

The Disciplined Investor Podcast – Guest Interview Summary

Guest: Ross Gerber

Show Date: November 16, 2025

TDI Podcast Episode: 947

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Summary

AI in Education: Opportunities and Fears

Andrew and Ross discussed the role of AI in education, with Ross sharing his experience of teaching his children to use AI as a learning tool rather than for cheating. They explored how basic math skills are important for daily life, even if more advanced concepts like calculus may not be directly applicable. The conversation touched on the fear that AI might make people less capable, but Ross expressed optimism that humans will continue to have important roles in fields like construction for the foreseeable future.

AI Capabilities and Limitations

Andrew and Ross discussed the current state and capabilities of AI, emphasizing that while AI is advanced in certain areas like language, math, and document analysis, it is not yet genuinely intelligent in the way humans are. They highlighted AI's efficiency in tasks like grammar checks, formula management in Excel, and summarizing information, but noted its limitations in understanding complex concepts or providing in-depth explanations. Ross suggested using AI for customer service and creating interactive company guides, while Andrew shared his experience using AI to gain insights while traveling, illustrating its potential for enhancing productivity and accessibility.

Stock Market Bubble Debate

Andrew and Ross discussed the current state of the stock market, with Andrew expressing concerns about vendor financing and circular financing, particularly with OpenAI. They debated whether the market is in a bubble, with Ross arguing that it is not based on historical bubble characteristics. They also discussed specific companies like Microsoft, Palantir, and Tesla, and mentioned Michael Burry's decision to close his investment firm.

AI and Data Center Strategy

Ross and Andrew discussed the long-term strategy of investing in AI and data centers, emphasizing the importance of making consistent returns over time rather than seeking rapid, high-risk gains. Ross highlighted the potential of AI to transform data into actionable insights, comparing it to the evolution from two-dimensional to three-dimensional data analysis. He also addressed concerns about companies like Microsoft holding large cash reserves, arguing that these funds should be reinvested in capital projects like data centers to drive future growth and support business operations.

AI Industry Competitive Dynamics

Ross and Andrew discussed the competitive landscape in AI, noting that companies like OpenAI and Meta are making bold, ambitious moves to secure their positions in the industry. They agreed that predicting the future of AI technology is challenging, given the rapid advancements and uncertainties in the field. Ross emphasized the importance of telling compelling stories to attract investment, highlighting the common practice in Silicon Valley of exaggerating potential outcomes to secure funding. They also explored the potential future of AI and robotics, with Ross envisioning a future where AI and robotics integrate seamlessly into daily life, similar to the vision depicted in Star Wars.

Tech Trends and Investment Risks

Ross and Andrew discussed the unpredictability of future technology and investment trends, drawing parallels between past tech successes like AOL and current innovations like OpenAI. Ross shared his experience with AOL's rise and subsequent decline, emphasizing the challenges of predicting market trends and the risks associated with overvalued private investments. They also touched on the current valuations of companies like Google and OpenAI, with Ross expressing satisfaction with his investments while acknowledging the speculative nature of private markets.

Private Equity Investment Challenges

Ross discussed the challenges of managing a large amount of client capital and the constant requests from private equity firms for access to investments. He expressed skepticism about the valuations and fee structures of private equity offerings, noting that they often seemed excessive compared to his firm's lower fees. Ross also mentioned Schwab's recent acquisition of a private equity platform and shared his experience with potential partners like EquityZen and Forge, ultimately deciding against working with them due to concerns about valuations and financial stability.

Investment Strategies and Tech Insights

Andrew and Ross discussed their investment strategies, with Ross sharing his success in trading without capital calls and emphasizing his focus on client satisfaction. They then shifted to a discussion about humanoid robots, with Ross expressing skepticism about the purpose of such robots and suggesting that automation could be more beneficial. The conversation concluded with a reflection on the advancements in technology, using Uber as an example of how successful technology makes life more efficient, and a brief anecdote about Ross's experience with a driver named Alex.

Technology's Impact on Society

Ross and Andrew discussed the evolution of technology, particularly focusing on its impact on society. They agreed that while early technologies like the cell phone and Blackberry improved lives, social media has had a negative effect on youth. They also debated the necessity and feasibility of robotaxis, with Ross expressing skepticism about their widespread adoption. The conversation concluded with a discussion about Tesla's business strategy and Elon Musk's influence on the electric vehicle market.

EV and AI Infrastructure Insights

Ross and Andrew discussed the state of electric vehicle companies, particularly Rivian and Tesla, with Ross expressing concerns about Rivian's operational challenges compared to Tesla's work ethic and focus. They explored the competitive landscape of autonomous driving, with Ross highlighting Waymo's advantage due to Google's backing and ability to monetize rides through advertising. The conversation then shifted to infrastructure needs for AI and data centers, with Ross explaining his investment strategy in power transmission and energy infrastructure companies, emphasizing the importance of upgrading America's aging power grid.