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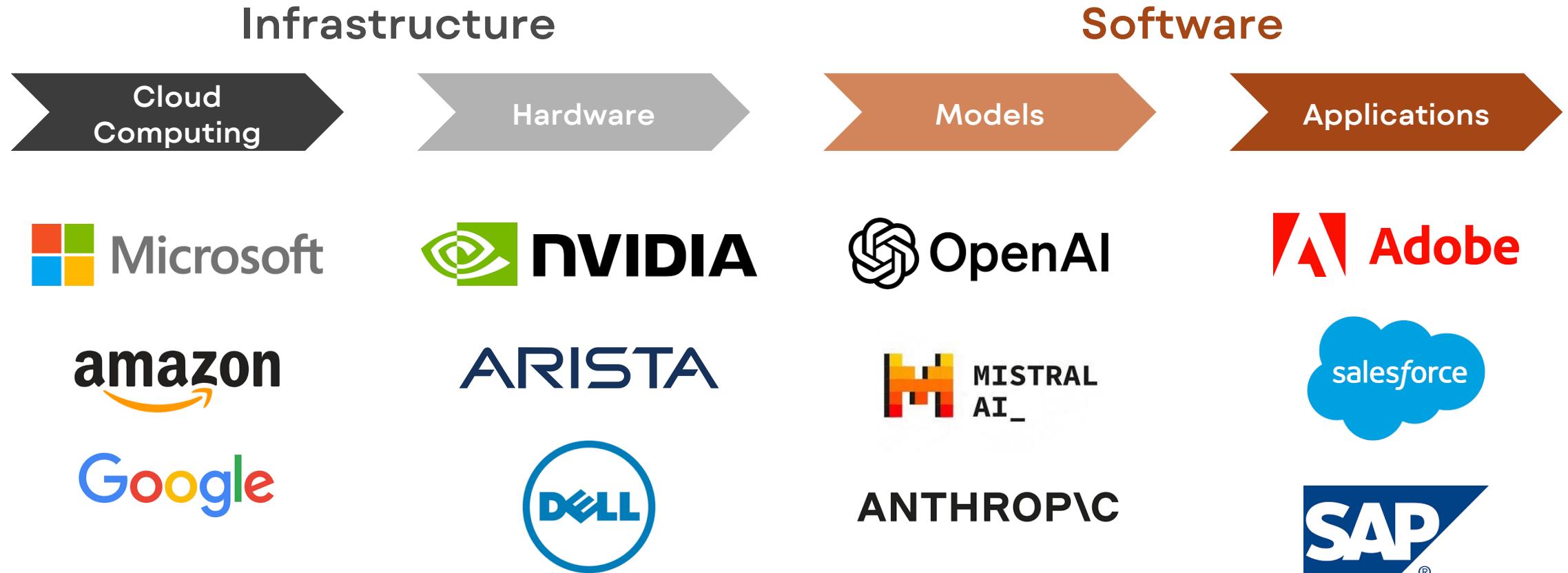
# „AI: From Hype to Portfolio – Opportunities & Risks

