech sectors, are approaching AI adoption carefully, focusing first on using the technology to achieve internal productivity-related goals before embarking on more customer-facing initiatives.

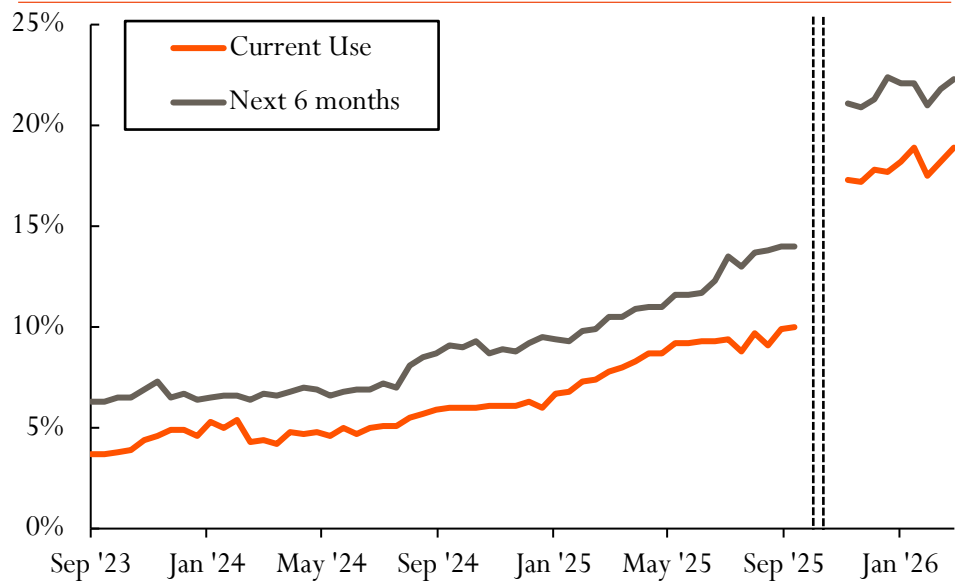
This measured approach may be contributing to the technology's still limited impact on the nation's productivity measures. Non-farm business sector productivity gained 2.1% in 2025, above the 1.8% average experienced over the prior ten years but roughly in line with the long-run 2.2%. In a recent article, *The Economist* points out that further adoption alone will not spur productivity growth. AI's impact, instead, will only appear once firms figure out how to reorganize their business models around it (and train staff to use it).⁴ This will be a trial and error, iterative process that is likely to be measured in years, not months.

And productivity gains are not going to be uniform across sectors. Presumably, companies adopting it more rapidly, such as software development, already see a clearer business case than, say, food services. Which brings us to the "who is willing to pay" for it question.

What these AI model companies charge for use has evolved according to the well-worn tech company playbook: charge nothing for your product up front, build your user base, and then once the technology becomes widely embraced, charge a fee. Open-AI first released ChatGPT to the public back in November of 2022, and while it still offers a free version, the company started charging \$20/month in February of 2023 for its cutting-edge models. AI-related products, and their fee structures, have rapidly evolved since then.

While most individual users continue to pay low, monthly fees, "enterprise" or business users with more robust needs

NATIONAL ADOPTION OF AI ACROSS INDUSTRIES



Source: Census Bureau Business Trends and Outlook Survey; break indicates govt shutdown and change in survey question from "in producing goods and service" to "in any business function"

are now paying for model "use" which is measured by the number of "tokens" processed or seconds of compute time used. Payment plans may also be structured as agreements with cloud platform providers, like Microsoft or Google, that provide dedicated infrastructure and a certain level of processing power.

This enterprise use case and paying for compute is where the real money is made. While some might balk at a non-subscription payment model, as the return on AI investment becomes more proven, we expect willingness to pay to rise as well. Consider a software development function where an AI model can code better and faster than an employee. In theory, a business should be willing to pay for AI services up to the level of the human salary it replaces. In fact, we heard one analyst describe the potential revenue generated by the AI model market as benchmarked to global salaries. Let that sink in.

