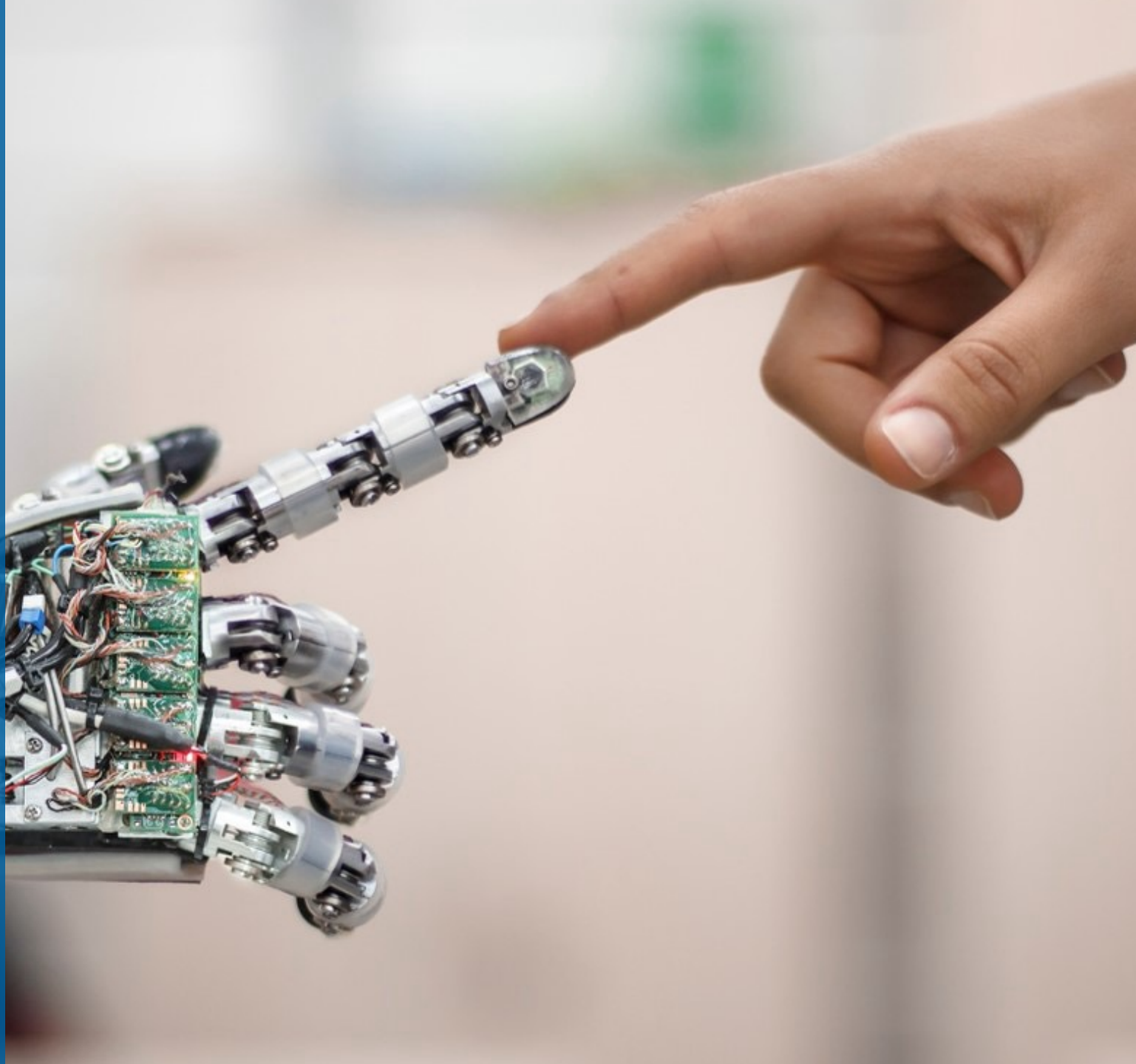




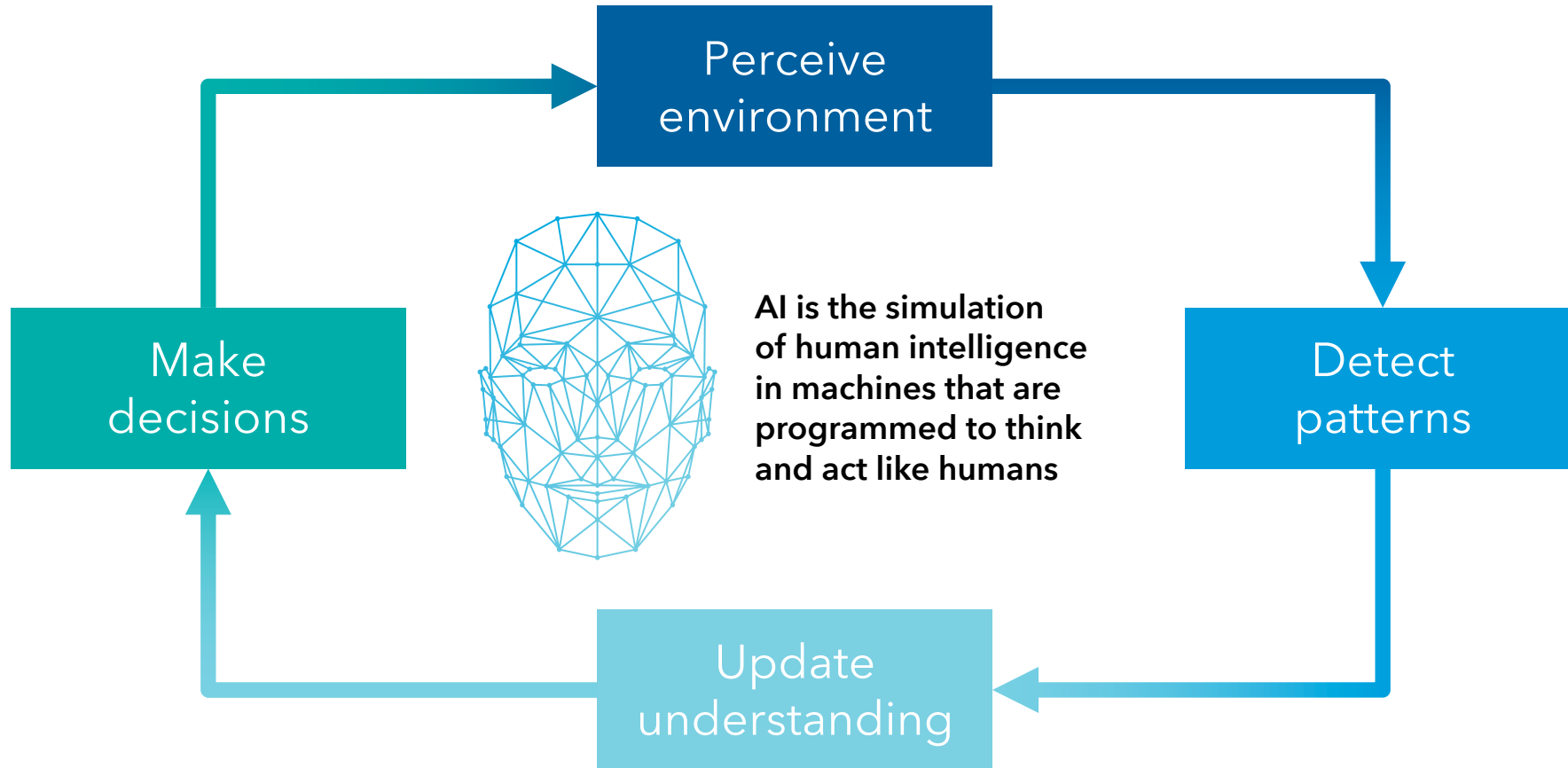
CAPITAL  
GROUP™

# Ramifications of the AI disruption and opportunities for investors

February 2024



