Meet Nordnet's new blogger: AI Alpha Lab's model is intended to help investors achieve better returns

How can artificial intelligence make us better investors? AI Alpha Lab deals with that question. Using an AI-model based on probabilities, they each month select the stocks that the AI-model believe will give the best returns over time. From now on, you can get an insight into the portfolios when AI Alpha Lab blogs about the selected shares, and the thoughts behind the AI-model, on Nordnet's blog.

Meet Chief Investment Officer Mikkel Brichthor Petersen and hear him explain about the AI-model and how it builds a bridge between investors and technology.

"Optimal decision-making under uncertainty." According to Mikkel Brichthor Petersen, Chief Investment Officer and co-founder of AI Alpha Lab, this is what every investor tries to do. And this is where the company's probability model comes into play.

"If you don't base your decisions on calculated probabilities, it's like playing poker and only knowing half of the cards in your hand. You lack some information to make the right choices over time." he says.

This is exactly the information AI Alpha Lab helps investors get. This is achieved by combining human experience with artificial intelligence in a quantitative and systematic approach.

"We started with a hypothesis about what was needed to create a better investment model. It is basically about calculating the probability of whether a share will rise or fall. We then spent 1.5 years building a model that combines knowledge from investing, physics and computing power. Since we kicked off the model in 2019, we have continuously seen really good results," says Mikkel Brichthor Petersen.

But how does the AI-model work?

The AI-model works by AI Alpha Lab giving it a stock universe they would like to say something about, for instance the S&P 500 Index. Millions of models are then calculated on each and every share with all conceivable scenarios. Here, the AI-model provides an estimate of what each share should increase or decrease by, and at the same time it provides an uncertainty.

"We can also explain it by considering all the created models as a kind of analysts. With the AI-model, we generate millions of analysts who all come up with their best bet as to where the stock will go over the next month. We can then select the stocks for the portfolio where we can see there is the greatest probability of a positive return. We don't want to deal with the rest. And then we run the AI-model again the following month," explains Mikkel Brichthor Petersen and continues:

"You have to bear in mind that what is most likely is often <u>not</u> what happens. With the model, you won't win every month, but we can see that there is a probability of creating good value over time. The model has historically been ahead of the market, and therefore it has provided value to invest according to the model's portfolio. In other words it requires that you stick with it - even in the periods when things are not going so well.

Complicated technology boiled down to an output that can be used by everyone

AI Alpha Lab continuously trains the AI-model and "feeds" it with their experience and information, e.g. on stock indices, commodities, bonds, currency and macro data. The output of the AI-model AI Alpha Lab boils down to a final result that is easy to use: A portfolio of shares where all stocks have an above average probability of providing an excess return the following month.

"The better an investor you put on top of the model, the better results you get. But it can be used by everyone, and we can see that adding some of our shares to an investor's portfolio will also create value for the less experienced investor. It might even enable them to beat the professionals and at a completely different cost than what they pay in their own bank or pension company," says Mikkel Brichthor Petersen.

One of the reasons why AI Alpha Lab can produce such good results is that there are not many companies doing the same. Therefore, it has not been without problems to spread the use of the model.

"Now we are in the process of showing what we can do. We are up against the fact that we are a young company, because the technology is also as young as it is. It has been a challenge, as many people want to understand what they are investing in. Therefore, it can be a challenge when we come up with a model like ours, if you don't have the background to fully understand how it works."

"But if you want to have a stake in the huge benefits that a new technology can provide, you have to be involved from the start. Maybe you have to take what you believe is a risk because you jump in before many others. But that's also where the big gains are being made," concludes Mikkel Brichthor Petersen.

Stay tuned to Nordnet's blog, where AI Alpha Lab in the future will explain more about their investment approach and share stocks from their portfolios every month.

About AI Alpha Lab

Founded in 2019, AI Alpha Lab works to bridge the gap between investors and technology with an investment model based on calculated probabilities.

The company offers a number of model portfolios focused on large and mega cap stocks, which they send an updated report on every month. It is two of these portfolios you can get an insight into at Nordnet from now on, when they share a number of stocks each month. In addition, they offer professional investors the opportunity to run their stock universe through the AI-model in order to achieve better results.

Mikkel Brichthor Petersen is Chief Investment Officer and one of the founders of AI Alpha Lab. He is a trained economist with 12 years' experience in the financial sector and has, among other things, previously worked with day trading in a hedge fund and in C WorldWide as an analyst.

In addition to Mikkel, AI Alpha Lab consists of four other co-owners and two persons in sales. The company has a dedicated AI team behind it consisting of five specialists in artificial intelligence.

Visit the AI Alpha Lab on their website here.