Expertise in Global Equities

DPAM L Equities Artificial Intelligence

Degroof Petercam
Trust. Knowledge.

asset management
private banking
investment banking
asset services

% DPAM

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Agenda

July 2024 | **Marketing document**

DPAM

Active Asset Manager

Sustainable Actor

Research Driven

An independent active asset manager part of a **Group with its origins in 1871**

Sustained dedication to **responsible investments** since 2001. Active ownership and ESG across asset classes and themes

Experienced management teams supported by in-house buy side research team

Performance-driven active management, centralized in Brussels

Proprietary fundamental and quantitative research provided by in-house credit, equity, ESG and SRI analyst teams

Client-driven, creating long-term partnerships with our customers with an international network of 8 local offices across Europe

Why focus on AI?

> "
Generative AI is not a replacement for human creativity, but rather a tool that can augment and enhance it.

Sam Altman

> "
It's the most transformative innovation any of us will see in our lifetimes.

Bill gates

> "
It's a renaissance, it is a golden age. We are now solving problems with ML/AI that were in the realm of science fiction.

Jeff Bezos

3 core beliefs

01

Investing in AI: We're not late to the game

Good risk/reward thanks to reasonable valuations and excellent business models

02

Already strong use cases today

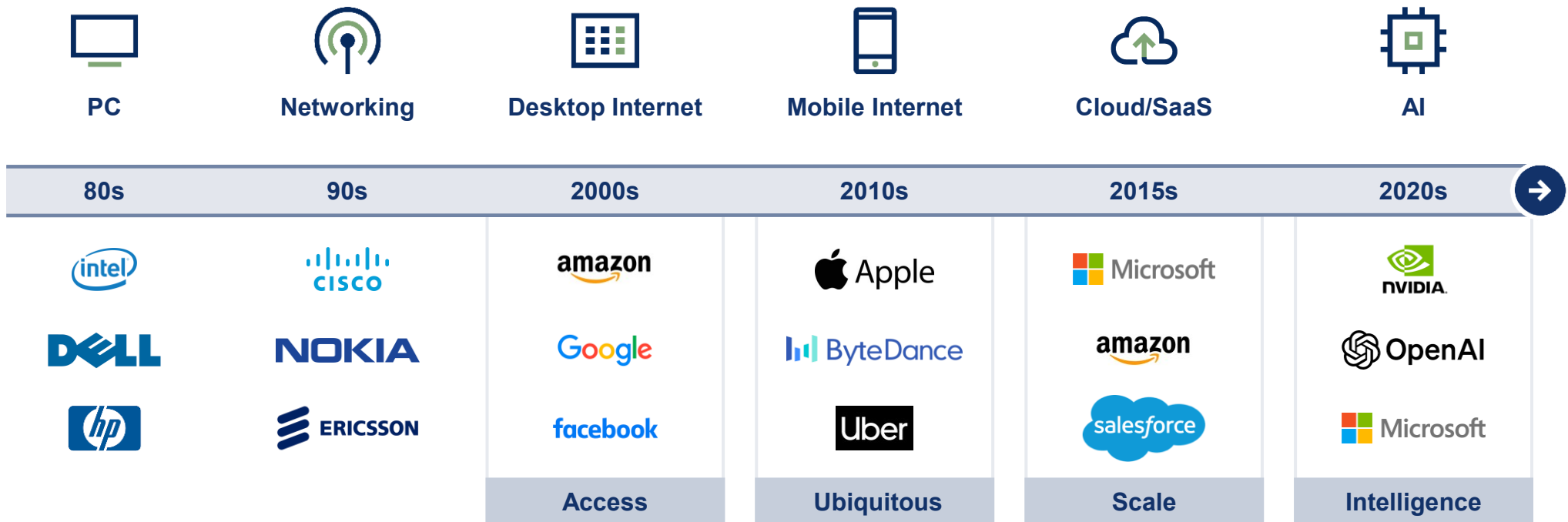Several use cases today, disrupting multi-trillion dollar industries

03

AI will only become better

LLM technology is nascent, expanding quickly in other fields = free optionality

The beginning of a new supercycle: AI

Previous supercycles had material impact on markets, with clear **winners and losers**.

