



Artificial intelligence: not just a tech phenomenon

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Artificial intelligence (AI) has been around for many years now. It is already widely adopted in all areas of business and everyday life. But recently, it has exploded into the public consciousness, in large part, due to the meteoric arrival of ChatGPT. For active stock pickers, whenever a hot new theme emerges, we must determine whether it is truly revolutionary or simply another over-hyped trend.

ChatGPT - much more than an app launch

The current frenzy around AI was unleashed by the ChatGPT release in late 2022. In just a few months, millions of users have tried it out, and speculation about its impact on the real economy had a notable impact on the share price of several listed companies.

What is ChatGPT? Let's ask

ChatGPT!

Q: What is ChatGPT, in a few words?

A: Conversational AI language model.

Q: How does it work, in a few words?

A: ChatGPT learns from a vast amount of text data to predict the next word in a sentence, enabling it to generate human-like responses by leveraging context and patterns in the input conversation.

ChatGPT is an example of Generative Artificial Intelligence (GenAI) which is a few steps ahead of traditional AI. More broadly, GenAI has a wide range of applications, from chatbots and virtual assistants, to creative content generation and language translation. Machines are now able to go beyond simple rule-based or template-based responses and produce novel, independently generated and contextually appropriate outputs (text, images, speech, video).



The Carmignac view: How AI will reshape sectors and industries?

Mathias SANTOS, Analyst, TMT

“Disruptive technology transitions often lead to changes in market structure. Companies and platforms with extensive proprietary data that can be monetized and leveraged by customers are generally well-positioned to benefit from the proliferation of AI.”

Michel WISKIRSKI, Fund manager, commodities & climate change

“In the energy sector, AI is leading to better efficiency of the energy system overall. It enables improvements in the predictability of wind and solar patterns and contributes to grid management system enhancements thanks to better supply and demand matching.”

Pau GUZMAN ALCON, Senior industrials analyst

“AI within automation will be key in industrial processes to fill the labour shortage gap.”

Wande McCUNN, Analyst, Financials

“Initially, we expect the benefit of AI will be an improvement in existing products without increasing revenue. However, over time, we believe that new AI products, based on proprietary data, could drive incremental revenue.”

Antoine COLONNA, Analyst, Consumer

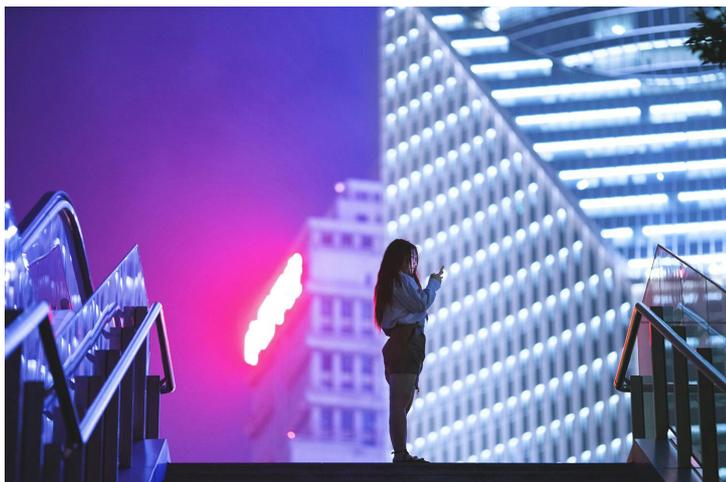
“Marketing, advertising, targeting of products and their design, are all areas where GenAI can have a huge impact within the consumers world. Technology and traditional AI already played a big part in the retail world, for example, so more can be expected for digital channels and distribution this time around.”

Rosie TURNER, Senior healthcare analyst

“AI within drug discovery can help through higher probability of success for drugs and faster clinical trial times. Interpretation of data (for example imaging) is also a key theme but there are challenges as well – linked to regulators, for example. Diagnostic imaging is the area that I am most excited about, and the area that is furthest ahead. It is a huge opportunity to increase the accuracy of cancer screenings (mammograms, CT scans, etc).”

A true revolution?





AI might be a serious gamechanger for many industries, but we have to exercise some caution. All that glitters isn't gold! Even if productivity gains and cost savings are likely to reach every sector eventually, the predictive powers of AI are only as good as the data it receives.

AI knowledge is not unlimited, it has a cut off, which is based on – at best – the latest available data.

Another hot topic of debate is the impact of AI on many professions. While it's likely AI will affect numerous jobs as we know them today, with some even ceasing to exist, there are several professions that have emerged or evolved because of AI, such as data scientist or drone operator. At this stage, it is unclear what the net effect of this technological evolution will be on employment rates.

Right now, the focus for many industries is learning how to interact with GenAI to take advantage of its results. The applications of GenAI are diverse and there are many different possible outputs including code, images, audio, video and design. For example, ChatGPT and Google's Bard are conversational chatbots, whereas OpenAI's Dall-E is text-to-image. While creativity will no doubt be unleashed, there are regulatory implications to take into consideration. A clear example is the controversy regarding AI-generated music copyrights which has gathered vocal supporters and opponents already.

According to Accenture¹, GenAI – in the form of Large Language Models (LLMs) – is predicted to affect up to 40% of working hours across all industries and have the biggest automation impact on banking and augmentation on natural resources. But this is only the beginning of a technological evolution. Innovation is happening rapidly, and in the long-term, it will reach all sectors. As no one will be exempt, the more adaptive industries will thrive.

Adoption is unlikely to follow a linear path, but day-one winners are those businesses linked with technologies. Microsoft and Nvidia are obvious examples, along with semiconductor manufacturers. But other sectors will also benefit from this trend, such as online advertising or translation services, cybersecurity companies and data providers. Those that make strides to leap ahead of the curve on adoption, are set to benefit.

A long-term investment opportunity?

We believe AI is significant disrupter for a huge number of companies, across multiple sectors. As with many mega-trends, however, the key is to separate the noise from the genuine opportunities and manage the “hype”.

As stock selectors, it is our role to pay attention to the developments across markets, regions and industries, to be ahead of the curve and spot great opportunities as and when they arrive.

¹Source: Accenture - A new era of generative AI for everyone, 2023.

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