FINANZ' 24, 25. April 2024

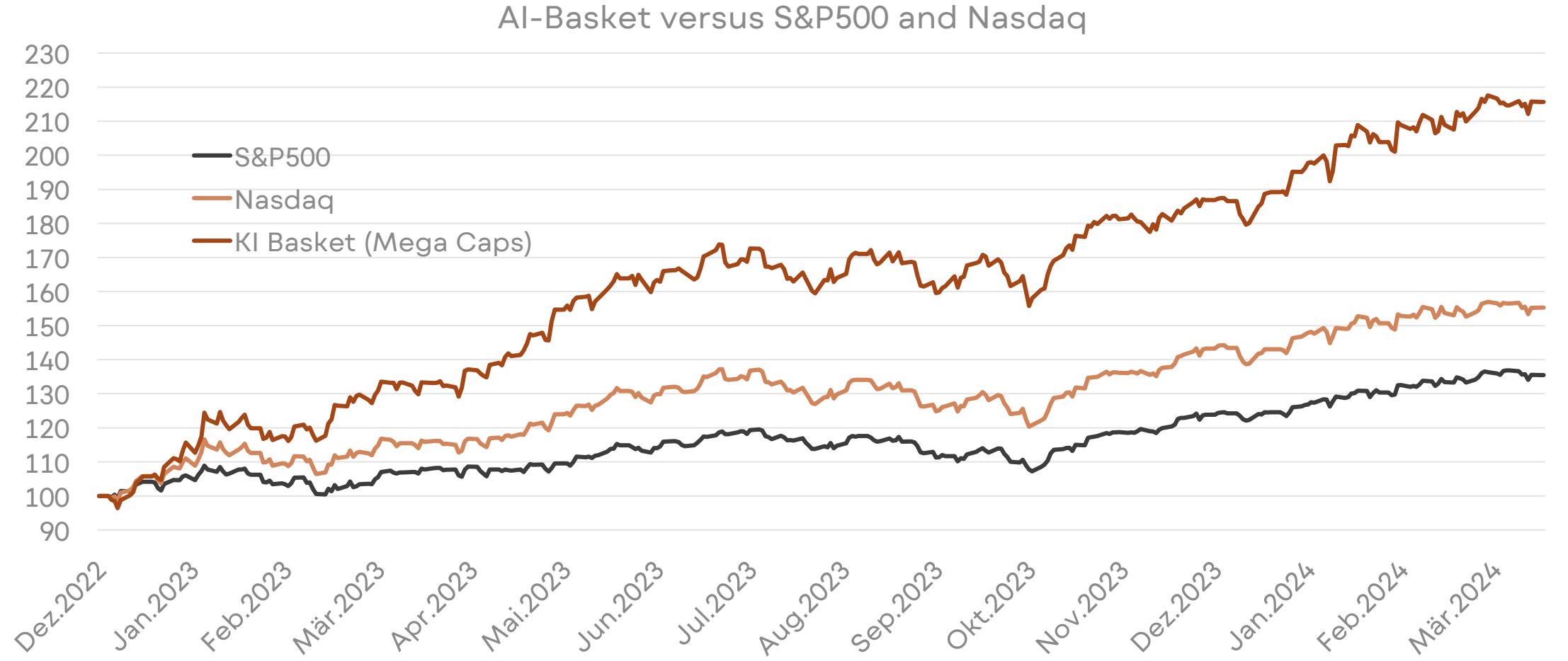
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# AI – Today's Landscape

