

# Balancing the promise and perils of AI

---

**Lucia Pino-Garcia**

Chief Technology Officer at Ninety One

**William Nott**

Portfolio Manager, Quality at Ninety One

**Euro Beinat**

Global Head of AI and Data Science at Prosus Group





# Target audience

## Audience

This document is being provided for informational purposes for discussion with institutional investors and financial advisors only. Circulation must be restricted accordingly.

Nothing herein should be construed as an offer to enter into any contract, investment advice, a recommendation of any kind, a solicitation of clients, or an offer to invest in any particular fund, product, investment vehicle or derivative.

## General risks

The value of investments, and any income generated from them, can fall as well as rise. Where charges are taken from capital, this may constrain future growth.

Past performance is not a reliable indicator of future results. If any currency differs from the investor's home currency, returns may increase or decrease as a result of currency fluctuations.

Investment objectives and performance targets are subject to change and may not necessarily be achieved, losses may be made.

Environmental, social or governance related risk events or factors, if they occur, could cause a negative impact on the value of investments.

What do these companies have in common?



BANK OF AMERICA

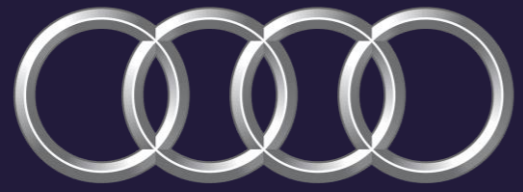
Sainsbury's



STATE STREET



J.P.Morgan

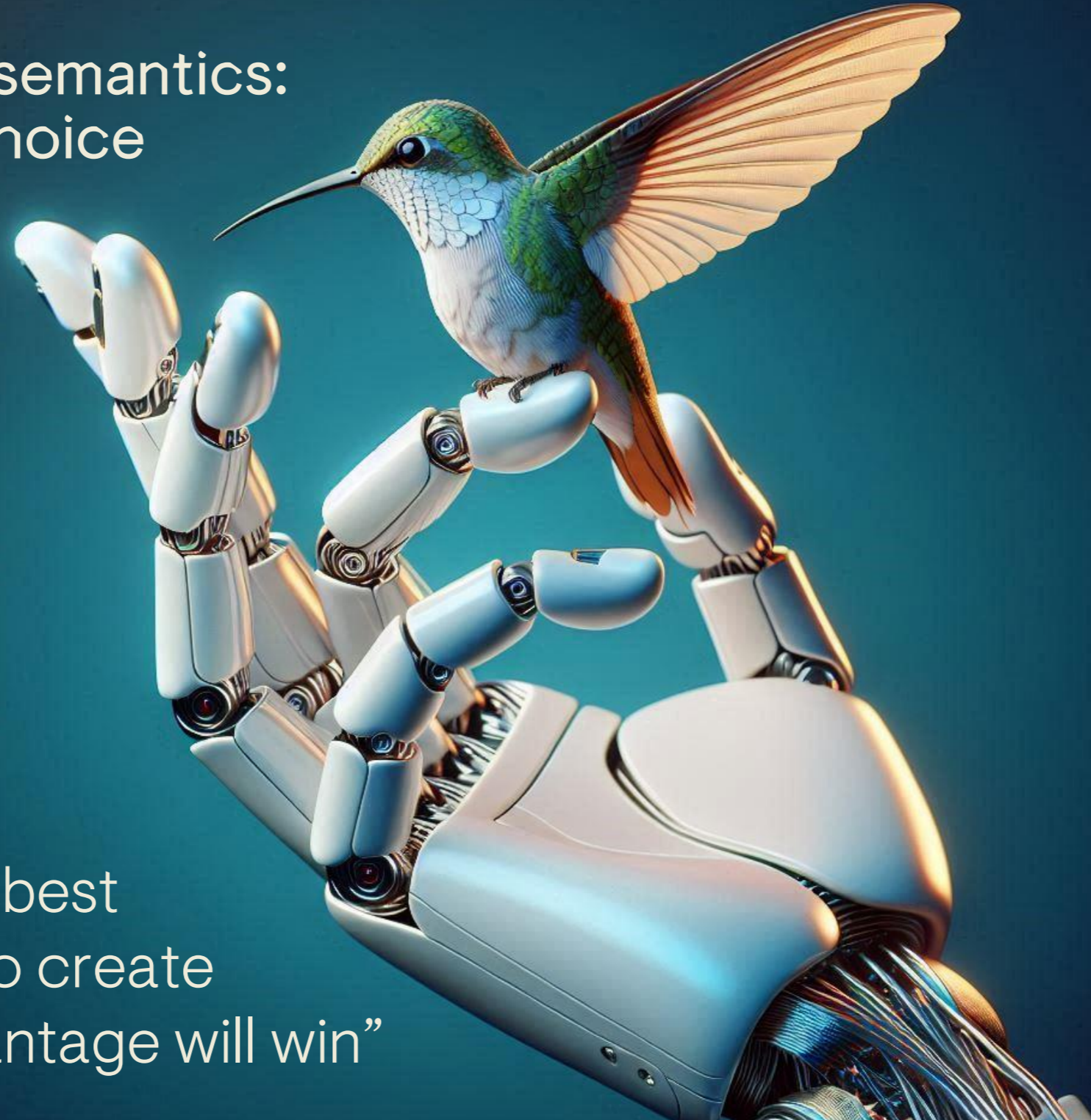


Audi



Walmart 

More than just semantics:  
an existential choice



“Companies that best  
use technology to create  
competitive advantage will win”



