Whilst technology was changing the world at the turn of the twenty-first century, according to the late Sir John Templeton writing in August 2000, it had "not changed human nature."[1] How prescient he was. The march of disruptive technological innovations follows a well-trodden path, one that we will come to refer as the innovation cycle. It is a pattern where investment returns are front loaded early in the cycle, ahead of a period of technological maturity where society emerges as the ultimate beneficiary - disruptive innovation triumphs, but late arrival investors often lose out. A simple observation lies at the heart of this: human psychology is hardwired to extrapolate current trends. We look forward in straight lines and therefore often overestimate the impact from the adoption of a new disruptive technology. Helpfully (or unhelpfully, depending on your standpoint) there are a number of disruptive supermen and women in whose interest it is to reinforce this forward-looking bias. Recognising a psychological phenomenon called the conjunctive fallacy[2], we see the management of today's Unicorn Industry explicitly invoke the Amazon business template of losses-today-for-market-dominance-tomorrow in order to sell expensive new equity in the private markets or, increasingly, via IPO.

An examination of where we are in today's innovation cycle and the behaviours of the Unicorn Industry is instructive for investors in today's public equity markets. Through such a lens, Django makes four arguments:

1. "**What's past is prologue"**: human nature condemns us to repeat past behaviours and, alas, this innovation cycle and resulting investor behaviour is no different to previous ones.
2. **An innovation cycle creates winners:** though at their current size and valuations, contemporary winners have likely become mathematical victims of their own success.
3. **The race to IPO by the Unicorn Industry is evidence of speculative blow-off:** private and public equity market valuations have become distorted by use of the conjunctive fallacy.
4. **The next set of (stock market) winners are in hiding**: the euphoria surrounding forerunners of this innovation cycle overshadows a group of lowly valued, well-established companies with compelling unit economics adopting new technology.

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[1] Taken from the foreword to Alasdair Nairn, *Engines that move markets - Technology Investing from Railroads to the Internet and Beyond* [2002]
[2] Amos Tversky, Daniel Kahneman, *Extensional Versus Intuitive Reasoning: The Conjunction Fallacy in Probability Judgment*, Psychological Review, Volume 90, Number 4 [1983]