# What is AI?



# Generative AI: the next frontier

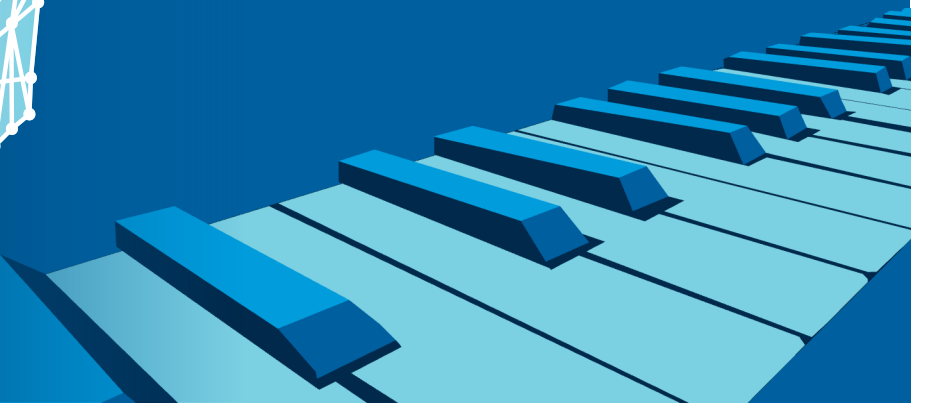
## Traditional AI

Based on a set of **predefined rules** and conditions that the AI follows to **produce a specific output**



