
UNPLUG FROM DAY-TO-DAY MARKET MOVES WITH THE ARTIFICIAL INTELLIGENCE MEGATREND

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Artificial Intelligence (AI) represents, potentially, one of the biggest single trends that we believe will impact global markets for decades to come.

AI—Where are we today?

Some of the world's largest companies have already embarked on the journey of incorporating AI in a variety of ways.

- Amazon and Google do many differentiated things with AI, but they are both widely recognised for their personal assistant technologies that utilise revolutionary capability for computers to recognise human language.
- Many auto companies, such as Tesla or Mercedes, are incorporating more and more ways in which on-board computers are monitoring drivers and assisting them to become safer and safer on the road. There is also speculation that platform companies like Uber will eventually be able to have a fleet of “driverless” cars operating in cities around the world.

While these are only a few examples, the critical point is that today's AI is very task-focused, sometimes referred to as “narrow AI”. General AI, on the other hand, would refer to systems that can learn to do many different things with limited, if any, input from humans.

How to analyse AI companies

When we consider the overall AI ecosystem, we think in terms of an overarching value-chain.

- A plethora of companies exist today providing components, infrastructure and algorithms that enable or enhance the growth and development of AI. When people consider the valuations and market capitulations of companies like Alphabet, Facebook, Amazon and others, it's clear that “data is the new oil.” AI requires a LOT of data and a LOT of processing power. “Enablers” and “Enhancers” are those companies that help in this regard.
- A smaller number of companies provide customers with AI solutions TODAY. It is so exciting to see these start ups and early stage investments engaging with AI. We think of them as “engagers.”

The value of time and advantage of today

We will conclude by indicating the advantage that people have today when considering AI,

in that it is still very early on in the course of this megatrend playing out. As the players within AI become more and more established, a “flywheel effect” will tend to increase their advantage. Think of Netflix as an example. While many players want to enter the streaming video market today, Netflix has been around longer than 10 years. This allows them to have been collecting data and training their AI recommendation tools for a much longer time with much more data. It’s difficult for a provider of streaming video today to instantly be able to achieve what Netflix has achieved.

Figure 1: Exponential technology explained–The AI Flywheel Effect



Source: WisdomTree.

Those paying attention today have the chance to consider AI as an investment before it truly takes hold in a ubiquitous manner. The growth of AI over the coming five, ten or fifteen years–this is what is truly the most exciting aspect for an investor, in our view.

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