

An Artificial Intelligence Revolution: The Next Tectonic Shift in the Computing Paradigm

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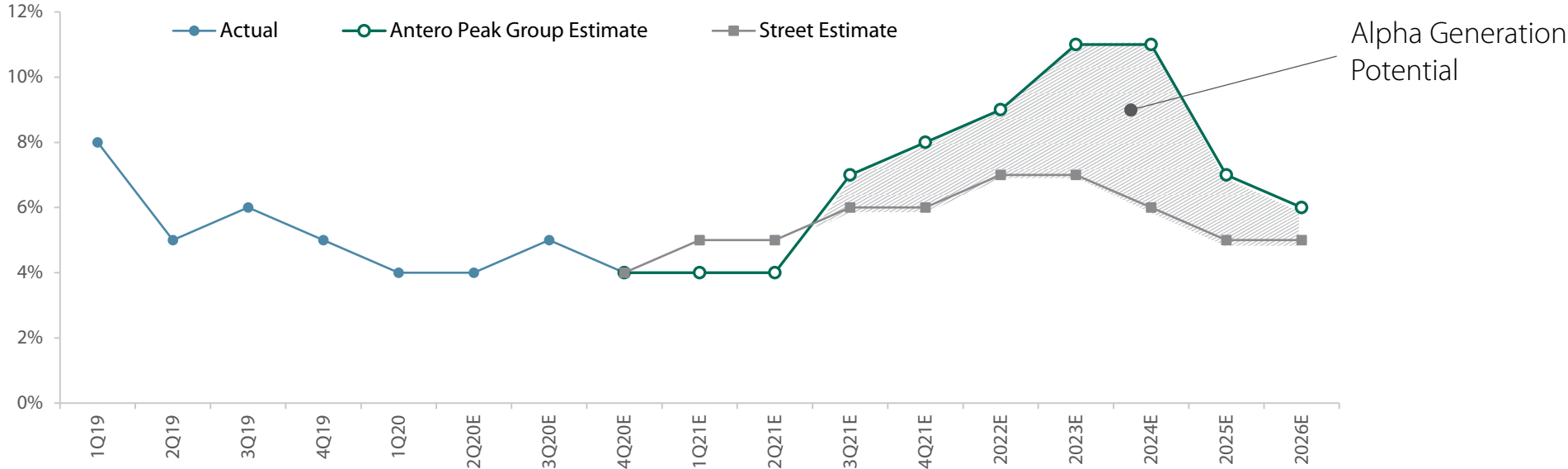
Differentiated Views Remain the Core of Our Process

We identify the companies we believe present the greatest differentiation vs. consensus estimates

- Our process emphasizes objectivity, driven by superior bottom analysis and is grounded in empirical observation of history
- We relentlessly focus on finding inflection points that lead to accelerating trends, which are often underappreciated, creating differentiation
- Our process emphasizes sustainable changes in fundamentals that lead to expanding ROICs that can lead to multiple expansion

