



AI: “MARKETS ARE FAST-FORWARDING HISTORY”

- ▶ The market craze around artificial intelligence has not cooled in recent months. It even intensified at the end of August after Nvidia reported record-high earnings and a robust outlook. The US manufacturer of graphics processing units, a key player in the AI revolution thanks to its supercomputers, achieved the feat of exceeding already high earnings expectations.

Convinced that AI has genuine potential for creating value, Jacques-Aurélien Marcireau, Fund Manager of Edmond de Rothschild Fund Big Data, prefers to temper the enthusiasm kindled by this technological revolution, which is leading to excess valuations.

INTERVIEW



**JACQUES-AURÉLIEN
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*Fund Manager of
Edmond de Rothschild
Fund Big Data**

Artificial intelligence is making heads spin, but you are urging investors to keep their feet firmly on the ground. Why are you so cautious?

Markets are fast-forwarding history. The many debates around AI are fuelling investor euphoria and are inflating the stock prices of several industry players. The “Magnificent Seven” - namely Apple, Alphabet, Amazon, Meta, Microsoft, Nvidia and Tesla - have posted very strong gains year-to-date. Market players believe that these companies are best placed to reap the benefits of artificial intelligence.

But what will happen if the deployment of artificial intelligence is slower than planned? We should be wary of putting too much hope in Big Tech, and bear in mind the considerable uncertainty regarding the size of the generative AI market, the competitive environment and the calculation needs given the possible optimisation of algorithms.

Under these circumstances, and considering our very strict valuation discipline, we prefer to take our profits and reduce our exposure to these flagship technology stocks. We have therefore trimmed our position in Nvidia, which has been in the portfolio since the fund was created in 2015. We remain loyal to our thematic investment approach, focusing on Tech players and on companies operating in more traditional sectors.

What approach is used to gain exposure to the theme?

Edmond de Rothschild Fund Big Data is ideally positioned to benefit from the AI revolution, viewed through the prism of data. “Data Users” - non-tech companies with digital strategies best adapted to unlock competitive advantages from the use of Big Data -

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should thrive. AI winners will be large companies that own huge amounts of proprietary data, such as banks, insurers, healthcare sector operators and logistics providers.

This will also be the case with software suppliers that are specialised in a specific business area and have access to all of their clients' data. As an example, before the summer we initiated a new position in CCC Intelligent Solutions, an American company operating in the auto insurance industry. The company has developed an algorithm that can estimate the cost of repairing a vehicle simply from a photograph.

We believe that the fund's performance has proved the effectiveness of our unique approach. Edmond de Rothschild Fund Big Data posted a performance of +17.6% between 1 January and 31 August, versus +14.2% for its benchmark index, the MSCI World (NR).¹ Admittedly, Tech giants have contributed to creating value, but data users were powerful performance drivers. Stock picking has been successfully used to identify and retain high-quality companies in the portfolio within overlooked or even choppy sectors. The fund's annualised performance stands at +12.6% since inception, versus 10.1% for the benchmark.

¹Performances of the A€ unit class. Source of performances: Edmond de Rothschild Asset Management (France). Data as at 31/08/2023.

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Risk from investing in small and mid cap companies:

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The characteristics of the UCI do not protect the investor from the potential effect of inflation during the period of investment in the UCI. Thus, the amount invested in principal and the possible income from movable property received during the period will not be revalued by the rate of inflation over this same period. Therefore, the real performance of the UCI, i.e. the net performance of the UCI corrected by the inflation rate, could be negative.

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