

GUEST ARTICLES (cont.)

AI: the next computing paradigm

Christopher Rossbach, Managing Partner and CIO, J.Stern & Co.

Artificial intelligence (AI) is transforming and disrupting how we do business and how we live our lives. This change is on the same scale as prior industrial revolutions like the steam engine and electricity. It will markedly improve productivity and have a transformational effect on the global economy.

Today, AI is most associated with the technology sector. The huge surge in interest and the excitement around AI is one of the reasons Nvidia was the first semiconductor company to break the trillion-dollar valuation in May 2023. Its GPUs (graphic processing units) are the best technology for AI. But it is not just about the chips: Nvidia's strength comes from the comprehensive AI ecosystem it has built, an interconnected network of products, technologies, and partners. The company has had staggering growth in revenues and profits over the past 12 months, with the only challenge being to secure enough capacity

to accommodate the high demand for AI.

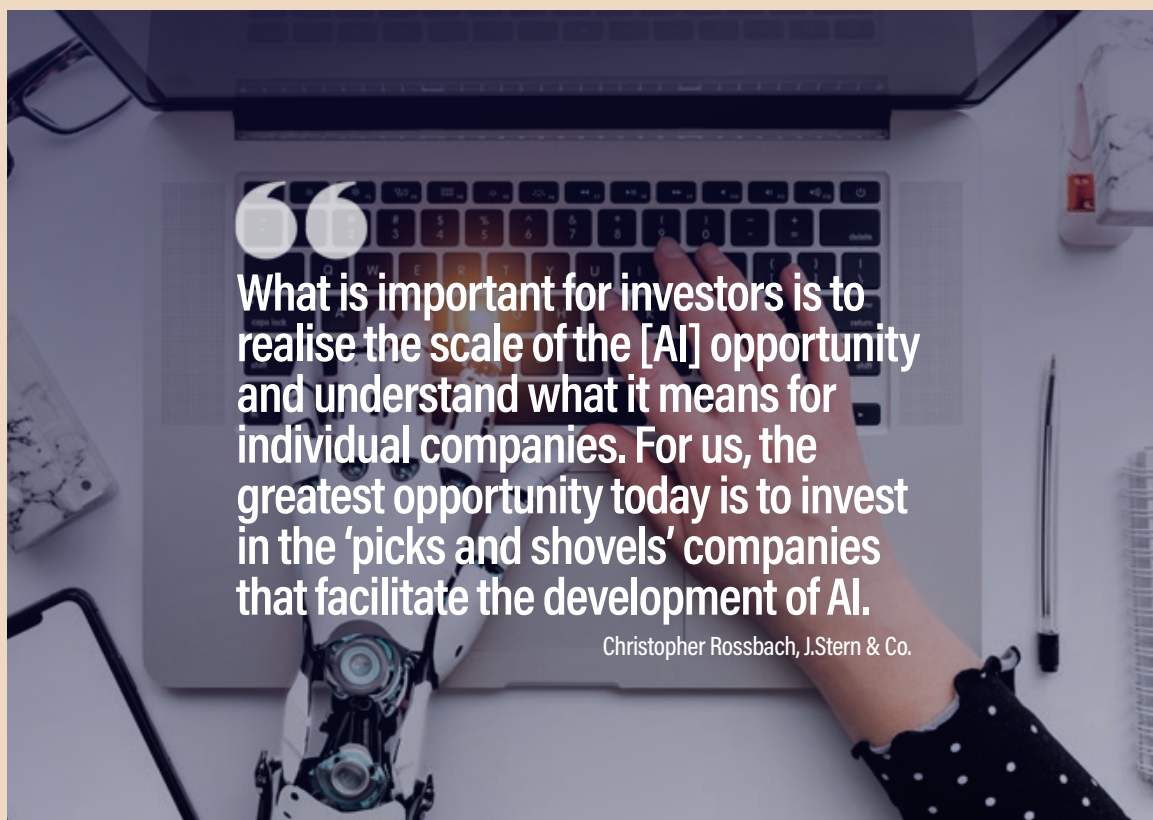
AI will create great opportunities across many industries, not just technology. For example, in healthcare, it can speed up drug development and analyse genomic data. Within the energy sector, AI can improve geological modelling, usage analytics and pipeline tools. Within retail and freight, it will have an impact on supply chain management, inventory management, as well as autonomous fleet networks. In customer service, the chatbots and automated phones we use today will be transformed with superior interactions and analytics. The use cases go on and on.

We understand the fears that jobs will be lost to AI, but it will be the same as with all new technologies: new roles will be created, and it is all part of economic development. For example, the internet has brought in many new jobs, such as social media marketing, app development and data scientists that simply did not



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exist twenty years ago. AI will bring many productivity benefits, new jobs will be created, and this will result in long-term improvements for the global economy.

Nobody knows what AI will look like in 20 years and it is not easy to forecast the eventual winners. If we compare AI to the early days of the internet, most of the first generation of companies and applications are no longer leading the pack. What is important for investors is to realise the scale of the opportunity and understand what it means for individual companies. For us, the greatest opportunity today is to invest in the ‘picks and shovels’ companies that facilitate the development of AI. To enable AI, there will be a large infrastructure build, particularly for semiconductors. That is why we have positions in Nvidia and in ASML, which manufactures the machinery that is critical for advanced semiconductor manufacturing.

AI is still in its infancy, but we believe it will have a far-reaching impact across the broad economy for years to come. There will be winners and losers, and it will be critical and impactful for companies not only to develop



AI strategies to make the most of the opportunities AI can offer, but to manage the risks of disruption to their businesses. The companies that incorporate AI will succeed and those that ignore it will do so at their peril.

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Chris is a Managing Partner and Chief Investment Officer of J. Stern & Co. Chris is also the portfolio manager of the firm's flagship World Stars investment strategy. Chris manages long-term investments for the Stern family, and for the firm's clients, based on the same principles he has successfully implemented throughout his investment career. As a Managing Partner, Chris leads the firm's investment practice to deliver value to its clients. Chris has 23 years' financial services experience, 19 of which were spent investing in stocks based on a fundamental value approach with Merian Capital, Magnetar, Lansdowne Partners and Perry Capital. Prior to that he was in investment banking with Lazard Frères in New York. Chris speaks German, English, French and Spanish. He holds a BA from Yale University and a MBA from Harvard Business School. Chris also chairs and is a trustee of the Warburg Charitable Trust.