We Search for Inflection Points that Lead to Differentiation

Illustrative Alpha Generation

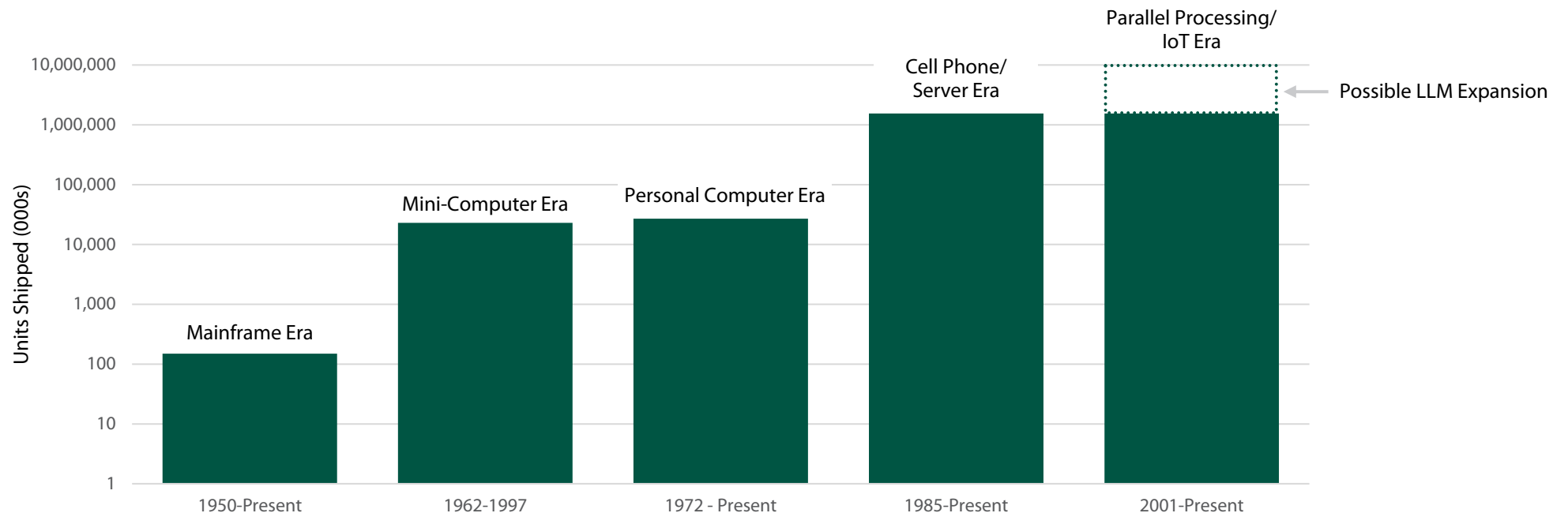


This hypothetical example is provided for illustrative purposes only and is not intended to constitute a past specific recommendation or reflect a past or current holding. The stylized example is intended to convey a high-level overview of the analysis performed in connection with the team's research process, and the type of information that is considered in that analysis. The information contained herein represents a simplified presentation of a complex process, which may vary and differ materially from what is illustrated.

New Era of Computing

Over the past 70 years, tectonic shifts have been driven by the emergence of new technology platforms

- Each new computing paradigm has driven roughly a ~10x increase in devices connected to the network
- The key shifts from Mainframes (one to many) to PC (one per household) to Mobile (one per person) to Artificial Intelligence (connection of multiple machines) has corresponded with the emergence of new winners and losers in the stock market
- With the advent of ChatGPT and Generative AI—we have arrived at the next Tectonic Shift



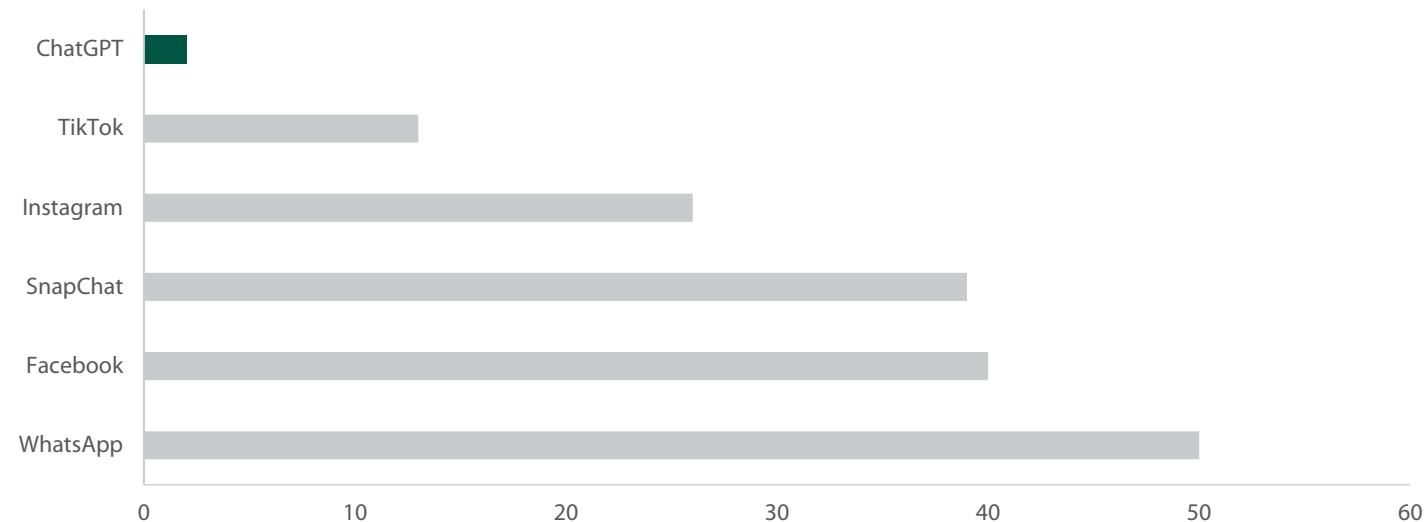
Generative AI

Computing power controlled by the human language

- ChatGPT is the fastest growing generative AI application in history, reaching 100M active users in less than 2 months since launch
- The innovation is staggering—the app was launched with 1mmX the process power than earlier recognition systems and was trained on 175B parameters.
- To successfully compete in Generative AI companies will require 3 things: 1) lots of data 2) talent 3) access to supercomputers

Rapid Uptake of ChatGPT, Catalyst for Inflection

Months to 100mm active users





Let's Put Generative AI to the Test

Impact of Generative AI

GENERATIVE AI IS AN IPHONE MOMENT

\$1 Trillion...