# ChatGPT

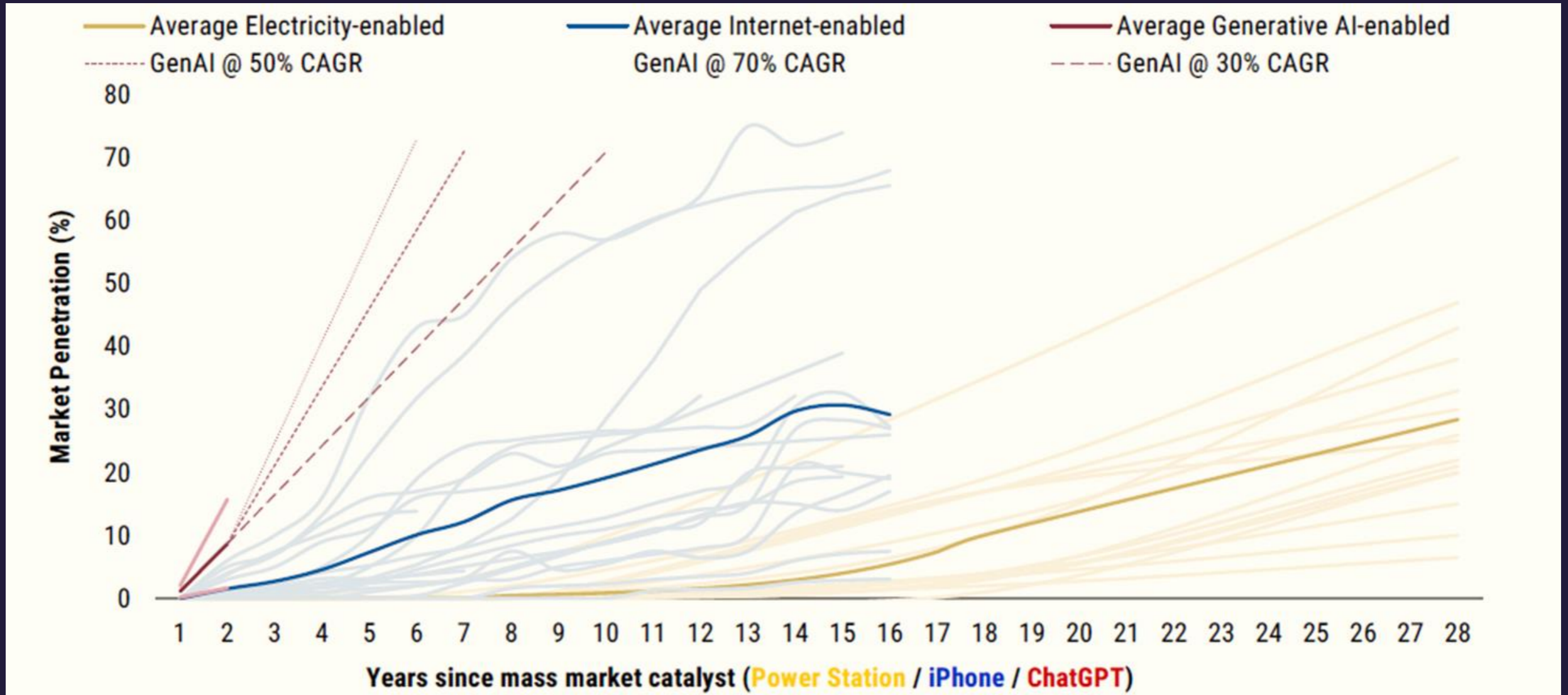
Friedman described as a Promethean Moment