«ENABLER» AS THE ONLY GAME IN TOWN

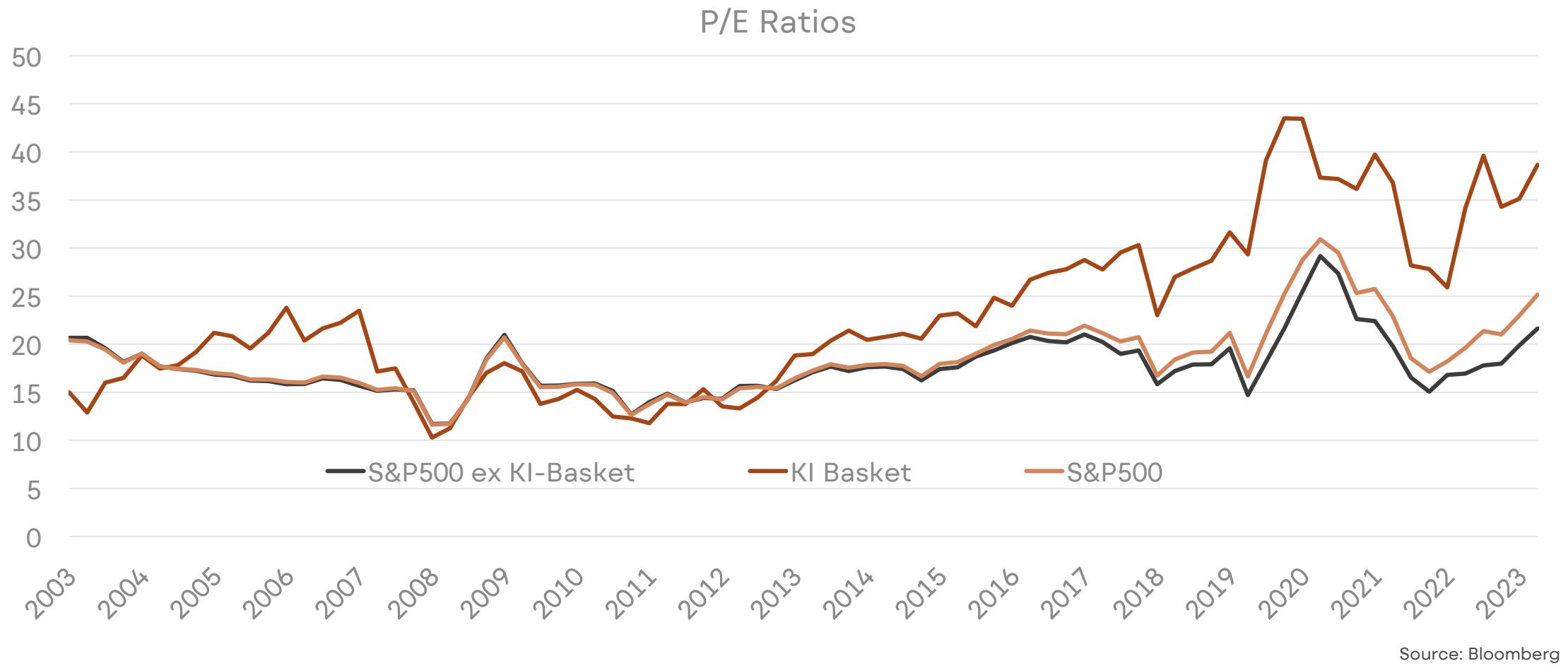


# AI Stocks Dominate



Source: Bloomberg

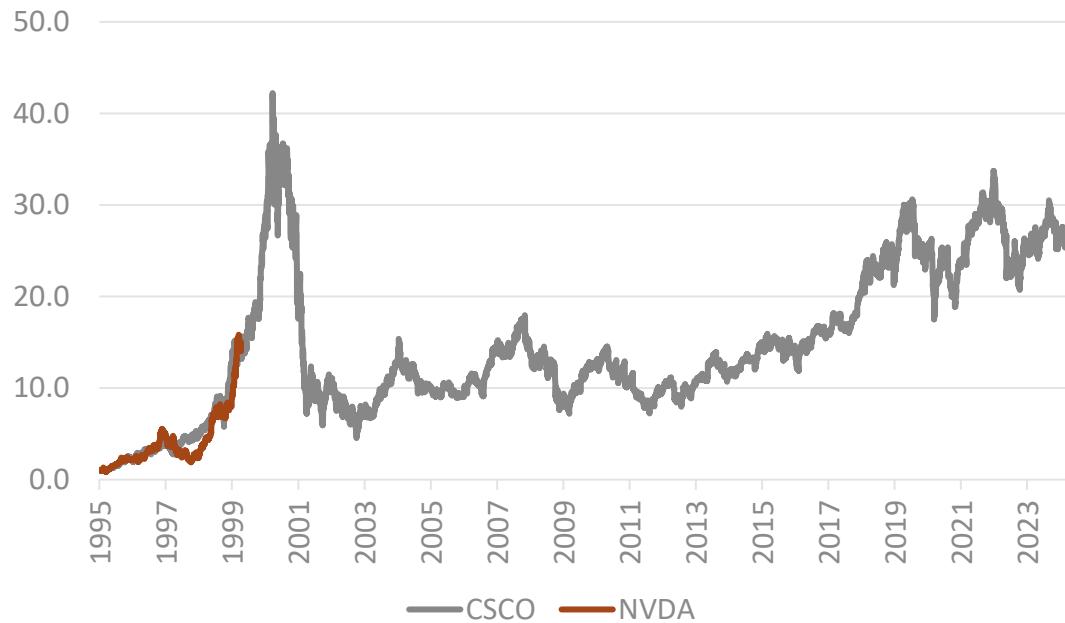
# Increasingly aggressive valuations



# The Dotcom-Analogy

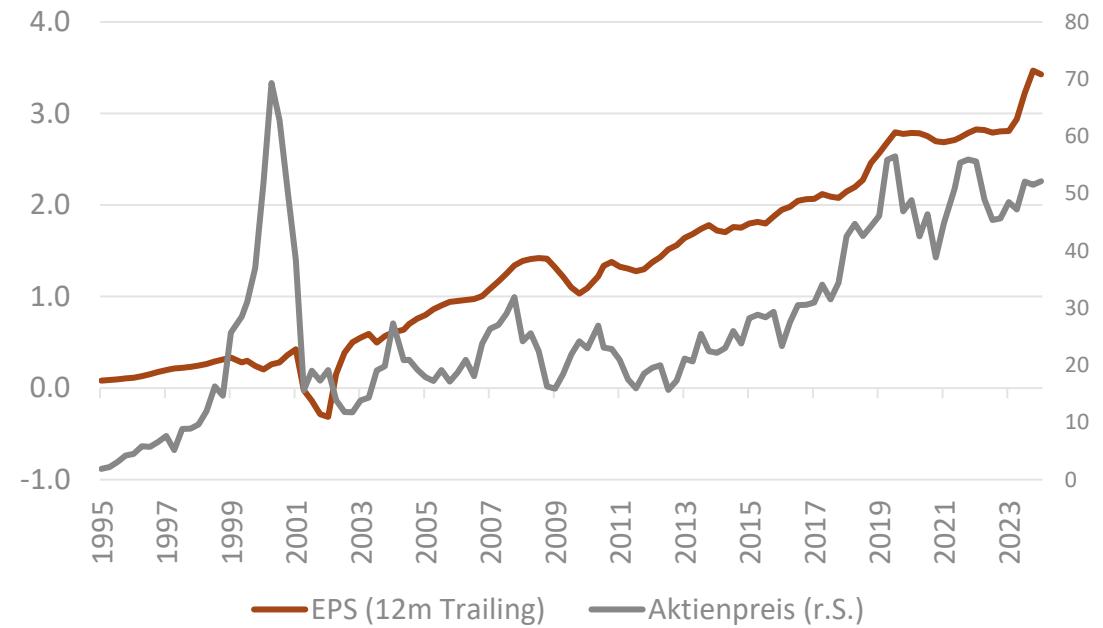
## NVIDIA vs. CISCO

Chart: Share price development NVDA vs. CSCO\*



Source: Bloomberg, 19.04.2024. \*NVDA lagged by 25 years. Normalised 01.01.1995 = 1

Chart: Earnings per share and share price of CSCO



Source: Bloomberg, 19.04.2024.

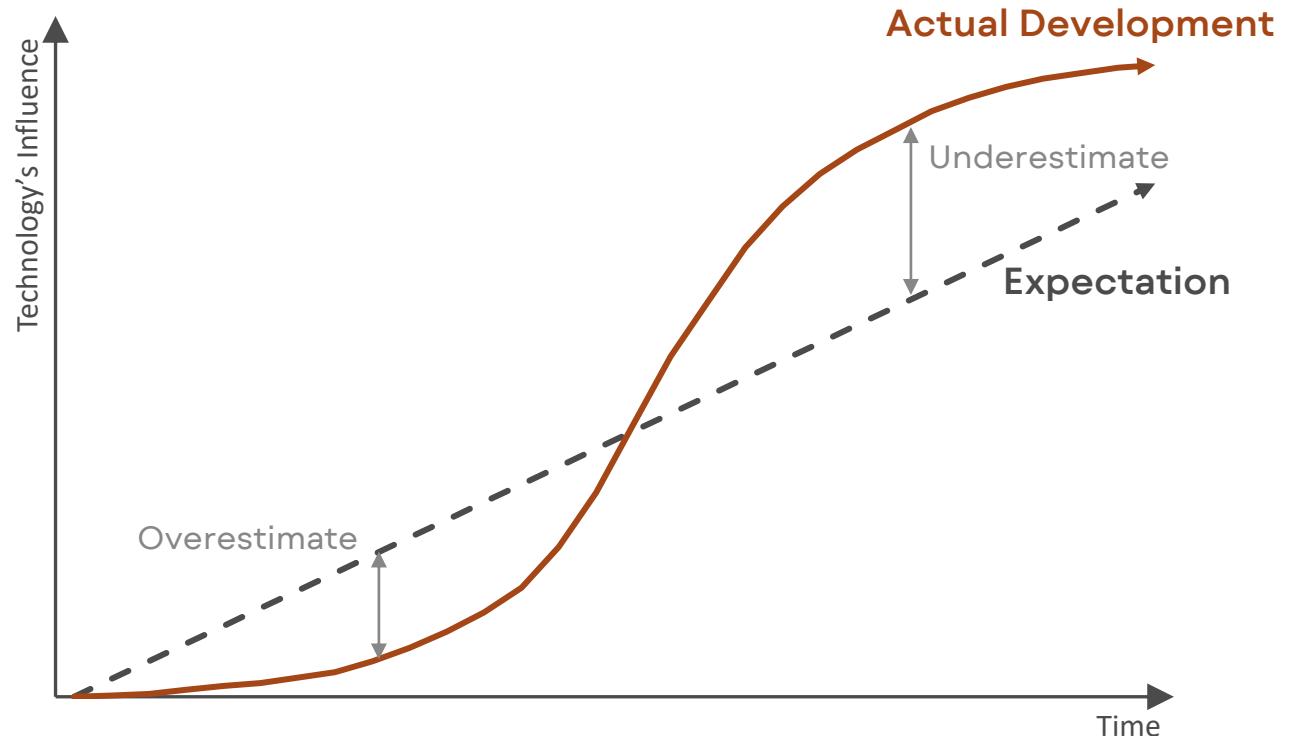
- Since early 2000, earnings per share for Cisco have increased nearly tenfold, but the share price remains 40% below its peak. Great company ≠ great stock

# Law of Amara

**Roy Amara** „We tend to overestimate the short-term impact of new technologies while underestimating their long-term effects“

Studies show that initial forecasts about the market potential of the Internet, Cloud Computing, Smartphones or PCs 10 years into the future have underestimated its actual size after 10 years by around 40% - with remarkable consistency.