## Generative AI

Learns **patterns** from data to generate new data that's similar but **not identical to what it's seen before**

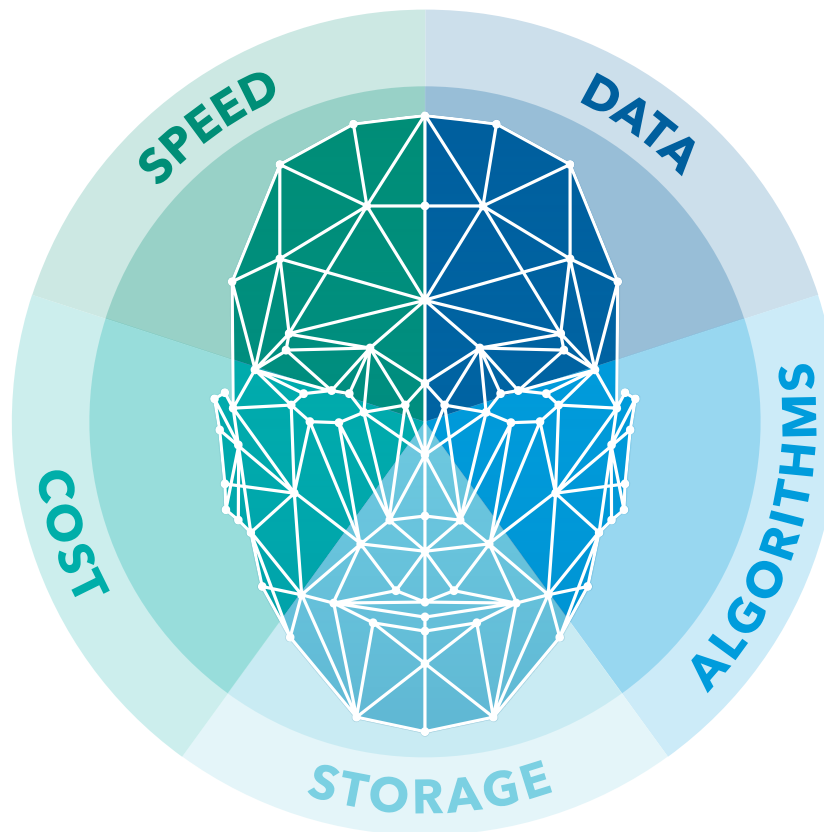
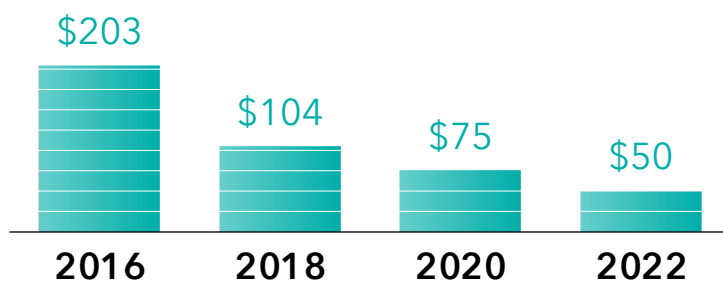


