AI: DATA WILL BE THE KEY THAT OPENS THE DOOR TO VALUE CREATION

Buoyed by the strong enthusiasm for artificial intelligence, Nvidia entered the very closed circle of giants with a market capitalisation of more than USD 1,000 billion on 30 May. The US manufacturer of graphics processors, and major player in the AI revolution thanks to its supercomputers, is joining the likes of Microsoft, Apple, Amazon, Alphabet and Saudi Aramco. It gained 25% the previous week after publishing better than expected earnings for the first three months of the year and reporting a solid outlook for the coming quarter. The markets also welcomed the announcements by the company, which originally specialised in gaming graphics cards, at the Computex trade show held in Taiwan. Jensen Huang, the founder and President and CEO, presented new products that are particularly promising for the continued rollout of AI.

INTERVIEW

JACQUES-AURÉLIEN MARCIREAU
*Fund Manager of Edmond de Rothschild Fund Big Data**

You have held Nvidia since Edmond de Rothschild Fund Big Data's inception in August 2015. Were you not deterred by the stock's high valuation as this is a key aspect of the fund's buy discipline ?

We have long been convinced of Nvidia's value-creation potential and have held the stock for almost 8 years now. We recently trimmed our holding, but we are still overweight the graphics processor manufacturer. The stock has also been a long-standing contributor to the fund's performance.

The Edmond de Rothschild Fund Big Data portfolio is uniquely positioned to leverage the artificial intelligence revolution. Yet, we recognize that there are some areas of uncertainty regarding the size of the generative AI market, the competitive environment and the calculation needs.

We are managing the fund on a pragmatic basis and have remained highly disciplined when it comes to valuation. This approach has not changed over time and will not change in the future. Fundamental considerations are at the core of our process and will continue to steer our investments.

How do you view artificial intelligence?

One thing is certain: artificial intelligence still has many surprises in store. The increased accuracy of the algorithms is fascinating, but the highly publicised ChatGPT reminds us that training a model on such a large scale requires access to a large pool of data. There is no mistaking that whoever controls the data remains the most powerful link in the value chain, the more so as there is a growing number of competing algorithms. Data users, i.e. the non-technological companies that have deployed cutting-edge data-centric strategies to

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*The fund manager presented in this document may not be the same over the entire life of the product.

gain a competitive advantage, are the best placed to benefit over the next few years. The big data winners will therefore be large companies that have access to large proprietary datasets, such as banks, insurers, healthcare and logistics providers, which will devise new uses around these tools.

What are the unique characteristics of Edmond de Rothschild Fund Big Data and how has it performed since the start of the year?

We believe that the fund's performance has demonstrated the effectiveness of its unique approach. We have adopted a cross-sector methodology to capitalise on the value-creation potential of Big Data penetration in every sector of the economy. The fund can typically be invested by up to 49% in non-technological companies and seek to maintain a balanced profile in terms of sectors, style and market capitalisations.

Edmond de Rothschild Fund Big Data reported a performance of +11.3% between 1 January and 30 May, versus +8.9% for its benchmark index, the MSCI World (NR). Tech holdings admittedly contributed to year to date performance, but our data users, especially in the financial and healthcare sectors, were significant drivers of excess returns. We seek to identify high-quality companies in many overlooked sectors. In 2022, in a particularly challenging environment for the tech sector, Edmond de Rothschild Fund Big Data recorded a performance of -10.7%, versus -12.8% for the benchmark index, outperforming it by over 2%. The fund's annualized performance since it was launched is also +12.2%, compared with 9.8% for the benchmark.[1]

1. Performances of the A€ unit class. Data as at 30/05/2023.

Past performances and volatility levels are no guarantee of future performances and volatility levels, are not constant over time and may be independently affected by changes in exchange rates. The investment process described in this document incorporates various internal management constraints put in place by the management team. This reflects the current investment process, which may change over time.

KEY INVESTMENT RISKS

EdR Fund Big Data is a sub-fund of the Luxembourg SICAV authorised by the CSSF and authorised for marketing in Austria, Switzerland, Germany, Spain, France, United Kingdom, Italy, Luxembourg and Portugal.

The risk indicator rates this UCI on a scale of 1 to 7. This indicator is used to assess the level of risk of this product compared with other UCIs, and a category 1 rating does not mean that the investment is risk-free. The AE unit is rated category 4. It also indicates the probability that this product will incur losses in the event of market movements or our inability to pay you. This indicator assumes that you hold the product until the end of the recommended holding period for this fund. The actual risk may be very different if you opt to exit the fund before the end of its recommended holding period. The risks described below are not exhaustive.

Risk of concentration: The investments in certain specific sectors of the economy can have negative consequences in case of devaluation of the concerned sectors).

Risk of capital loss: The UCITS does not guarantee or protect the capital invested; investors may therefore not get back the full amount of their initial capital invested even if they hold their units for the recommended investment period.

Risk from investing in small and mid cap companies: Investment in small and medium enterprise may entail greater risk than that generally deriving from investments in larger and better established enterprises. Sub-Funds which invest in smaller companies may fluctuate in value more than other Sub-Funds because of the greater potential volatility of Share prices of smaller companies.

Equity risk: The value of a stock may change depending on factors specific to the issuer but also on exogenous, political or economic factors.The SICAV may be exposed to the equity markets either via direct investments in equities and/or via financial contracts and/or UCITS. Fluctuations of the equity markets may lead to substantial variations in the net assets which may have a negative impact on the performance of the SICAV.

The characteristics of the UCI do not protect the investor from the potential effect of inflation during the period of investment in the UCI. Thus, the amount invested in principal and the possible income from movable property received during the period will not be revalued by the rate of inflation over this same period. Therefore, the real performance of the UCI, i.e. the net performance of the UCI corrected by the inflation rate, could be negative.

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