Nearer term, we expect financial markets to remain volatile as investors continue to assess the evolving impact of AI on individual firm prospects and the economy more broadly. There will likely be a cycle here that mirrors that of earlier technological innovations, be it mobile communications or electric vehicles: early excitement draws capital into the sector, which inflates valuations, which then

collapse once expectations become more realistic and the real winners emerge. As this process plays out, it is important to keep in mind just how much we don't know about AI's future. Until the landscape becomes clearer, we are maintaining a balanced exposure to AI across our portfolios, favoring companies with diverse business models, strong balance sheets, and leading market share positions. And we are keeping a careful eye on what we are willing to pay for growth. *Red*

Endnotes

- 1 "The AI investment landscape evolves", <https://hansondoremus.com/the-ai-investment-landscape-evolves/>
- 2 "How Many Businesses Are Using AI?", Economic Innovation Group
- 3 Real-Time Population Survey (Bick, Blandin, and Deming, 2026), <https://www.genaiadoptiontracker.com/>
- 4 "Everywhere but the Statistics," *The Economist*, February 28th issue, pages 62-64

Enshittification: a dismal take tech platforms...

We recently initiated a quarterly book club in the H+D office, and expect to make our thoughts on these books a regular feature of this publication. The inaugural selection was Cory Doctorow's 2025, "Enshittification: Why Everything Suddenly Got Worse and What to Do About It", which turned out to be a somewhat depressing first entry. Note, for those whose sensibilities are offended by the title, we censored the name in this edition's table of contents but go on to use it liberally here—our apologies!

Doctorow coined the neologism "enshittification" in 2022 to describe the almost inevitable decay of online platforms, driven primarily by corporate greed. This downfall hit across the spectrum, from search (Google), social media (Facebook and Twitter), hardware (iPhone), software (Microsoft and Adobe), and ecommerce sites (Amazon). For regular consumers of these products, the conclusion that each one progressively worsened over time is not surprising, but the process and reasons behind the rot is frighteningly similar.

In the first days of widespread internet usage in the 1990s and early 2000s, many "netizens" believed that direct access to other users would remove or at least marginalize middlemen and gatekeepers. The hope was this democratization of access would allow a flourishing of ideas outside the mainstream channels like TV or publishing controlled by corporate interests. However, as platforms have come to dominate their respective markets, it is somehow these middlemen who are now more powerful than ever.

New platforms, like Google Search, began as sources of joy for users. Search used to be magical in its ability to return the right results, and that magic created so much trust that Google became the default, and basically only, search engine for the world (outside of China). But the magic didn't last. Management took advantage of the lack of competition to prioritize ad revenue over search quality. Over time, ads went from the sidebar to the top, and sponsored results crowded out organic ones. This in turn forced users to spend more time on the platform, further raising ad revenue.

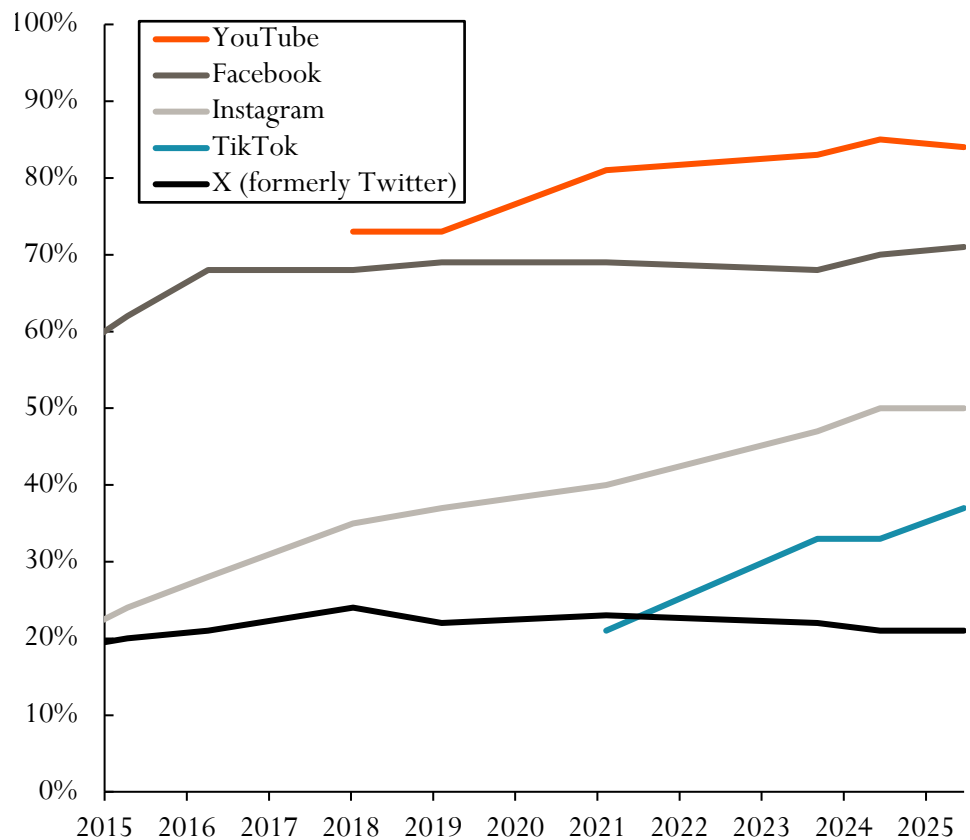
This was all part of a consistent playbook that Doctorow identifies. He lays out three phases. First, users flock to the