Source: Financial Times



# AI-Tools

## VERSATILE APPLICATIONS

- ChatGPT
- Brain.fm (AI generated music)
- Auphonic (optimizing audio content)
- Beautiful.ai (presentations)
- LanguageTool (AI lectorate)
- Jasper.ai (creative text in 25+ languages)
- Murf.ai (Text-to-Speech-Generator)
- Fireflies (notes for meetings)
- BHuman.ai (personalised videos)
- Browse AI (website-monitoring)
- ClipDrop (intelligent design assistant)

# AI Start Ups in Europe

## FINANCING OF AI-RELATED START UPS

Start-up Geschäftsmodell	Finanzierungsrounde Sitz	Summe des bisher eingesammelten Geldes
<b>Contentsquare</b> Software	Juli 2022 Paris	<b>1.270 Mio. €</b> 
<b>Graphcore</b> Halbleiter	Dez. 2020 Bristol	<b>619</b> 
<b>Gostudent</b> Bildungssoftware	Dez. 2022 Wien	<b>591</b> 
<b>Gong</b> Geschäfts- u. Produktivitätssoftware	Juni 2021 Ramat Gan	<b>496</b> 
<b>Cera</b> Gesundheitstechnologie	Aug. 2022 London	<b>414</b> 
<b>Builder</b> Softwareentwicklungsanwendungen	Mai 2023 London	<b>399</b> 
<b>Exscientia</b> Entwicklung von Arzneien	Sept. 2021 Oxford	<b>348</b> 
<b>Quantexa</b> Datenanalyse	März 2023 London	<b>328</b> 
<b>Agile Robots</b> Roboterentwicklung	Dez. 2022 München	<b>323</b> 
<b>Oosto</b> Geschäfts- u. Produktivitätssoftware	Juli 2021 Holon	<b>323</b> 

Source: Handelsblatt / Pitchbook, Stand Juni 2023

# Generative AI

## SOLUTION TO THE PRODUCTIVITY DRAG?

### Problem

- Despite advancing digitalization, productivity has only increased moderately over the last two decades
- Productivity gains as a driver of growth have slowed significantly
- Generative AI is expected to significantly increase productivity

### Solution: Generative AI?

- Routine, administrative tasks can be carried out much more efficiently
- Creative activities can also be supported by AI and shift the way work is organized
- Generative AI will significantly change the job landscape in the medium to highly skilled sector

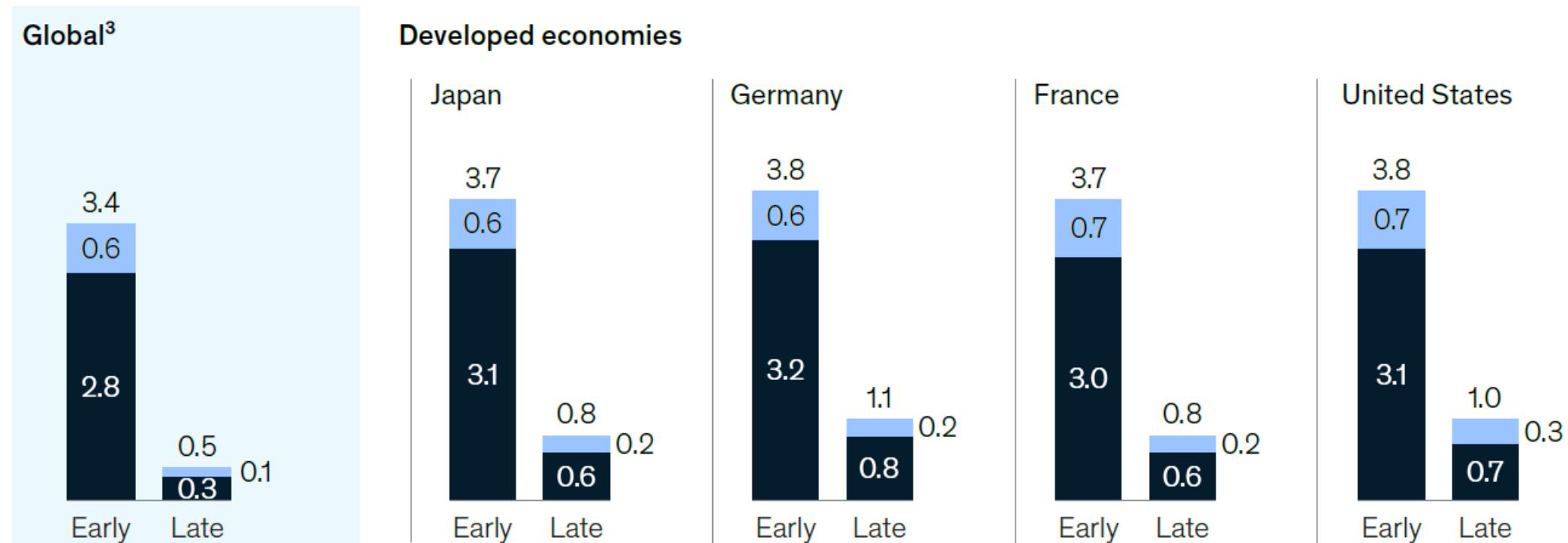
➤ The new generation of generative AI models clearly stands out from previous, discriminative artificial intelligences and has the potential to bring about radical and far-reaching changes.

