EDMOND
DE ROTHSCHILD

ALL THAT GLITTERS IS DATA

THE MARKET HAS OVERLOOKED THE IMPORTANCE OF DATA, THE REAL GOLD MINE ITSELF IN THE AGE OF AI.

INTERVIEW

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THE YEAR OF GENERATIVE AI

While Open AI recently celebrated the 1-year anniversary of ChatGPT's public launch last month, capital markets have fully embraced the arrival of generative AI in 2023: Nvidia, recovered from the crypto meltdown in 2022, where it lost more than 50%. The company saw its market capitalization increase fivefold since the start of 2023, reaching close to $2 trillion. Other Magnificient 7 companies highly involved in the GenAI development have also had a stellar performance during that period: a combined $4.5 trillion market capitalization gain for Microsoft, Meta, Apple, Alphabet, Amazon and Tesla.

DATA IS KING

It is the new gold rush, they say, buy companies that make picks and shovels. Granted, there are three ingredients to make AI: computing power, code and data. While market is overly enthusiastic about the first two, we think data is King.

Jensen Huang, CEO of Nvidia said earlier this year that this is the iPhone moment for AI. We fully agree. Generative AI can be a game changer for a lot of industries. We are just at the early stage of exploring the full potential of these LLMs. But we think the market has overlooked the importance of Data, the real gold mine itself in the age of AI. The behavior of these large language models is not necessarily determined by its architecture, parameters or optimizations. It is determined by the datasets that have been used to train the model.

ChatGPT front run the competition thanks to its earlier-than-peers training based on the whole open internet. Bard, powered by Gemini, leveraged Google's data to catch up quickly. Grok, by X.ai, Elon Musk's latest AI venture, also showed its capability on the real-time social interactions thanks to the now privately-owned twitter platform data.

With the hefty investment into the computing power and the quick optimization of the code, we think proprietary data will shine very soon via verticalized LLMs or even small and nimble models close to final users[1].

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

1. EdgeAI: AI at the edge, is the implementation of AI that allows computation to be done close to where data is actually collected.

WE DO NOT SPECULATE ON THE FUTURE, WE BUILD IT

Our approach to participate in this early stage of the AI age is to invest in big data. With Edmond de Rothschild Fund Big Data, our investment style is largely unconstrained in terms of sectors, regions and market capitalizations. We invest in companies which are either a thematic pure player with significant portions of their revenues derived from Data Analytics or Data Infrastructure, or Data Users who use Data and in today's context, potentially AI, to accelerate the digital transformation, rescale and upscale their business.

Since its inception in 2015, the fund has achieved its objective of outperforming its benchmark. We put a high emphasis on managing concentration risks and avoiding over-dependency to a single sector. We have also paid attention to valuation metrics as we did not want to overpay for growth. This is largely the result of our investment culture where wealth preservation is a core investment principle.

KEY INVESTMENT RISKS

RISK INDICATOR:

1	2	3	4	5	6	7

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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