...is the scale of near term global economic disruption due to accelerated innovation

"With **Microsoft 365 Copilot**, we are giving people more agency and making technology more accessible with advanced AI and the most universal interface: natural language"

—Satya Nadella, Microsoft CEO

"The world is experiencing one of **the most profound technological** shifts with the rise of generative AI...as companies connect with their customers in more intelligent, automated and personalized ways."

—Marc Benioff, salesforce CEO

"ChatGPT is going to be in everything."

—Scott Miller, General Motors VP

BUSINESS MODELS WILL BE CHALLENGED

Self-Configuring,
Autocoding Software...

...will pave the way for new ways of customer engagement and monetization

Microsoft Copilot in PowerApps: Based on a preview launched in October 2022, we see a **50% reduction in time to develop** Power Automate workflows when copilot is in use.

"...by 2025, we expect **more than 30%**—up from zero today—**of new drugs and materials to be systematically discovered using generative AI techniques**"
—Gartner

"**Copilot has dramatically accelerated my coding, it's hard to imagine going back to "manual coding"**. Still learning to use it but it already writes ~80% of my code, ~80% accuracy. I don't even really code, I prompt. & edit."

—Andrej Karpathy, Former Director of AI at Tesla, and Founding Member of OpenAI

MOST COMPANIES WILL NEED TO ADAPT

Corporate Strategy...

...will have to drastically change to work **WITH** generative AI, versus **AGAINST** it

Top 20 Occupations Exposed to AI¹

Genetic Counselors
Financial Examiners
Actuaries
Purchasing Agents, except Wholesale, Retail and Farm Products
Budget Analysts
Judges, Magistrate Judges and Magistrates
Procurement Clerks
Accountants and Auditors
Mathematicians
Judicial Law Clerks
Education Administrators, Post Secondary
Clinical, Counselling and School Psychologist

Financial Managers

Compensation, Benefits, and Job Analysis Specialists
Credit Authorizers, Checkers, Clerks
History Teachers
Geographers
Epidemiologists
Management Analysts
Arbitrators, Mediators and Conciliators

Generative AI Tech Stack

Generative AI Tech Stack	Select Players	Competitive Dynamics
<p>APPLICATIONS</p>	<ul style="list-style-type: none"> ▪ Adobe ▪ Alphabet ▪ Apple ▪ Microsoft ▪ Nvidia 	Fast topline growth with challenges around retention, margin and high talent costs
<p>FINE-TUNED MODELS (incl. Custom, Private, Edge Models)</p> <p>FOUNDATION MODELS & ML PLATFORMS</p>	<ul style="list-style-type: none"> ▪ Alphabet ▪ Cohere ▪ Meta ▪ Nvidia ▪ OpenAI ▪ Stability.AI 	Rapidly evolving ecosystem of players that are building vertical and horizontal use cases and experimenting with new modalities (e.g., text, video) but none have achieved any commercial viability that goes beyond the hype
<p>DATA & DATA PLATFORMS (Private, Public Paid, Public, Shared)</p>	<ul style="list-style-type: none"> ▪ Amazon Neptune ▪ Bloomberg ▪ Empsight ▪ Equifax ▪ Gartner ▪ Snowflake 	Emerging area with no clear leader; data incumbents haven't embraced technology and platform incumbents do not yet have a solution that is trusted, scaled and adopted
<p>HYPERSCALE INFRASTRUCTURE (On-premise & Cloud)</p> <p>SILICON (Training, Inference, Multi-Purpose)</p>	<ul style="list-style-type: none"> ▪ Alphabet ▪ AWS ▪ AMD ▪ Microsoft ▪ Nvidia ▪ Oracle ▪ TSMC 	Dominated by a few players, many of whom are not yet profitable or have a multi-year technological lead, with no new entrants able to meaningfully disrupt