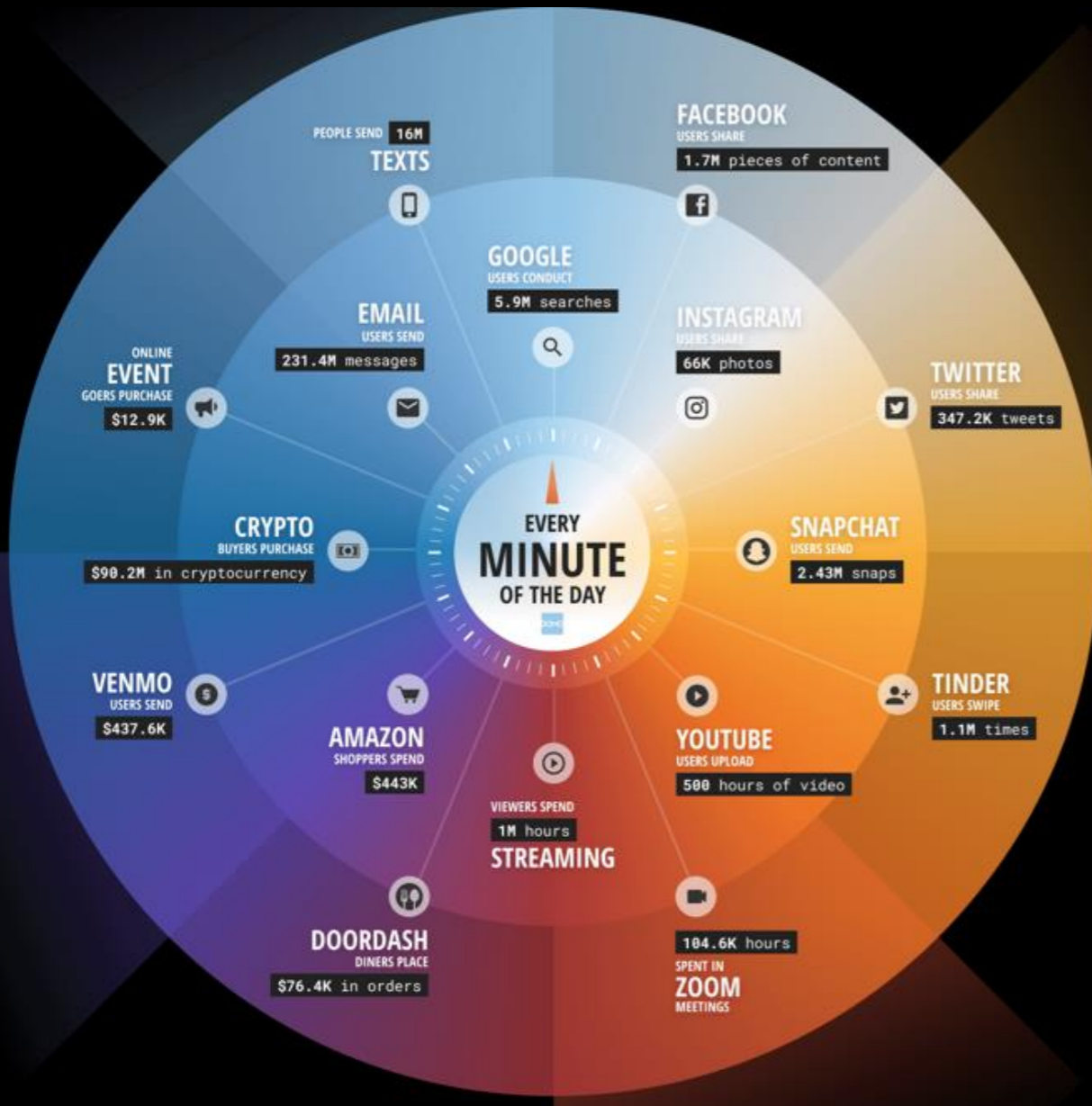
# Concept of AI isn't new, it's been building for years

Rate of adoption is the differentiator

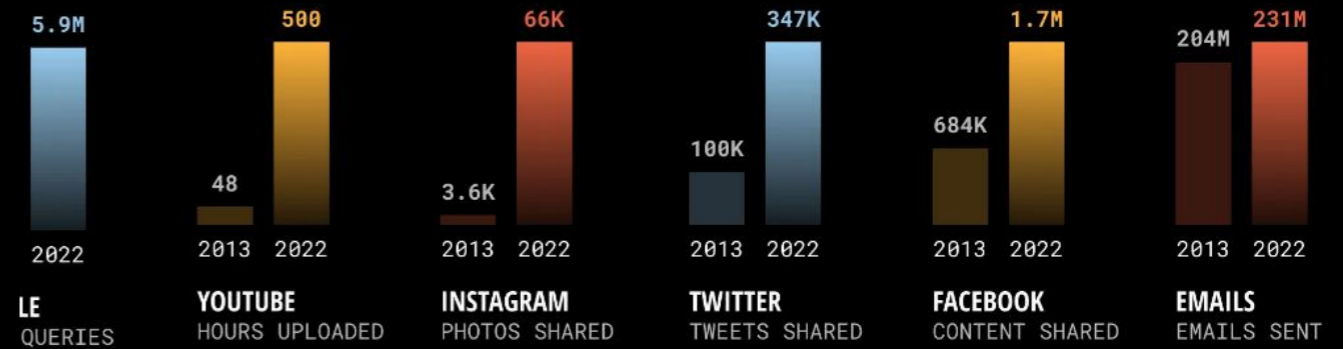




# Power of Data



- 1% of global data being stored and used
- 90% of the world's data was created in the last two years
- Warp speed divergent from human capabilities