# Convergence of powerful trends underpins an inflection point in the capability to deliver GenAI

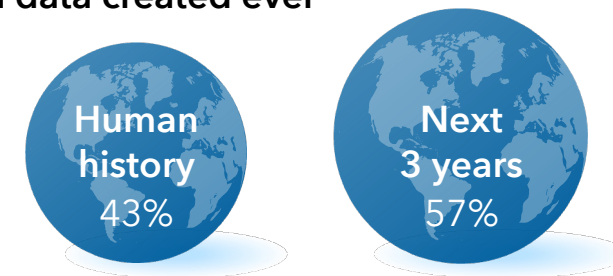
Most powerful supercomputer (gigaflops)<sup>1</sup>



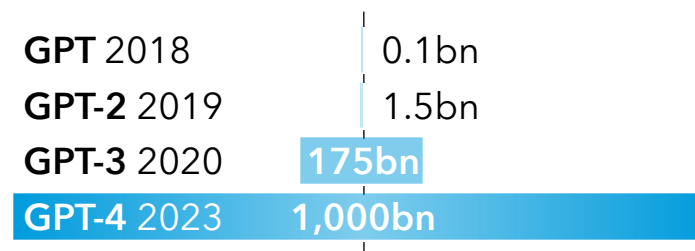
Cost per TB of solid state storage (US\$)<sup>2</sup>