# AI = General Purpose Technology?

## EXPECTED INCREASE IN OVERALL ECONOMIC PRODUCTIVITY

Productivity impact from automation by scenario, 2022–40, CAGR,<sup>1</sup> %

Without generative AI<sup>2</sup> Additional with generative AI



<sup>1</sup>Based on the assumption that automated work hours are reintegrated in work at productivity level of today.

<sup>2</sup>Previous assessment of work automation before the rise of generative AI.

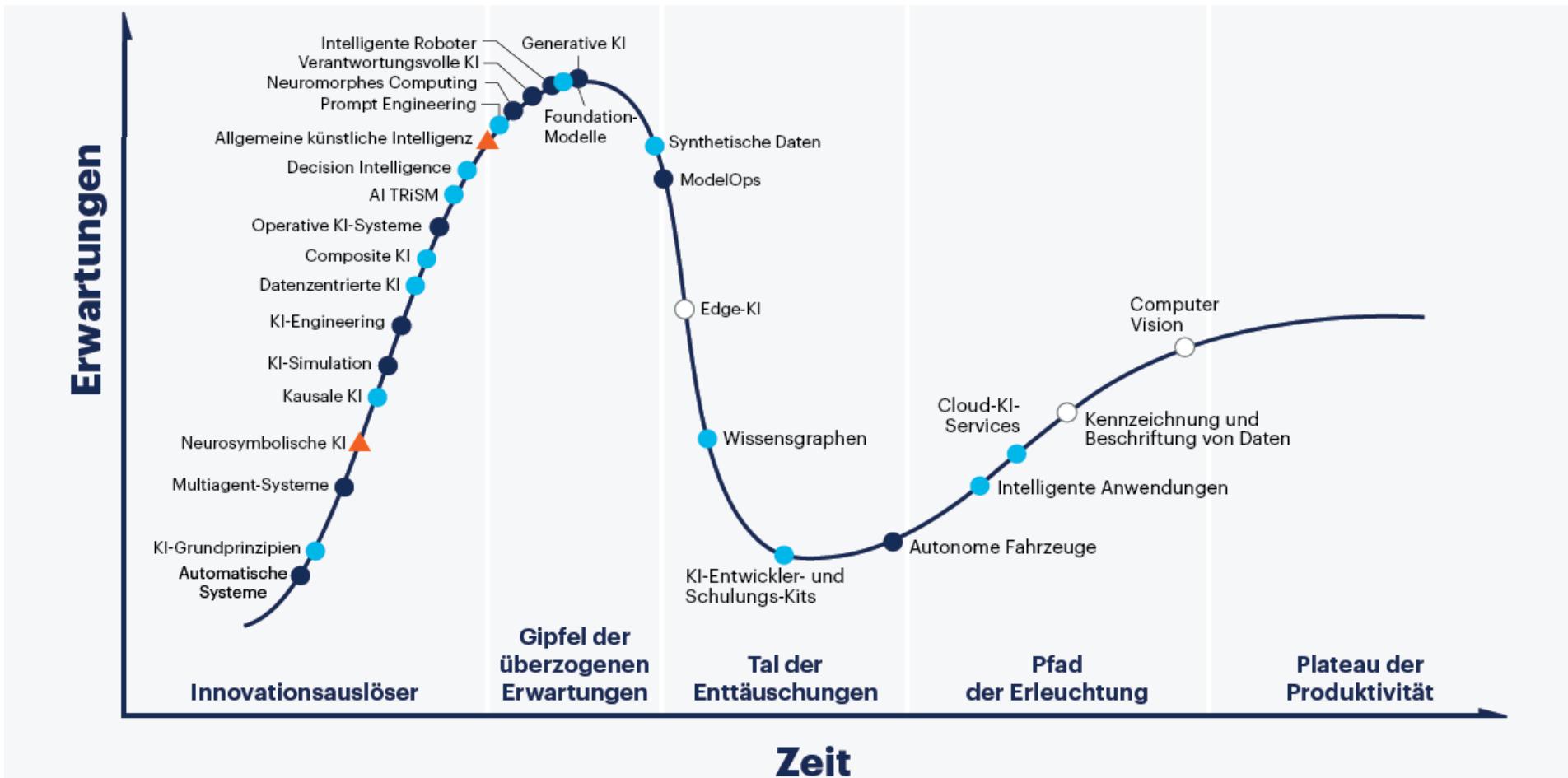
<sup>3</sup>Based on 47 countries, representing about 80% of world employment.