# Productivity

Automation is not the preserve of the mundane alone



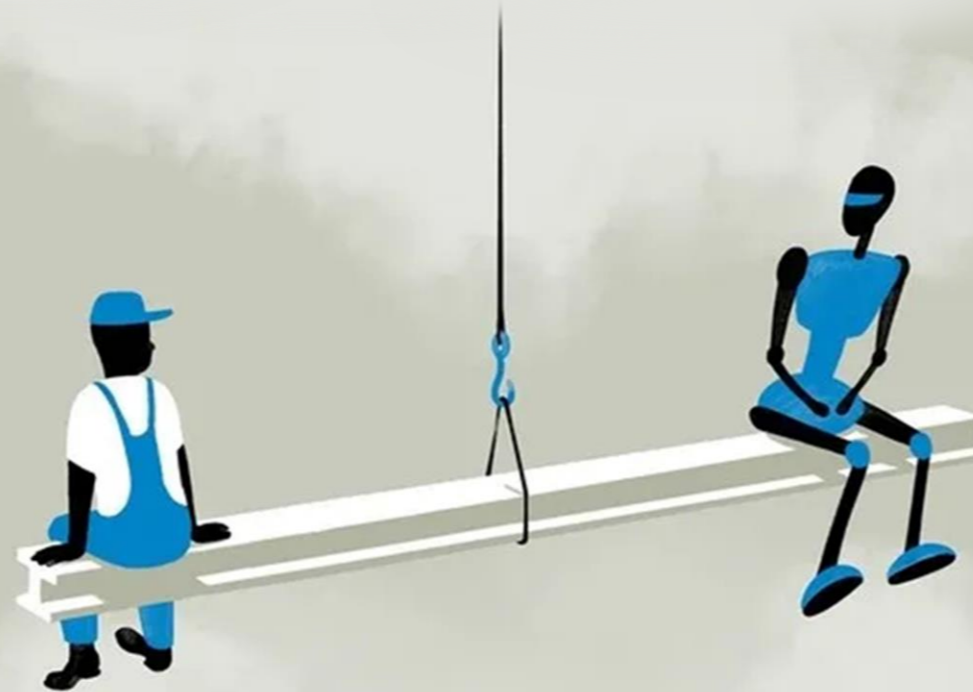
Jason Allen's AI generated work  
"Theatre D'Opera Spatial"





## Not all rosy

- Hallucinations: lying convincingly at scale
- Dampening curiosity
- 90% of decision making influenced by AI



- Cybercrime
- Costs
- Regulatory overreach
- Bias
- Monolithic corpus of knowledge

# ■ At Ninety One, we value the use of technology to amplify and accelerate our purpose

## Our strategy for adoption

- Ways of Work ⇒ curiosity and experimentation
- Leveraging commodified ⇒ M365 and Salesforce
- Partnerships ⇒ StateStreet, UST and others
- Use cases and thought leadership ⇒ AI Squad
- Tooling ⇒ NOVA and sandboxes

Everyone has a role to play

William Nott

---

# Investing in AI





# Agenda

## 1 What's the Context?

- 
- How is this AI cycle different?
- What does that mean for use cases?

## 2 Is Growth Sustainable?

- 
- Is infrastructure spending overestimating demand?
- Who will pay for the investment?

## 3 What's Mispriced?

- 
- Which use cases are overhyped?
- What is the market underappreciating?



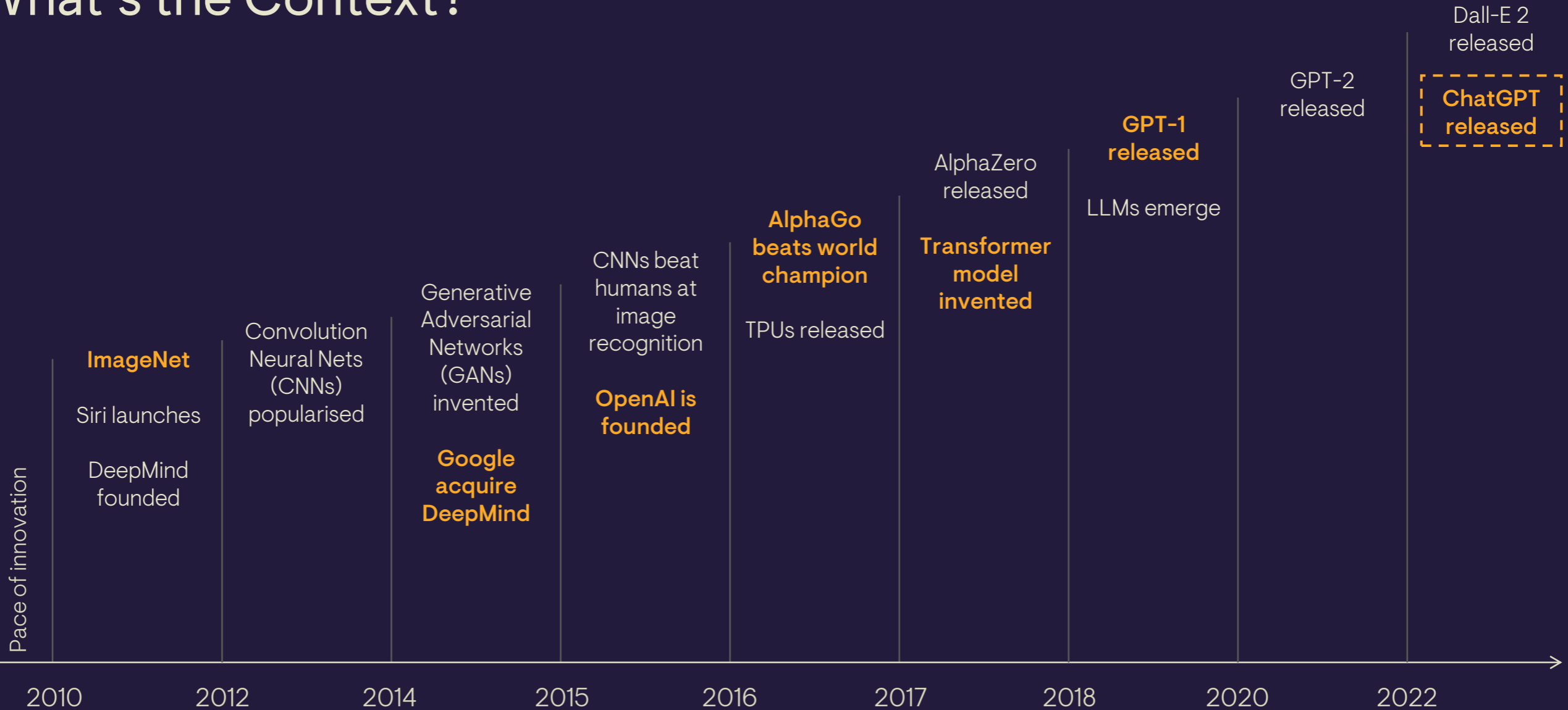
## What's the Context?