PC	Networking	Desktop Internet	Mobile Internet	Cloud/SaaS	AI
80s	**90s**	**2000s**	**2010s**	**2015s**	**2020s**
intel	CISCO	amazon	Apple	Microsoft	nVIDIA
DELL	NOKIA	Google	ByteDance	amazon	OpenAI
hp	ERICSSON	facebook	Uber	salesforce	Microsoft
		Access	**Ubiquitous**	**Scale**	**Intelligence**

AI can potentially be a tailwind for the economy

S&P 500 Number of Employees per $1 million of Revenue (Inflation Adjusted)

1986	2000	2008	2019	2023	Future w/ AI?
8	6	5	5	5	???

Blue collar labor arbitrage | **Trade wars** | **White collar productivity?**

Source: DPAM.

AI is getting better, smarter… and faster

Midjourney generations over time:
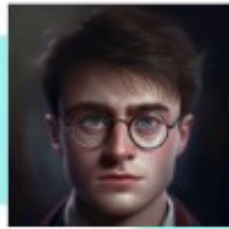"a hyper-realistic image of Harry Potter"
Source: Midjourney, 2023

V1, February 2022 — V2, April 2022 — V3, July 2022 — V4, November 2022 — V5, March 2023 — V5.1, March 2023 — V5.2, June 2023 — V6, December 2023

AI converging with other technologies and solving real big problems

Energy and emissions
Nuclear Fusion
In 2022, DeepMind held plasma in a Tokamak longar than had been possible before, making a breakthrough in Fusion

Pharma & Drug Discovery
Protein Folding
In 2022, it was announced that the predictions of over 200 million proteins would be released as an Open Source dataset

Batteries, Chips, EVs, Quantum
Material Science
In 2023 DeepMind's AI tool GNoME finds 2.2m of new crystals, including 380,000 stable materials that could power future technologies

Use Cases of AI on different sectors

Renewables & Emissions
Electrical Grid Stability
In 2019, DeepMind helped prove that the application of machine learning could yield a c18% energy gain via volatility smoothing
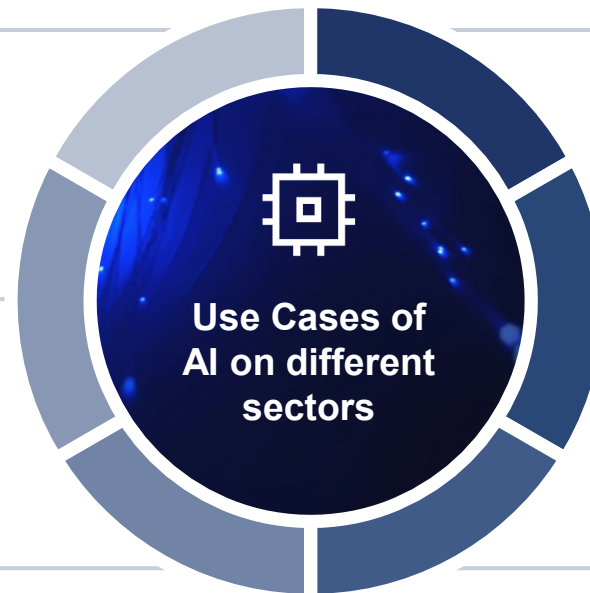
Content Creation
Music Generation
In 2023, working with YouTue, DeepMind's Lyria model was launched to help creators and singer songwriters

Airlines, Crops, Logistics
Weather Forecassting
In 2023, the company's state-of-the-art model delivered 10-day weather predictions at unprecedent accuracy in under one minute

Agenda

Investment Approach

Actively Managed

No benchmark hugging

AI Enablers & Adopters

Major AI trends that empower consumers and enterprises

Proven & Future Winners

Companies best positioned for value creation on AI trends

Barbell Approach

Diversification on technology adoption and end-markets

Investment process overview

01	02	03	04
Mega AI trend analyses	**Identification of proven and future winners**	**In-depth analysis**	**Portfolio Construction**
± 4000 Stocks	**± 100 Stocks**		**30 – 60 Stocks**
Subtheme selection	Company analysis	Deep dive analysis	Portfolio diversification
Innovation screening	Analyst reports & meetings	Management meetings	Barbell approach
Ecosystem mapping	Investor conferences	Expert calls	Risk/reward balance
	Ecosystem analysis	IRR valuation model	