All data created ever<sup>3</sup>

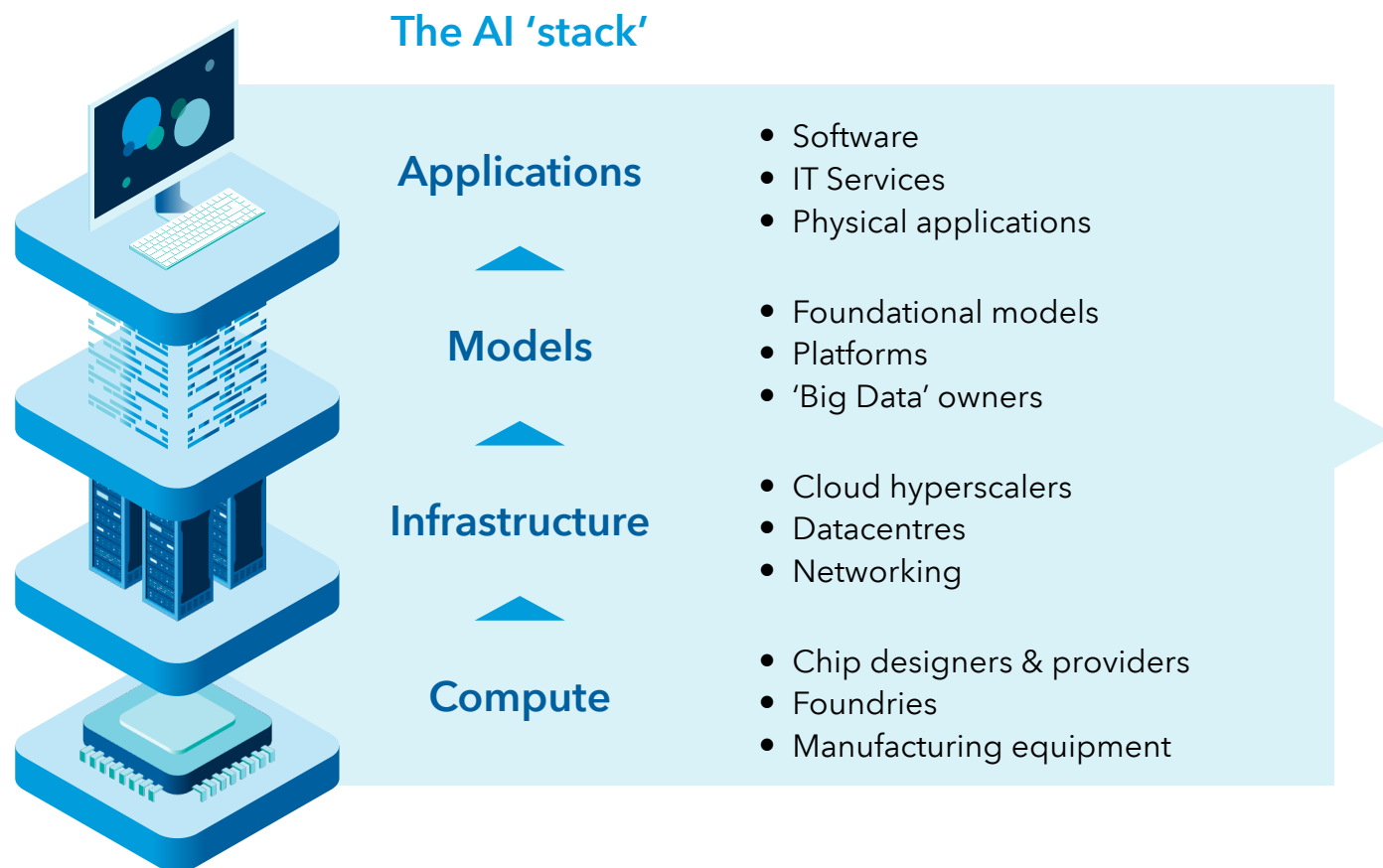


GPT model size (billions of parameters)<sup>4</sup>



All data as at 31 December 2022. Gigaflop: a unit of measure for calculating the speed of a computer (one billion floating-point operations per second). TB: terabyte. GPT: Generative Pre-trained Transformer.  
1. Source: TOP500 2. Source: Our World in Data 3. Source: IDC 4. Source: techtarget.com






# A framework for investing in the AI opportunity set



As at 31 December 2023.

# Staying focused on real investment opportunities

As AI permeates every facet of our lives, global research depth will become even more critical

	Opportunities	Capital Group perspectives <sup>1</sup>	Current investability
Compute	<ul style="list-style-type: none"><li>• Chip designers &amp; providers</li><li>• Foundries</li><li>• Manufacturing equipment</li></ul>	<ul style="list-style-type: none"><li>• Most immediate investable opportunity</li><li>• 'Picks and shovels' providers are often attractive investments</li><li>• Highly consolidated industry with significant barriers to entry</li></ul>	
Infrastructure	<ul style="list-style-type: none"><li>• Cloud hyperscalers</li><li>• Datacentres</li><li>• Networking</li></ul>	<ul style="list-style-type: none"><li>• Requires rapidly expanding infrastructure</li><li>• Cloud likely to see growth uplift</li><li>• Data ecosystem equipment providers can become very entrenched</li></ul>	
Models	<ul style="list-style-type: none"><li>• Foundational models</li><li>• Platforms</li><li>• 'Big Data' owners</li></ul>	<ul style="list-style-type: none"><li>• Oligopolistic structure; best models 'owned' by a handful of firms</li><li>• High barriers to entry</li><li>• Be wary of difficulties in commercialisation and potential commoditisation</li></ul>	
Applications	<ul style="list-style-type: none"><li>• Software</li><li>• IT Services</li><li>• Physical applications</li></ul>	<ul style="list-style-type: none"><li>• Difficult to predict emergence of new companies</li><li>• Current focus on existing companies productising AI successfully</li><li>• Look for sustainable competitive advantages, e.g. access to captive data</li></ul>	
Beneficiaries	<ul style="list-style-type: none"><li>• Health care</li><li>• Financial services</li><li>• Many others</li></ul>	<ul style="list-style-type: none"><li>• Transformational for the global economy and will likely impact all industries</li><li>• Early stages of adoption - few companies have meaningfully transformed their business</li><li>• Global research depth and an active investment approach will be critical</li></ul>	

The information provided is not intended to be comprehensive or to provide advice.