“As soon as it works, no one calls it AI anymore.”

- John McCarthy



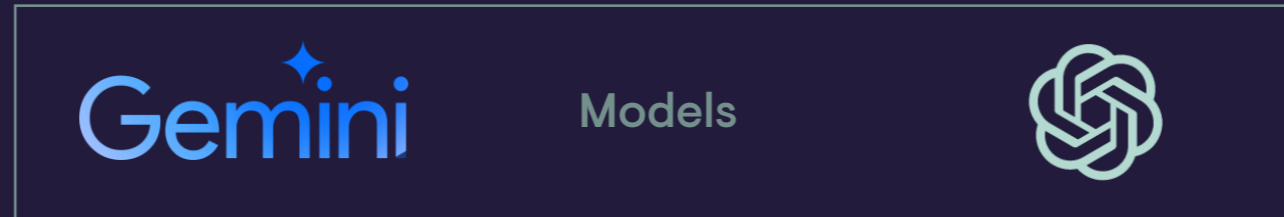
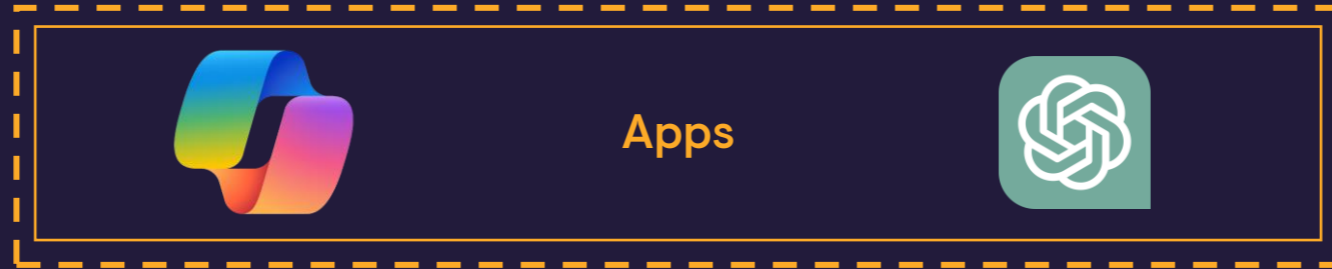
# What's the Context?