Semiconductors

Cyclicality underpinned by strong secular growth

- Semiconductors present an exciting investment landscape to run our process
- We maintain detailed industry models for key end markets (PCs, smartphones, data centers, autos) that all account for increasing content and complexity
- There are opportunities developing in semiconductors, chips, and capital equipment as we move through the cycle and advanced technology drives supply chains to get reorganized

Semiconductors Outgrow GDP, Key Subsegments Outgrow >2x GDP

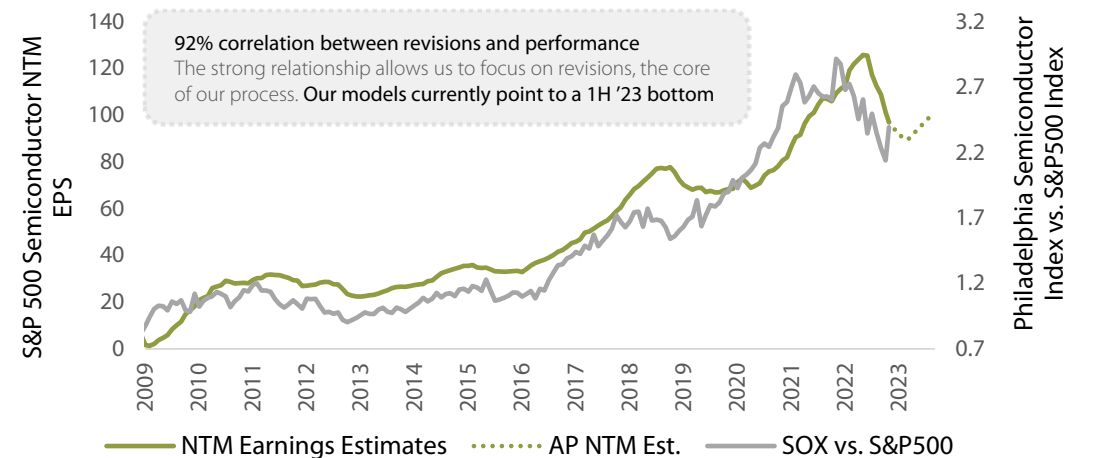
Key semiconductor end markets CAGRs

End Markets (\$bn)	2021	2026E	CAGR (21-26E)
Auto	53.55	98.62	10.0%
Storage Data Processing	41.65	74.35	7.8%
Industrial and Military	64.85	98.62	6.6%
Wired Communications	25.58	39.92	5.4%
Compute Data Processing	178.49	206.62	2.6%
AI/ML	34.78	86.08	19.9%
Consumer	66.04	82.18	2.4%
Wireless Communications	164.80	182.36	1.3%
Total Semiconductor Revenue	594.95	782.66	4.1%

Focus Areas

Revisions Cycles Present Opportunities to Capture Inflection Points

Aggregated NTM earnings estimates for semis vs. relative performance



Source: Antero Peak Group/Gartner/S&P/Philadelphia Stock Exchange/Company Filings. As of 31 Dec 2022. Estimates are based on the team's analysis and are subject to material revision. The Philadelphia Semiconductor Sector Index (Sox) is a Philadelphia Stock Exchange capitalization-weighted index composed of the 30 largest U.S. companies primarily involved in the design, distribution, manufacture, and sale of semiconductors. Next Twelve Month (NTM). Past performance does not guarantee and is not a reliable indicator of future results and there is no guarantee that estimates will come to pass.

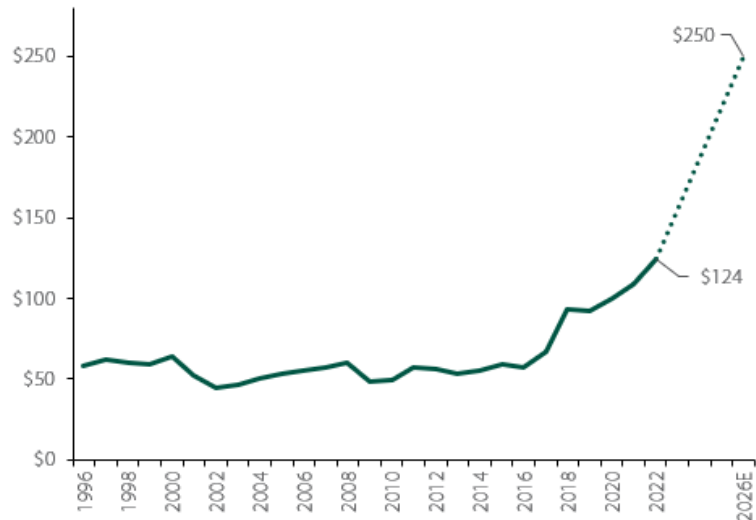
Semiconductors

The arms dealer to Generative AI

- The data center market started to accelerate in 2017/18 with greater cloud adoption but we see Generative AI compounding accelerated compute
- The accelerator market alone is expected to surpass the CPU industry by 2025 and reach >\$100B of value by 2030
- The economics of the industry are changing—with compute garnering a >2x increase in the value chain in accelerated computing systems—this is a foundational change that we believe can be invested behind