magical new offering for connection, convenience, or uniqueness. The platform scales by running at a loss or very low margins, and the economic "surplus" goes to consumers. Second, having achieved scale with a critical mass of users, platform owners look to monetize it, often turning to advertising. This phase aims at pleasing the new clients (businesses) at the expense of the users, slowly grinding away the original magic feeling. The platform now becomes the place to be for both users and businesses: users benefit from not paying (e.g. for search), and businesses know where to go for all the "eyeballs" and consumer data. This creates a "network effect" that underpins the

company's moat—it is easier to monetize their middleman service once both sides are locked in.

Finally, phase three is where the enshittification really occurs. The platform uses its ever-expanding wealth to bury the competition by outspending them in R&D, booking exclusive deals, copying them, or simply buying them out. The lack of competition plus locked-in users and advertisers allows the firm to capture all of the surplus, i.e. revenue and margins, for itself at the expense of users and businesses, as seen with Google Search. Even if users want to switch, the lack of competition makes moving on difficult. Over the last 15 years, Google Search's

PERCENT OF ADULTS WHO REPORT USING...



Source: Pew Research

worldwide market share remained above 89% despite an estimated \$100 billion spent by Microsoft over the last 20 years on its competing offer, Bing.

We have been picking on Google, but every supersized tech company has followed the same path. Despite spurts of anti-trust regulation and some pushback among employees, usually the true believers in their pre-enshittified products, efforts to curtail the trend have fallen flat. So if these platforms have devolved into such awful experiences, why do they still dominate the stock market?