# Is Growth Sustainable?

Future opportunities and risks



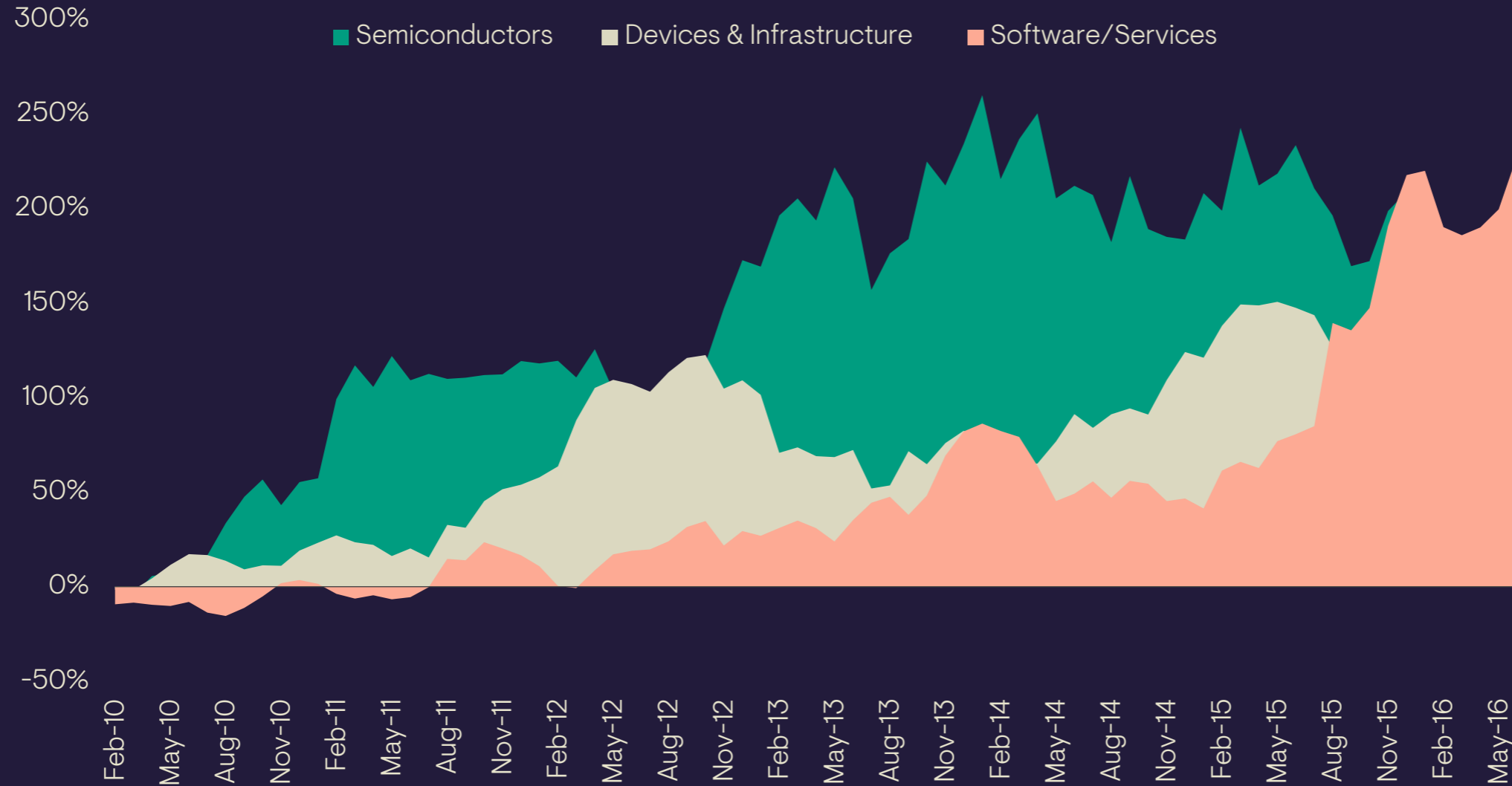
Market focus area





# Is Growth Sustainable?

## Mobile Cycle Relative Returns (%)



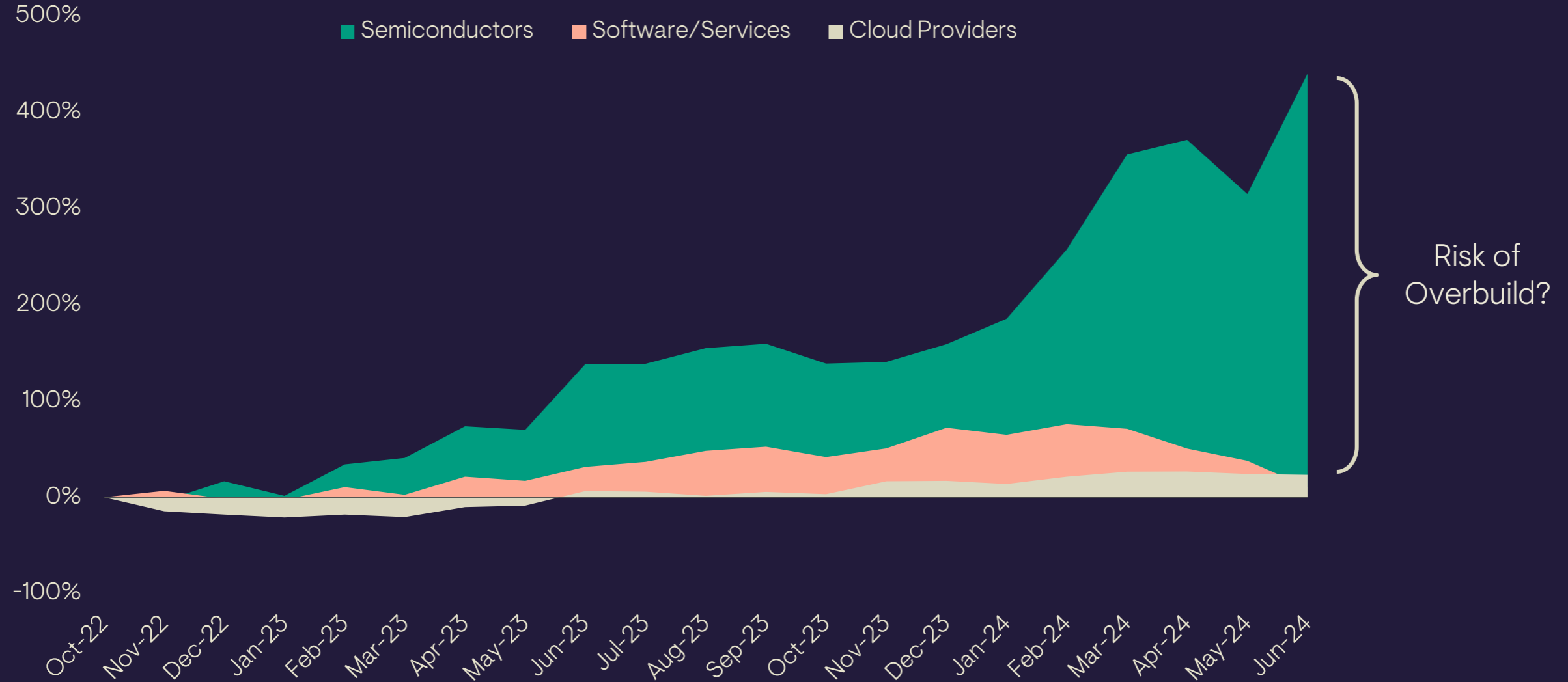
Source: Ninety One, Bloomberg, Based on analysis by Morgan Stanley. Semiconductors – based on equally weighted performance of ARM/QUALCOMM, Devices & Infrastructure based on equally weight performance of Apple/Samsung, Software & Services based on equally weighted performance of Alphabet/Amazon all in USD relative to MSCI ACWI, Feb 2010 – Jun 2016





