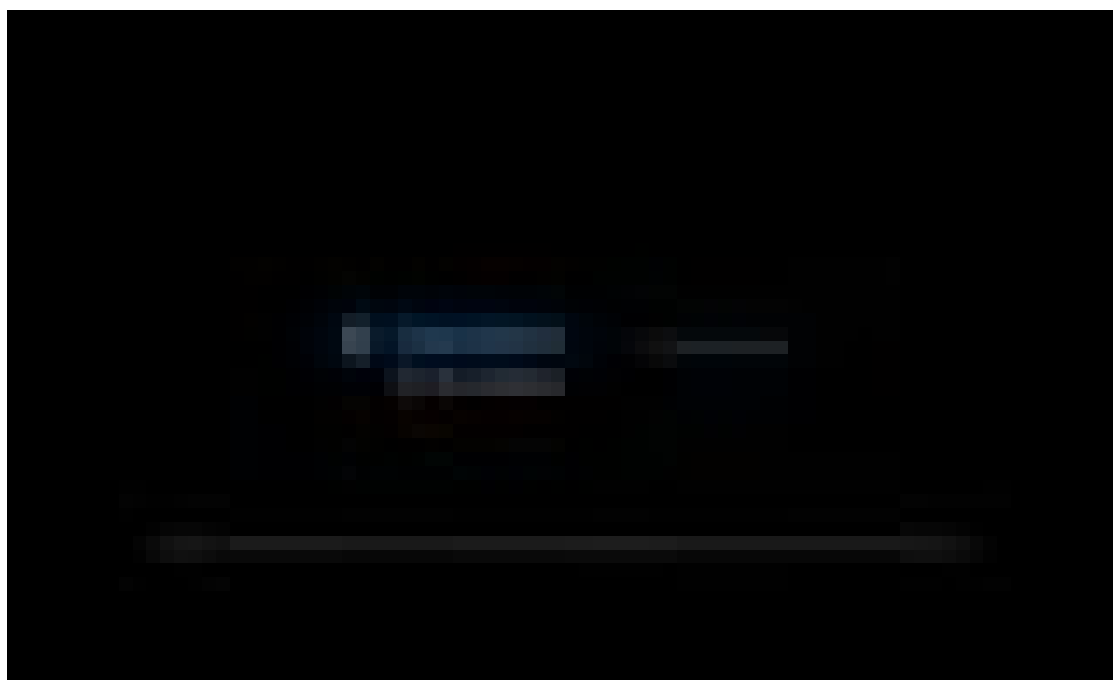


Investing in the ‘Fourth Industrial Revolution’ – Artificial Intelligence | Webinar

Recorded on 19 July 2023



Learn more about the [Sanlam Global Artificial Intelligence Fund](#)
For any further discussion, please contact SalesSupport@sanlam.co.uk

Additional Q&A Questions

Q: Microsoft is currently in the 'crosshairs' of competition authorities in Europe. Is NVIDIA likely to encounter a similar threat?

Chris Ford: We think this is unlikely as whilst NVIDIA absolutely dominates the market for high-end GPUs (the chips that were designed initially for gaming applications but which are now essential in enabling machines to ‘see’ and which thus play an essential role in the development and roll-out of AI), its presence in the wider global semiconductor market cannot be compared to the complete dominance that Microsoft has in business and personal computing desktop software. For example, if we look at datacenters, NVIDIA has grown its share of datacenter processor sales impressively since 2013 but it is still a smaller player than Intel, which although it has lost market share in recent years, still accounts for nearly 50% of all datacenter processor sales. Moreover, there are highly credible alternatives to NVIDIA in high-end processors, most notably AMD. From a corporate or personal computing software standpoint, there aren’t really any credible alternatives to MSFT and that is why it is so utterly loathed by regulators. It is also why MSFT has run into some trouble again recently for bundling Teams with other MSFT applications, as doing this simply reinforces what is an already incredibly strong market position. At the moment, NVIDIA just happens to make the best AI pickaxes/shovels/widgets, but that won’t necessarily always be

the case, not least because China is working hard to build its own independent semiconductor industry due to the US restricting the export of advanced semiconductors (including NVIDIA's) to China.

Q: Do you think valuations have run a little too far in the near term?

Chris Ford: Clearly market leadership has been quite narrow this year and that's an issue that investors and the wider market will continue to worry about if the non-tech areas aren't performing. However, we're not just investing in tech and the enabling technologies of AI and there are still good valuation opportunities in other sectors as these haven't seen the valuation re-rating that has been so evident in some areas of large cap tech. Moreover, looking at tech specifically, while the likes of NVIDIA have seen significant moves in its valuation, the same can't be said for companies that provide the equipment that sits adjacent to NVIDIA's in the datacenter. If NVIDIA's chips are to be installed in the huge numbers that the market now expects, these adjacent technologies will also see a significant uplift in demand – many of these companies do not trade at particularly elevated valuations.

One thing that we've observed over the last six years of running the Fund is that the investment universe just keeps getting broader and deeper and better as more and more companies engage with AI, and because of that we always have a long list of stocks on the bench if we think the valuations on our favoured holdings have run too far. Moreover, the focused nature of the Fund (35-40 holdings) means that there is more or less continual scrutiny of things that we do own – to put it another way, the ongoing competition for the capital of the Fund is constant, which means that if a stock's valuation isn't warranted or justifiable as defined by our investment pillars, we'll exit and buy something else.

Stocks mentioned not a recommendation to buy or sell. Forecasts not guaranteed. Capital at risk.

The Fund may invest in shares of companies listed on stock exchanges in the United Kingdom, and outside the United Kingdom, exchange rate fluctuations may cause the value of investments to go down as well as up. Investing in companies based in emerging markets may involve additional risks due to greater political, economic, regulatory risks, among other factors. The Fund may invest in derivatives for the purposes of efficient portfolio management and hedging.