As at 31 December 2023.

1. Please note that the views of individual investment professionals may vary.

Investability

Strong

Less clear

# Opportunities and risks

## Artificial Intelligence



Increased productivity



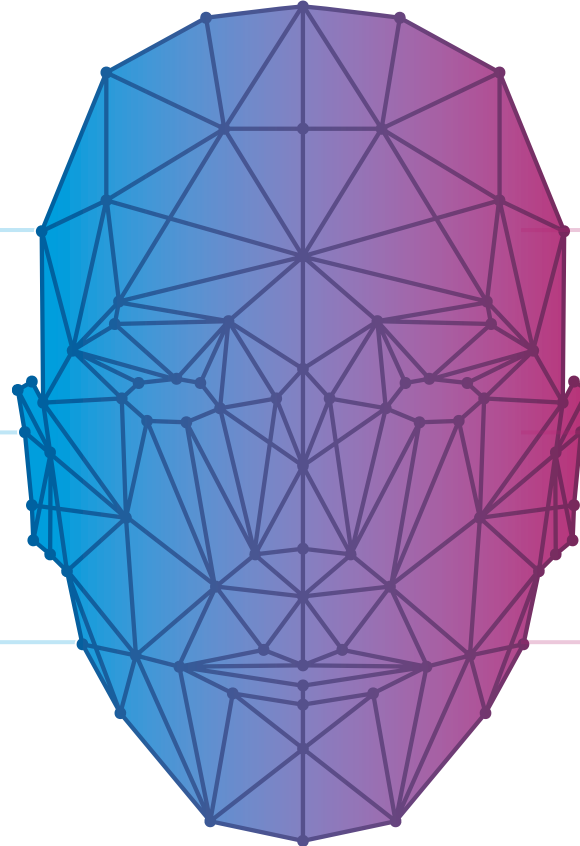
Access to information and essential services