01

AI Mega Trends

Step #1: Zoom out – Identify AI Mega Trends

Power

Cloud Computing

Cyber Security

Edge Computing

GenAI / Copilot

Chip Complexity

01

A mix of Enablers & Adopters

Enablers

Pick-and-shovels for AI

- Differentiated **IP**
- Scaled **infrastructure** or **platform**

Examples: chip designers / manufacturers, cloud providers

Adopters

Outsized beneficiaries of AI

AI expand their TAM and/or improves their competitive advantage

Examples: software and internet companies

01

AI Mega Trends

Step #2: Zoom in – Identify How Value Is Created and Accrued

Proof of Concept

Accelerating or enabling new business models?

TAM

S-Curve stage and speed of adoption?

Market Power

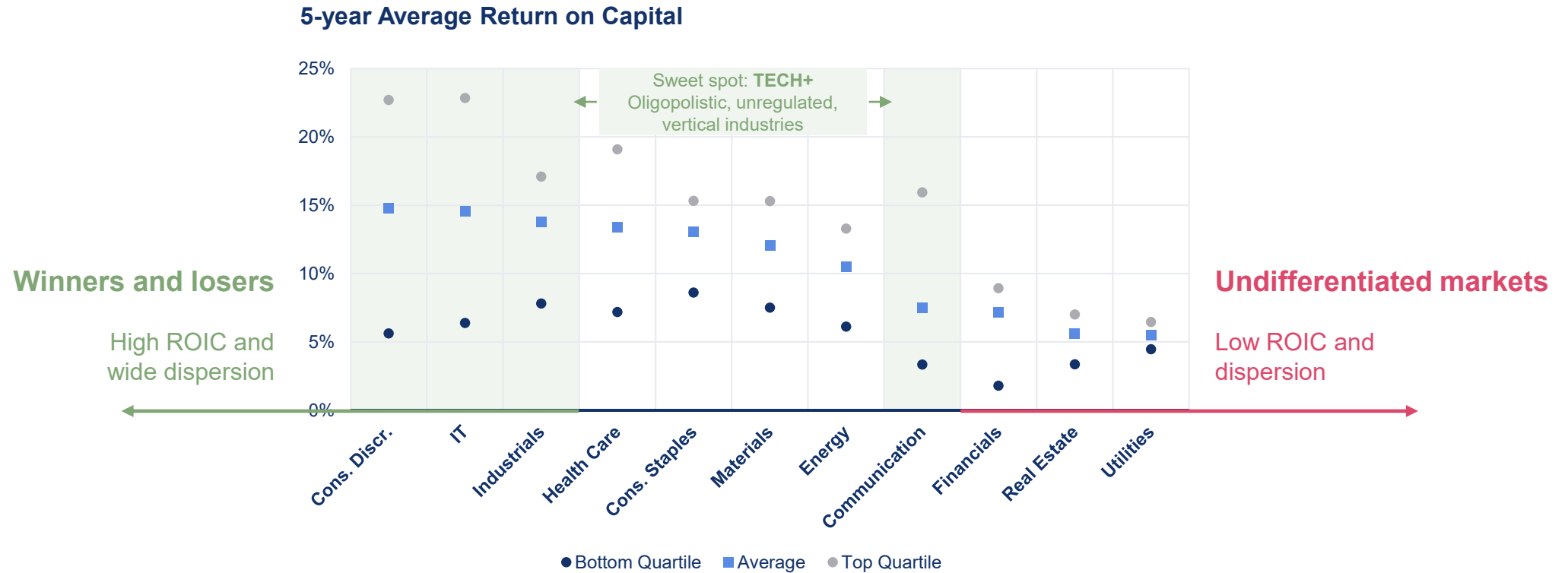Network effects, Switching costs, Scale, IP, etc.?

