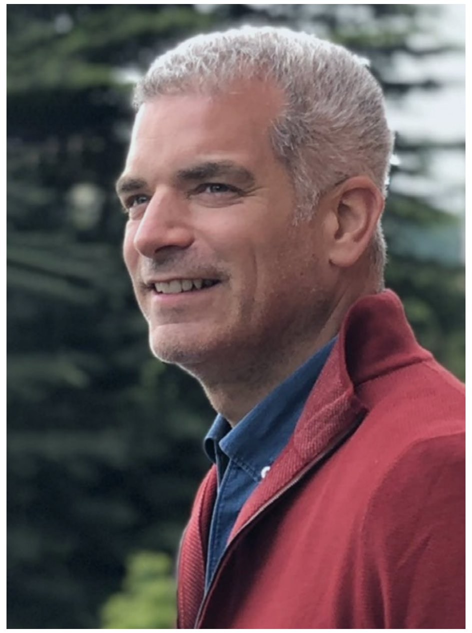
Marc A. Moret

Founder & CEO at Lobnek Wealth Management



Unless you are living completely off the grid, you are probably exposed daily to the progress of AI, its promises, and its dangers. **Whether you fear a Terminator-style rise of the machines or you are anxiously awaiting the scientific breakthroughs made possible by this new technology, there are few doubts that AI will revolutionize the way we live.**

In its simplest definition, AI is defined as a field that combines computer science and robust datasets to enable problem-solving. Its potential applications are endless: from self-driving cars to finding new cures for previously incurable diseases, from tailored education to algorithmic financial advice, from solving climate change to ending fake news. **Accenture's research suggests that AI has the potential to double economic growth rates by 2035. How can you invest in this new field?**

Purely AI-focused startups are quite difficult to invest in, not the least so because they are almost entirely backed by billionaires with no interest to open the company's capital to external investments. On the other hand, AI is part of a wider technology called machine learning. In order to thoroughly "learn", AI must have access to huge datasets. These datasets tend to belong to companies that already exist: the Meta, Google, Microsoft, and Alibaba of this world, to whom we more or less voluntarily "gifted" our digital fumes by using their "free" services such as email, social media, and shopping platforms. They are all working on their own version of AI. So in essence, should you try to find one of the small startups that will make a revolutionary innovation and come on top in this crazy race for AI domination, or should you invest in one of the large technology companies with hundreds of millions of existing users, who might not invent the most revolutionary system, but who can leverage its size to create immediate revenue streams within its clients?

If history teaches us anything, it is that revolutionary innovation does not always end up being revolutionary in business terms. Sometimes, a specific technology exists for years before someone finds the right combination and positioning for it to become a major commercial success.

In this particular case, I would argue that AI is not replacing a product in itself, the way the internet obliterated paper mail. It is merely rendering existing processes far more efficient by amplifying the scope and depth of their applications. The merger of AI, trained on vast datasets, with other nascent technologies such as quantum computing, will usher in a new dawn in discoveries and achievements.

In my opinion, large companies with access to all these elements have a clear advantage over even more innovative startups. It is quite possible that investing in them through a broad index fund tracking existing tech firms will do better than a pure AI player startup, especially if you factor in the inevitable M&A activity snatching small firms away from the markets before they become public.

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Tim Peeters

Partner of Miles Ahead Investment Company

Where growth investing has been popular for the last ten to fifteen years, last year has shown that the tide can turn quickly. With strong inflation numbers, growth investors lost their appetite. Interest rates were climbing rapidly and a tech-heavy **Nasdaq-index lost a third of its value** in no time.

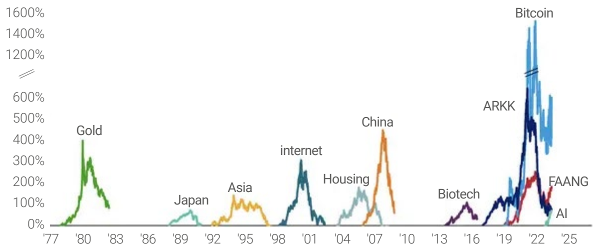
Today, growth investors unite for a last party. The Nasdaq crash of the last year still didn't kill the last bulls standing. They are longing for a delicious dessert.

The dessert is on the table of the AI-creators

Market worries ebbed away with **the rise of ChatGTP.** A new and innovative AI--tool that just saw daylight in November of last year. The tool spawned not only users, but **convinced seasoned growth investors** of a renewed chance to fight the bear. With the Nasdaq closing more than 20% higher since the start of the year, we are back in bull market territory.

If we look closer, this rally is just driven by the main big players linked to this AI-theme. Big names as Nvidea, Meta, Microsoft and Google are the ones enjoying their way up. Broader or equal-weighted indexes hoover around their starting point of the year. It seems that all growth investors put their eggs in the same basket. **A baby bubble with just a number of 'Mega Caps' pops up** (see graph).

ARTIFICIAL INTELLIGENCE A "BABY BUBBLE" FOR NOW
HISTORY OF ASSET BUBBLES



Source: BofA Global Investment Strategy, Bloomberg (AI - NVDA + MSFT)

A deep dive into the statistics of Nvidea learns us how **expensive favourites** became. The stock is the best performing stock of the S&P500 over the last decade and now trades at more than **30 times sales and more than 80 times** profits. Wonderful if you were an Nvidea shareholder over this timeframe. Definitely too late to join the party while the dessert is nearly gone.

A tasty menu full of AI-users

Artificial Intelligence will create a brave new world full of innovation. While creators will profit of their inventions, a lot of users will profit from the higher productivity. If the creators are too expensive, we should look further and check which users will benefit most. As the AI applications have a broad range, **the end-users profiting from higher productivity range a broad spectrum,** from medical analysis to easy routine assignments.

While the herd is mostly focussing on the same stocks, it might be wise not to do so. **History learns us not to overpay to make a good return.** With the fact that many sectors are able to extract value of this automation, investors and fund managers should look for those companies translating AI into efficient dynamics. **The best users, still valued at a reasonable or low prices, will show the best performances.**

There is still enough tasty food on the table to skip the leftovers desserts.

INVESTMENT OPPORTUNITIES IN ARTIFICIAL INTELLIGENCE