Source: Conference Board Total Economy Database; Oxford Economics; McKinsey Global Institute analysis

Source: McKinsey & Company

# AI Hype Cycle

ENTHUSIASM -> DISAPPOINTMENT -> COMPREHENSION



# Edge-AI – Towards „Smart Everything“

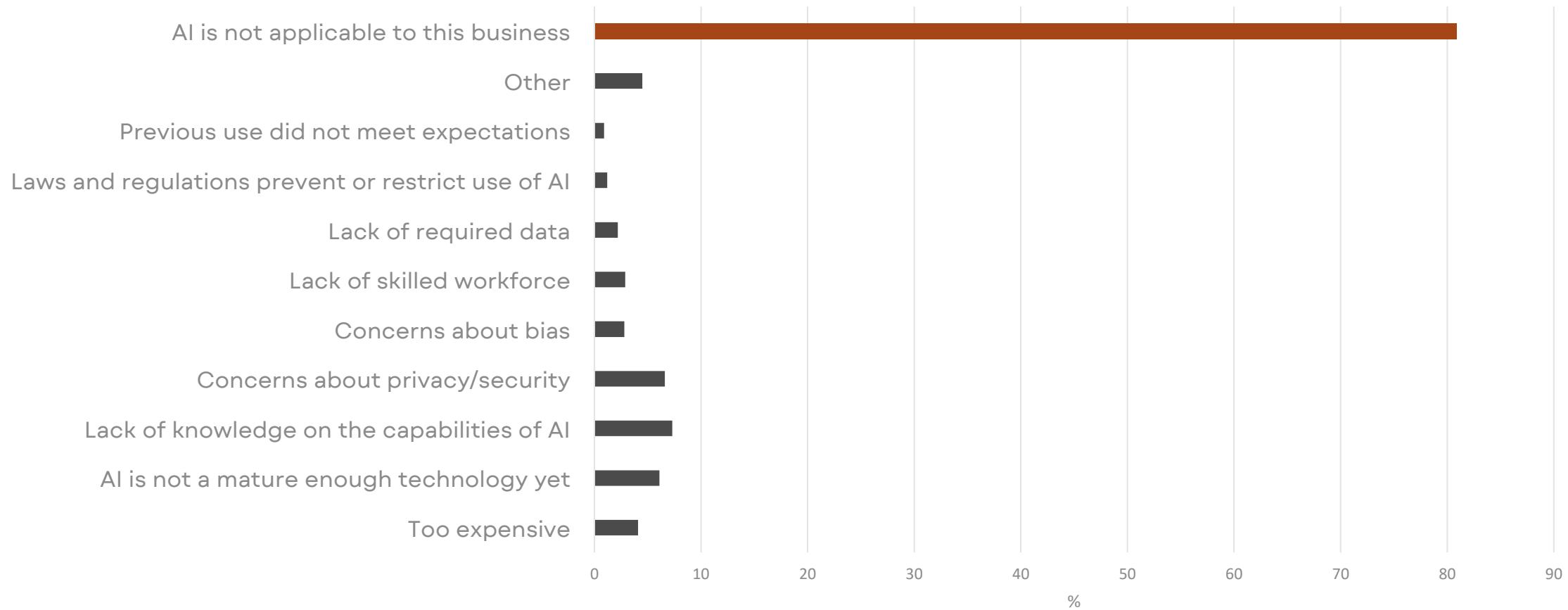
SIGNIFICANT OPPORTUNITIES, BUT TIME IS NEEDED TO ROLL OUT



Source: YOLE.