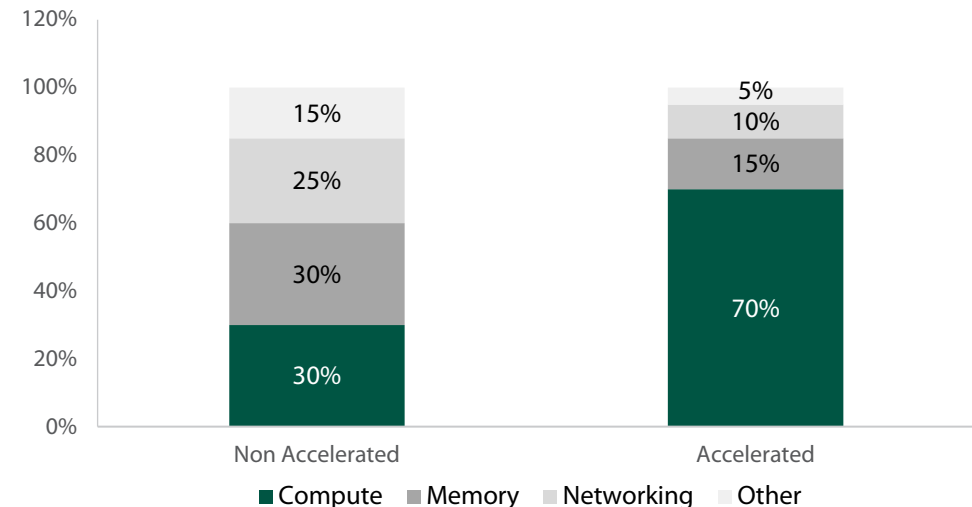
Generative AI Is the Catalyst to Drive Acceleration

Total industry spend on servers (\$B)



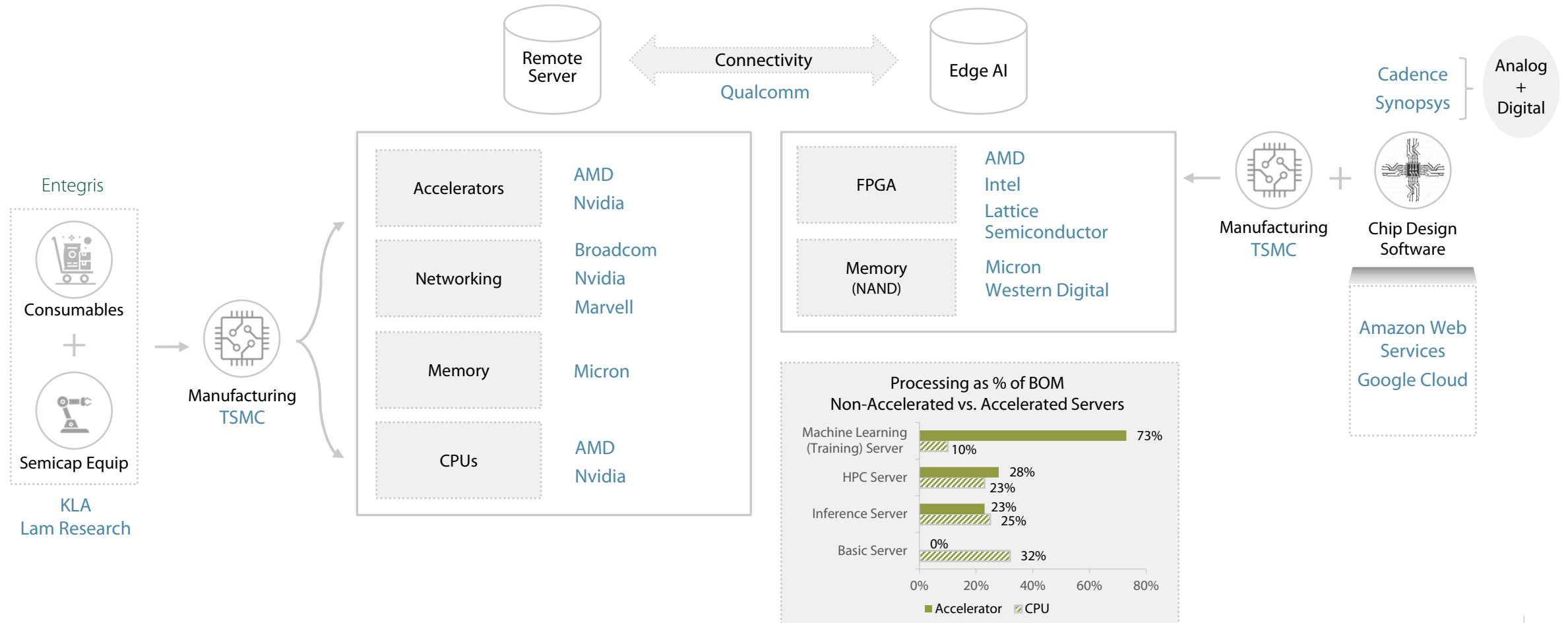
Switch to Accelerated Computing a Windfall for Chip Makers