# Is Growth Sustainable?

## AI Cycle Relative Returns (%)

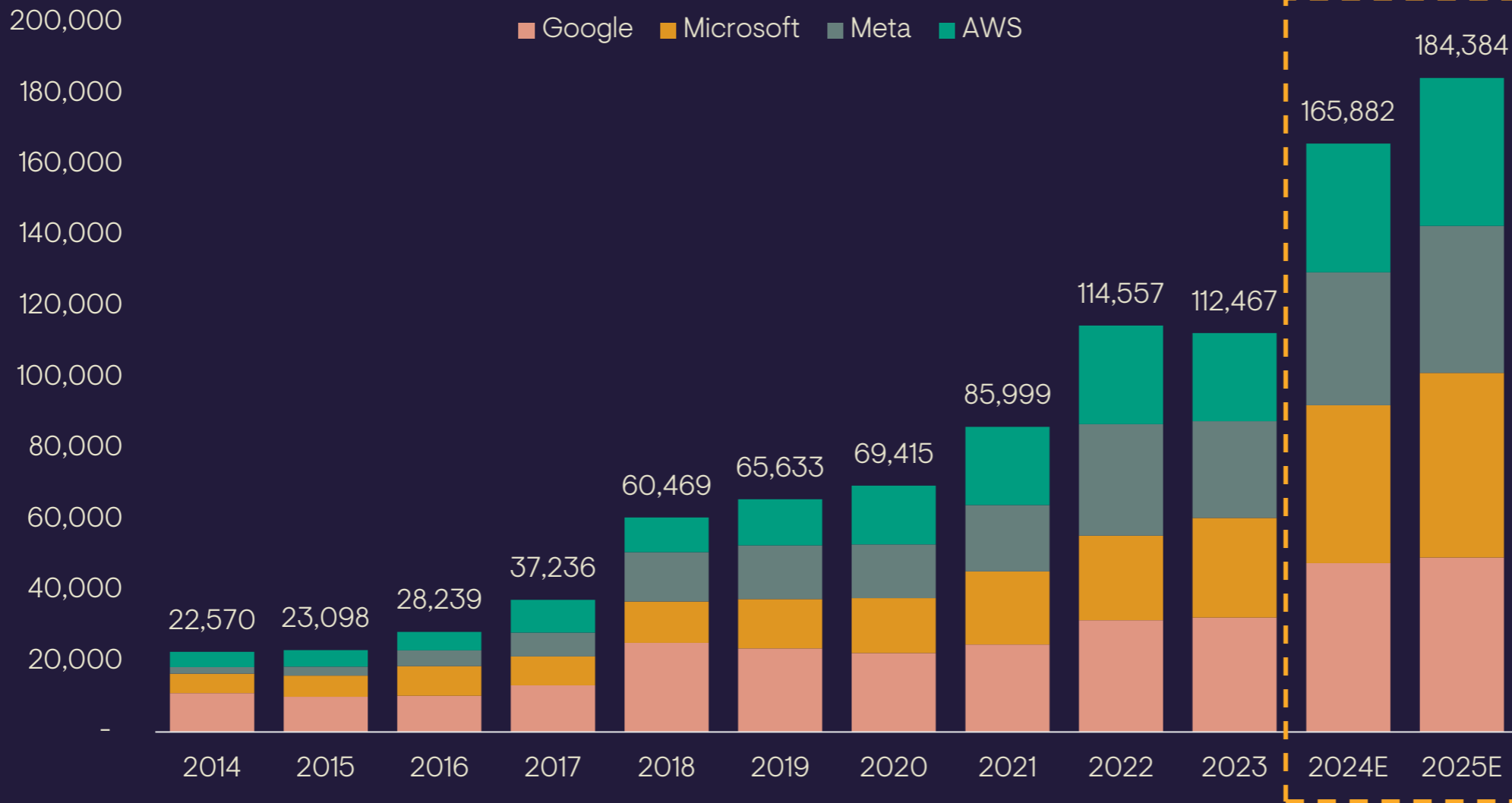


Source: Ninety One, Bloomberg. Semiconductors – based on equally weighted performance of Nvidia/AMD, Cloud Providers based on equally weight performance of Microsoft/Amazon, Software & Services based on equally weighted performance of Adobe/Salesforce all in USD relative to MSCI ACWI, Oct 2022 – Jun 2024



