



To the Point.

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The emergence of artificial intelligence (“AI”) and its similarities with the Internet

A strong excitement in the stock market in 2023

Since the beginning of 2023, AI (artificial intelligence) set the tone for financial markets, driven by companies involved in the space. The market refers to the major players (Apple, Nvidia, Microsoft, Amazon, Meta, Tesla and Alphabet) as the “Magnificent Seven”. The term is taken from a 1960 western which itself was based on the famous 1954 Japanese film Seven Samurai from Akira Kurosawa’s. At the end of July, the mania for AI stocks was impressive - the S&P 500, the flagship index of the US market, was up 20.6%. Two thirds of this increase could be explained by the meteoric rise of the “Magnificent Seven”, whose average return is around 100% in the first seven months of 2023. Together, these seven companies represent about 25% of the US stock market capitalization.

Why so much popularity?

Artificial intelligence is based on a machine’s ability to imitate human cognitive processes, such as learning, problem-solving, and decision-making.

The concept of AI began to emerge in 1950, only five years after the first computer in history was born. The idea has been evolving since then and its recent growth has been made possible by the exponential growth of computer processing power, the explosion of available data, and scientific advances in research and development.



At the end of 2022, the launch and adoption of generative AI tools such as ChatGPT marked the beginning of the current fascination with AI. Since then, everyone has realized that adopting AI can have great value for humanity and therefore investors are looking for ways to take advantage of it.

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Similarities between AI and the Internet

The internet and generative artificial intelligence are two technologies that significantly improve productivity. These technologies allow for the rapid, efficient, and innovative creation, sharing, and exploitation of information.

A parallel that can be drawn with these technologies is their impact on productivity, as they have facilitated collaboration and communication between individuals and organizations. The internet has enabled people and resources to be connected across the world and has fostered the exchange of ideas, knowledge, and skills. Generative AI has made it possible to create original and personalized content tailored to users' needs and preferences. These technologies thus stimulate creativity, innovation, and problem-solving.

Another parallel is the increase in efficiency and quality of work that these technologies have enabled. The internet has provided access to an unlimited amount of information, data, and services while reducing costs and delays. AI enables repetitive, complex, or tedious tasks to be automated and optimized, improving accuracy and reliability. As a result, these technologies optimize performance, competitiveness, and satisfaction.

Historians will undoubtedly conclude that both technologies will have transformed productivity in the world. They will have created new opportunities, met new challenges, and responded to new demands. Like writing, the telephone, the computer, the internet, and the smartphone, AI will change how we work, communicate, learn, travel, and care for ourselves.

How can investors benefit from the rise of AI?

We believe that AI will contribute to enriching investors.

Like the Internet phenomenon at the turn of the millennium, during the popularization and adoption phase of new technology, investors will first be interested in the main agents of change - currently, these are companies that offer AI solutions, such as the "Seven Magnificent" that attract investors. The stock valuations of these companies will inflate as investors infer exponential revenue growth into the future, attracting many more buyers than sellers. Ultimately, their financial results will have to be extraordinary to justify the valuations, otherwise the disappointment will incur severe sanctions from

investors and the stock value of the first phase will eventually retract somewhat as it did for dotcoms.

In the long run, as was the case with the Internet, we believe that the main way for investors to benefit from the ongoing technological revolution will stem from the productivity gains associated with AI, for virtually all companies in all sectors. Being able to do more and better, with less will result in better profit margins and consequently increased profitability for shareholders of all companies.

Another favourable element for investors should be the improvement in the quality of services offered by investment firms.