Comparative cost stack of non-accelerated to accelerated server



AI/ML Compute Infrastructure

Unlocking benefits through proprietary work



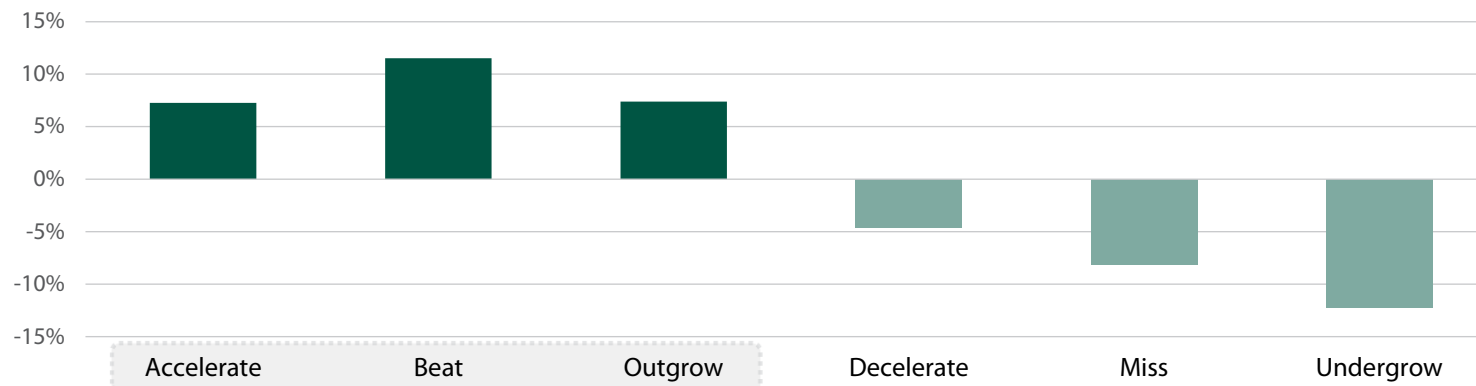
Empirical Analysis Supports Our Research Focus Areas

We have a clearly defined game plan

- As we talked about for years, our process is focused on:
 - Inflection points that lead to broad based, often industry wide accelerations and high earnings growth rates
 - Bottom-up, rigorous differentiation that leads to high and sustained upward estimate revisions
 - Rising Return on Invested Capital (“ROIC”) that lead to multiple expansion
- There is strong empirical evidence that gives us confidence in our focus areas:

S&P Constituents Follow a Reliable Fundamental Pattern

Rolling 10-year median performance of S&P constituents categorized by EPS



Source: FactSet/S&P/Antero Peak Group. Rolling 10-year performance based on constituents in the S&P 500® Index and categorization has been determined by the Antero Peak Group. Categories are rebalanced every September 30 over the trailing 10-year period based on the following criteria—Accelerate: Future EPS growth in upcoming year is greater than previous year; Beat: EPS is greater than expected 12 months prior; Outgrow: EPS growth rate in excess of the S&P 500® Index. Decelerate: Future EPS growth in upcoming year is less than previous year; Miss: EPS is less than expected 12 months prior; Undergrow: EPS growth rate less than the S&P 500® Index. **Past performance is not indicative of future results.**



Questions?

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