# Where are the adoption challenges?

USE CASES ARE NOT (YET) CLEAR



Source: US Census Bureau, 11. April 2024



### Products

- Messaging
- Voice
- Verify
- E-Mail
- Lookup (identity risk)
- Phone numbers

### Solutions

- Verification & identity
- Alerts & notifications
- Marketing & promotions
- Contact center
- IVR self-center

- Customer engagement platform
- Customer AI
- Trust center
- Network

## MANAGEMENT OF COMPLEX DATA AND INTERACTION.

### Kühne+Nagel

- 400'000 Companies
- 81'000 Employees
- 1'300 Hubs
- 100 Countries

### Offering

- Sea freight
- Air freight
- Ground transport
- Contract logistics
- Supply Chain Management
- Project logistics

### Industries

- Aerospace
- Consumer
- Healthcare
- Hightech
- Industry

### Automation / Digitization

- Simplify complex structures
- Transparency
- Process automation
- Data exchanges and management

# Health Care

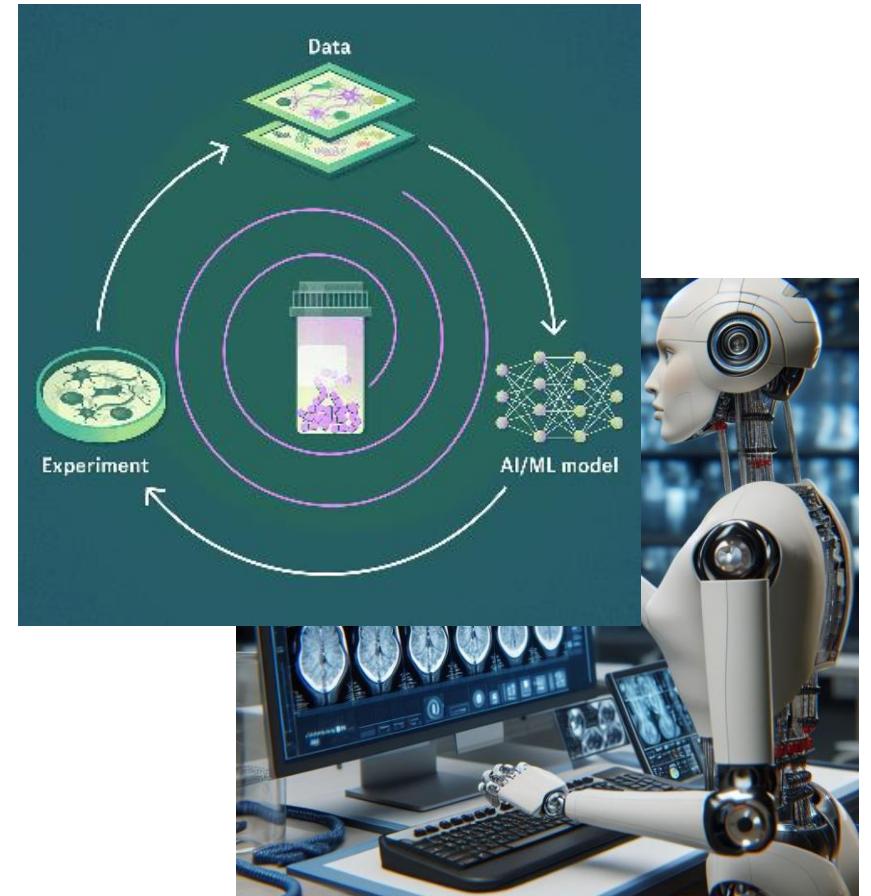
## THE FUTURE OF DRUG RESEARCH



### Genentech: Lab in a Loop

- Models, trained with huge amounts of data from laboratory experiments, generate designs and predictions for potential drugs
- These are tested in the laboratory and in turn used to improve and train the models
- Time and cost savings of 25-50% in the pre-clinical testing stage (on average 4-7 years).

In 50 years of structural biology, several hundred thousand reliable protein structures have been explored. AI has provided detailed predictions about the shape of >600 million proteins.



Sources: Economist, Genentech, Microsoft Copilot

# Cybersecurity

## ARMS RACE IN THE CLOUD

### AI: Blessing and a curse

- Typical cybersecurity employees spend around 1/3 of their time investigating harmless signals
- The intervals and time spent on detecting, investigating and resolving incidents are getting shorter
- Prevention and prediction are becoming increasingly important AI can learn from huge amounts of data to detect indicators of malicious behavior at an early stage



AI in the field of cybersecurity is a race between defenders and attackers. In addition, there is a growing attack surface and an increasingly complex infrastructure.



Sourcen: IBM, Microsoft Copilot

# Risks

## CAVEATS & CHALLENGES FOR INVESTORS

Inflationary use of “AI”

- Window Dressing

Setbacks from model hallucinations

Sector specific risks

Constantly evolving regulatory and legal landscape

Effects of AI adoption very slow to translate into P&L

Hype-Cycle

- The risks are manifold, but the potential benefits should be worth it

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