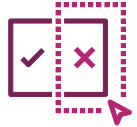
Health and well-being



Efficient and autonomous transport



Accuracy / misinformation



Safety and privacy



Job security



Energy consumption

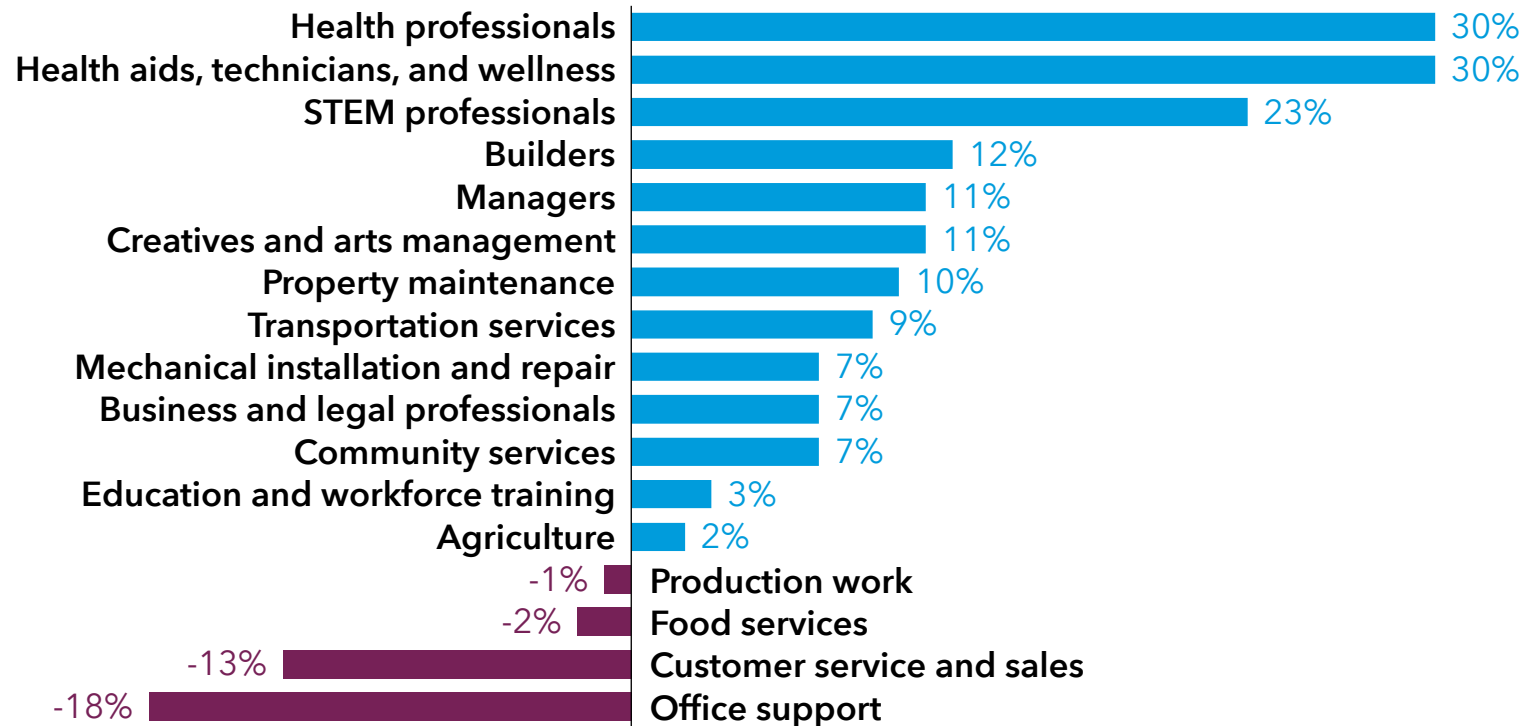




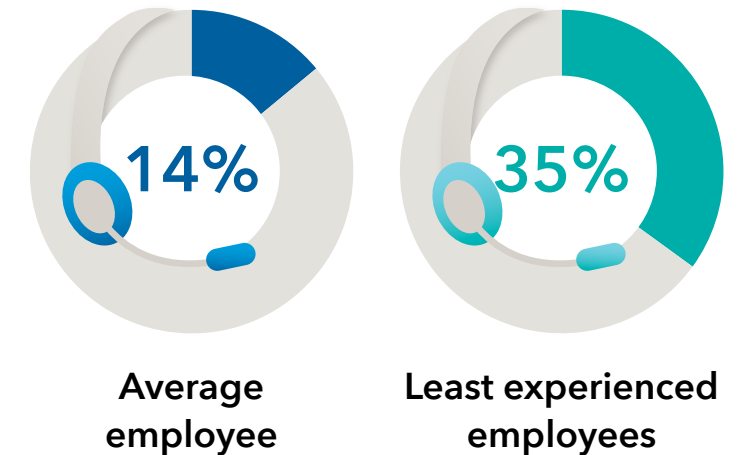
# Impact of GenAI on industry

Changing the demand for labour across industries and occupations,  
while simultaneously enhancing productivity for many knowledge workers

Net change (%) in labour demand 2022-2030 (estimates)<sup>1</sup>



Productivity impact of GenAI on  
customer support agents<sup>2</sup>



1. As at 2022. STEM: science, technology, engineering and mathematics. Source: McKinsey & Company, 2023

2. As at 2022. Source: National Bureau of Economic Research, 2022



# Takeaways

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1

This tech cycle has important differences than previous ones

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2

While AI offers a lot of opportunity, it also poses disruptive threats that companies are navigating

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3

The breadth of investment opportunities spans up and down the value chain

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# Important information

**Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.**

Market indices are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

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