

Investing in the future of AI

Artificial intelligence (AI) is proving to be one of the most disruptive forces in technology in decades. Much like the introduction of electricity in the early 20th century and the more recent advent of the internet and mobile technologies, AI offers broad technological capabilities that can be applied to all industries, profoundly transforming the world around us. AI-enabled technologies are already improving how we communicate, how we work and play, and how we shop and care for our health. For businesses, we believe AI has become an absolute imperative for creating and maintaining a competitive edge.

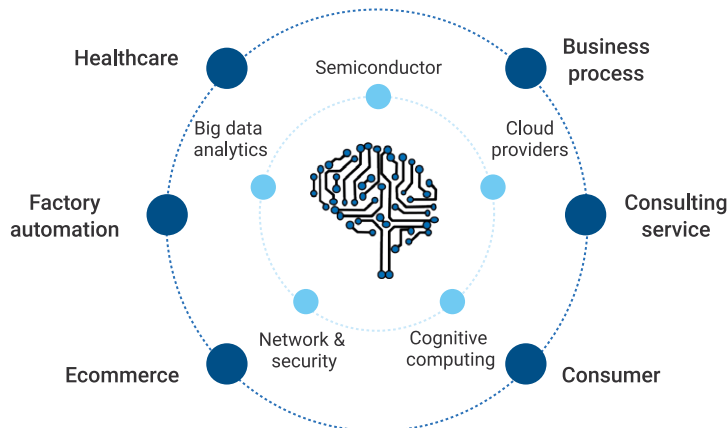
To give investors a diversified and broad exposure to companies around the world that are leading this AI revolution, we work with ROBO Global, a research firm we believe is uniquely positioned to access, understand and track the AI ecosystem.

ROBO Global's Artificial Intelligence index leverages the firm's deep technology expertise from its team of strategic advisers and AI thought leaders to identify best-in-class companies across **AI Infrastructure** and **AI Applications & Services**.

This index, in our view, captures the true pioneers and market leaders disrupting the AI landscape with a strong value proposition. We believe its constituents possess technology and market leadership with defensible moats – high revenue purity derived from selling products and services powering AI systems and providers of AI as a service – and have been investing time and resources into developing crucial machine-learning functionalities and enabling businesses to capitalise on the era of smart machines. The index also applies a rigorous ESG evaluation and exclusion approach.

Applications & Services

Deep domain knowledge companies applying AI capabilities for the purpose of digital transformation. Applications & Services companies typically represent around 45% of the index



Infrastructure

Best-of-breed companies that are building AI engine and platform solutions. Infrastructure companies typically represent around 55% of the index

Capturing the future of AI in a thematic portfolio

The AI theme spans traditional sectors and geographies, so we believe we need to work with a specialist – ROBO Global – to identify both the full global value chain and the individual companies most closely involved.

So what kinds of company does our active research identify? We highlight some case studies of recent innovation in the theme below, but would emphasise that our aim is to offer exposure to the companies most purely involved in AI through a modified equally weighted index rather than to pick preferred stocks within the theme. The weighting scheme takes into account factors representing the levels of revenue the company receives from AI activities, levels of investment the firm makes in AI, and the market and technology leadership of the firm in the AI universe.

Atlassian* is a company based in Australia that provides modern workflow and AI collaboration tools for software developers and enterprises. Jira (used for agile project management and bug tracking) and Trello (used for task synchronisation and project tracking between teams) are the two main tools offered by the company, used by over 200,000 customers and 6,000 teams worldwide operating across various industries.¹

As modern networks are becoming more complex, application development requires more development workflow supported by AI automation tools – and demand for cross-cloud infrastructure management platforms is increasing. Overall, we believe Atlassian is strongly positioned for the future of simplifying organisational collaboration. It is targeting 100 million active users and says it has an annual addressable opportunity of up to \$24 billion, based on its current products and prices.

Nuance Communications*, a US-based company, is a pioneer in speech recognition and AI technology, specifically in natural language processing (NLP). Over the past several years, it has unveiled many new advances in its core technology, enabling more intelligent and autonomous interactions in conversational AI. Nuance has leveraged deep neural networks to help customers rapidly design intelligent dialogue across communication networks, virtual assistants on the web, messaging channels and voice-powered smart devices.



With over 2,350 patents, 1,600 software engineers, and 77% of US hospitals using Nuance’s conversational AI platform, it was not surprising that earlier this year **Microsoft*** announced its intent to purchase Nuance for \$16 billion in a cash transaction, a 23% premium to its prior closing price – even after a near-100% gain its share price over the preceding 12 months.² The Nuance deal reflects a growing demand for tech applications in healthcare, in particular the use of AI in clinical documentation for doctor visits. Since the index’s inception, nine constituents have been acquired; we expect M&A activity, both strategic and financial, to remain high as large companies look to acquire AI technology and capabilities.

We hope this demonstrates the depth of research undertaken in designing our AI theme and some of the exciting businesses within our own ‘future of AI’ portfolio.

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1. Source: Atlassian, 2021

2. Source: Nuance Communications & Microsoft, 2021

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