# Is Growth Sustainable?

## Hyperscale Capex (\$m)

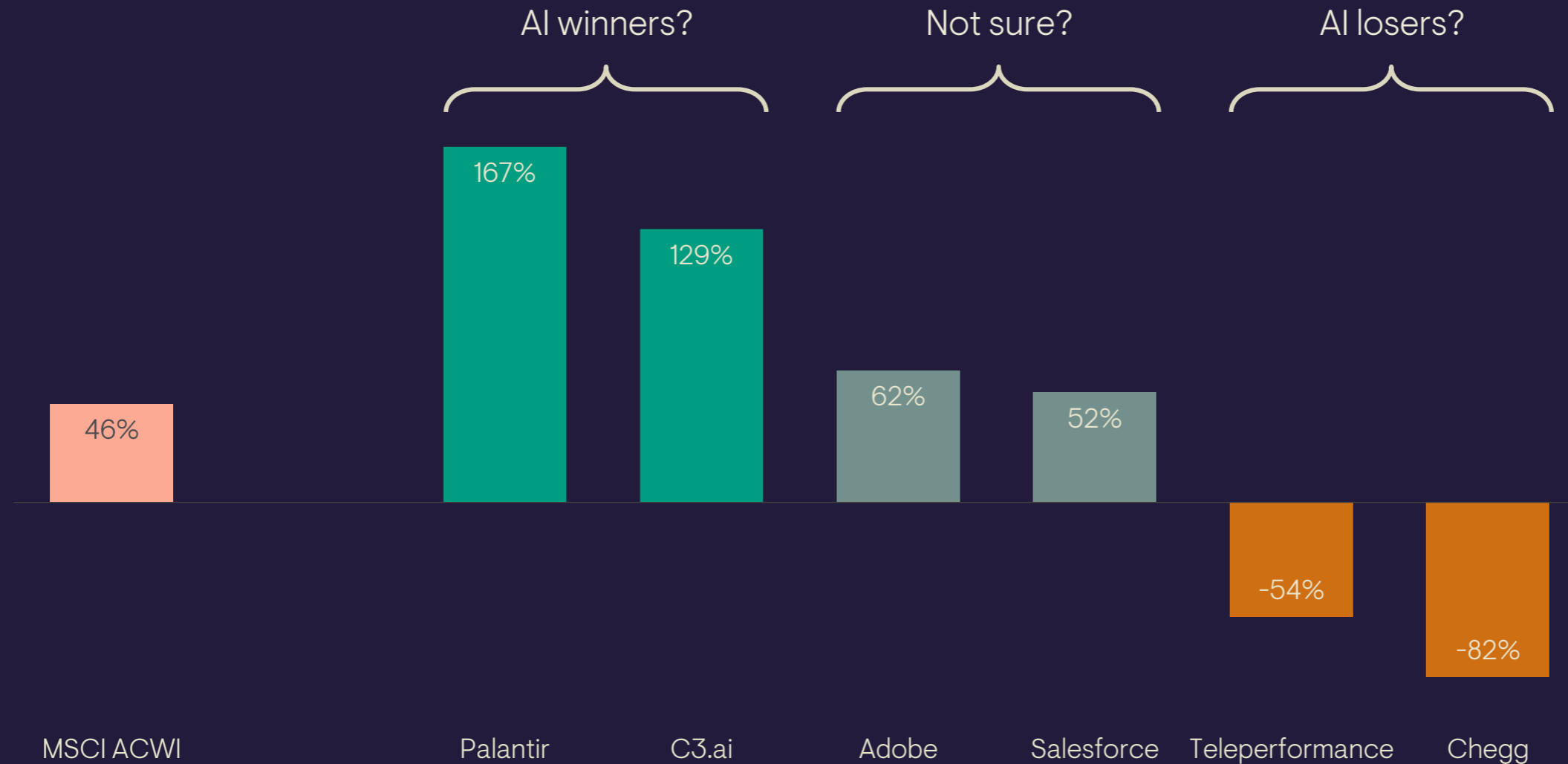


Source: Ninety One, Bloomberg. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided. This is not a buy, sell or hold recommendation for any particular security. For further information on specific portfolio names, please see the Important information section.



# What's Mispriced?

Since ChatGPT Returns (%)



Source: Ninety One, Bloomberg. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided. This is not a buy, sell or hold recommendation for any particular security. For further information on specific portfolio names, please see the Important information section.



# Important information

This communication is for professional investors and financial advisors only.

The information may discuss general market activity or industry trends and is not intended to be relied upon as a forecast, research or investment advice. The economic and market views presented herein reflect Ninety One's judgment as at the date shown and are subject to change without notice. There is no guarantee that views and opinions expressed will be correct and may not reflect those of Ninety One as a whole, different views may be expressed based on different investment objectives. Although we believe any information obtained from external sources to be reliable, we have not independently verified it, and we cannot guarantee its accuracy or completeness (ESG-related data is still at an early stage with considerable variation in estimates and disclosure across companies. Double counting is inherent in all aggregate carbon data). Ninety One's internal data may not be audited. Ninety One does not provide legal or tax advice. Prospective investors should consult their tax advisors before making tax-related investment decisions.

Except as otherwise authorised, this information may not be shown, copied, transmitted, or otherwise given to any third party without Ninety One's prior written consent. © 2024 Ninety One. All rights reserved. Issued by Ninety One, June 2024.