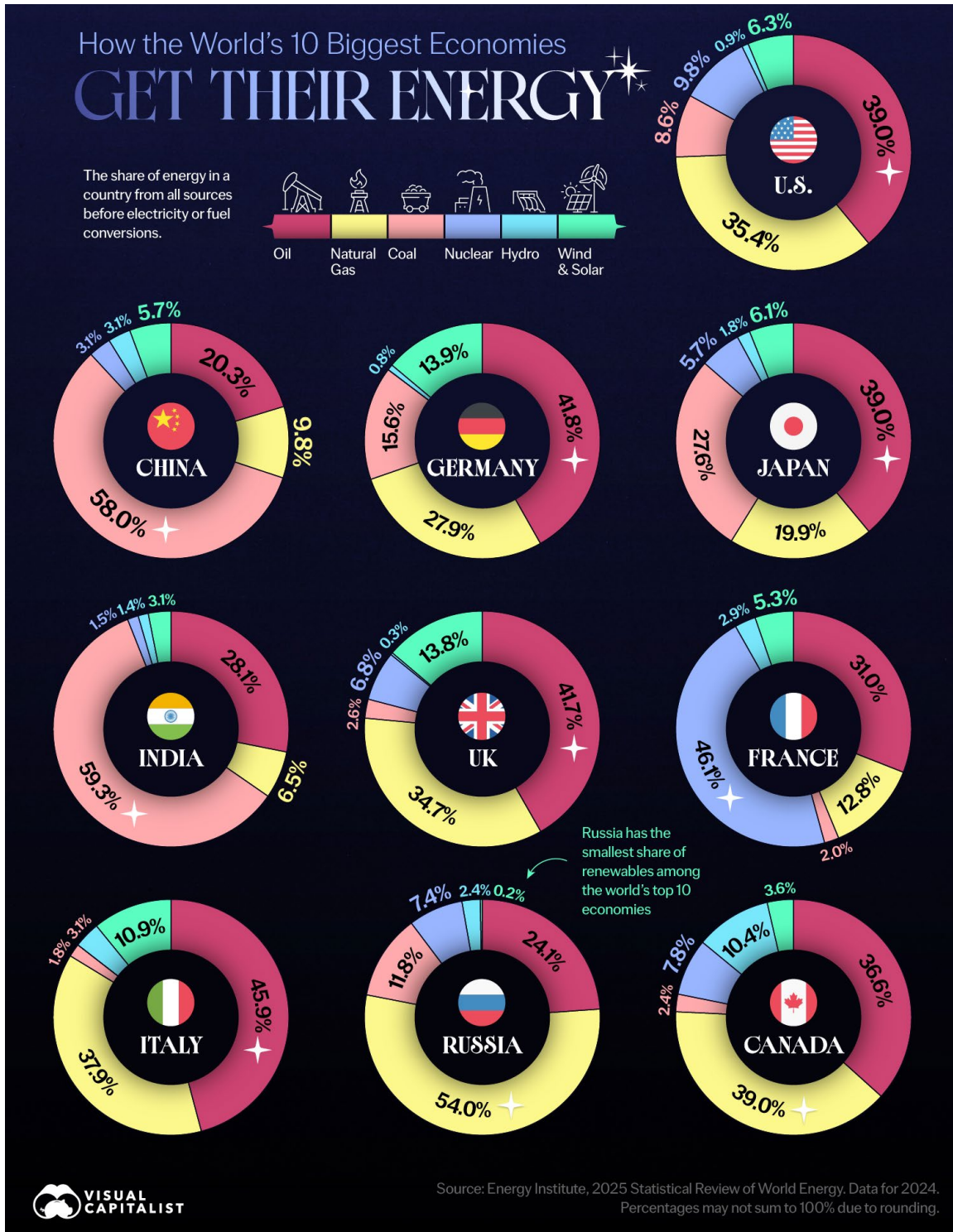
And dominate they do—Apple, Amazon, Microsoft, Alphabet, and Meta make up over 23% of the S&P 500 index. Part of that is because what we have been describing are in effect monopoly-like companies capable of protecting robust earnings growth over many years. Notice the chart below and just how sticky use of these platforms has been. Even X has barely budged despite being universally lambasted for how terrible it became after its days known as Twitter.

Is this a good thing or a bad thing from an investment standpoint? Clearly these companies have been among the best performers of the internet era, but it's not clear that it will last. One takeaway from Doctorow is that there is a downside to platform decay owing to lack of competition. It can lead to misguided investment in poorly fitting markets, and dissatisfaction with the offerings themselves makes them targets for disruption. What the network effect giveth, it can taketh away if exodus reaches a tipping point. Meta may be an example of this, both in the billions of dollars wasted on the Metaverse flop and as younger users flock to TikTok and other social media platforms. Unfortunately, with Meta and others, any potential hit to financial performance from declining platforms is currently clouded by the booming AI trade, since most of them are involved in developing the underlying models or providing the infrastructure.

As we look around the tech world right now, we are on the lookout for lessons from the Enshittification playbook. Are AI platforms, for example, exhibiting some

of the same characteristics that we have seen in the past? Use has been marked by magical feelings and the companies have used their massive cash infusions to attract users with free or subsidized subscriptions. However, now they are looking to incorporate ads, throttle free usage, and raise prices on subscriptions as the firms look to go public in the near future. Check, check, check. Time will tell, but this feels familiar.

Enshittification left us with a rather depressed, sinking feeling. While we are grateful for emerging with clearer eyes, perhaps next quarter we will look for something a little brighter. 🍷



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