Winners & losers

Favors incumbents or disrupters?
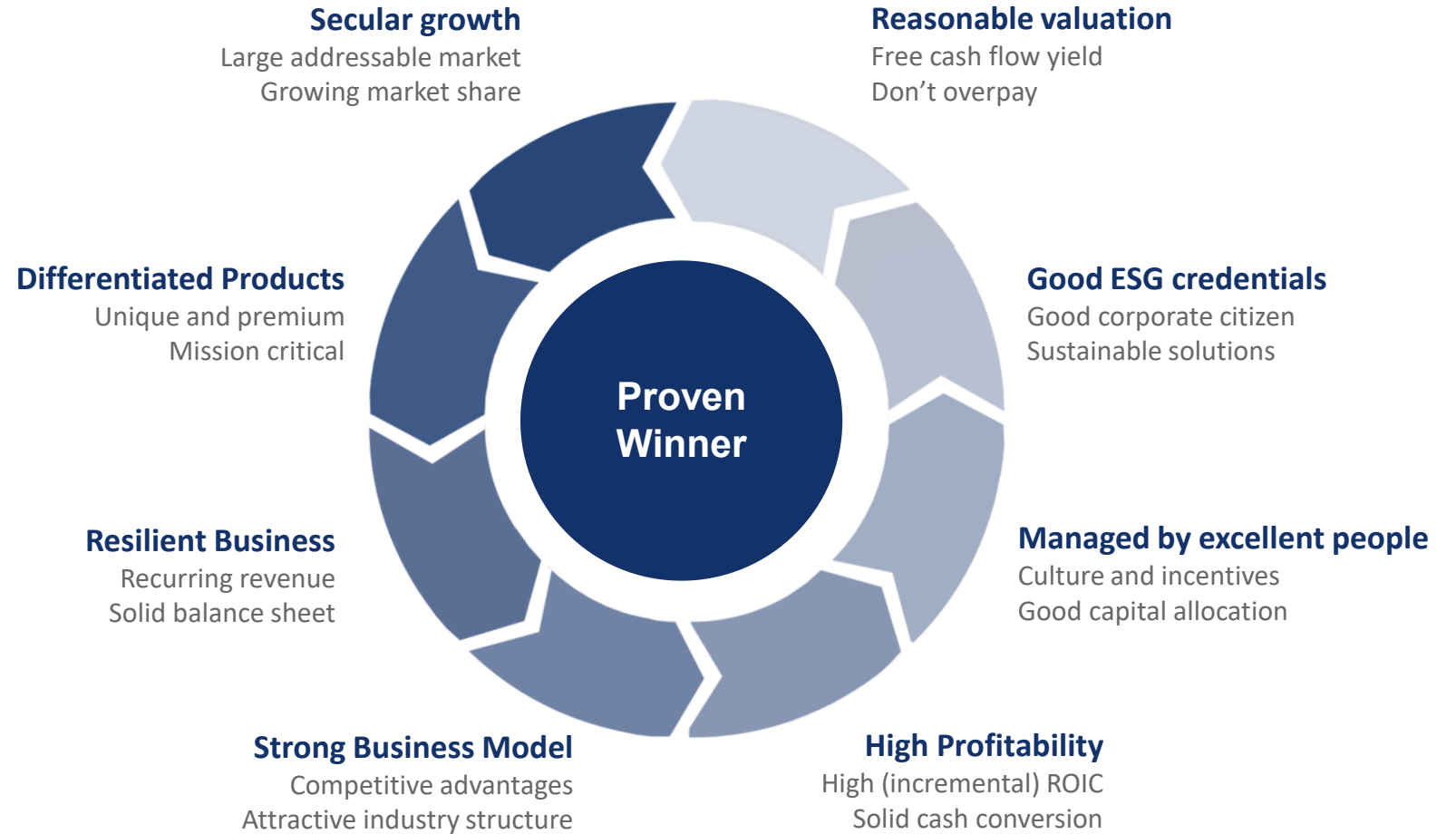
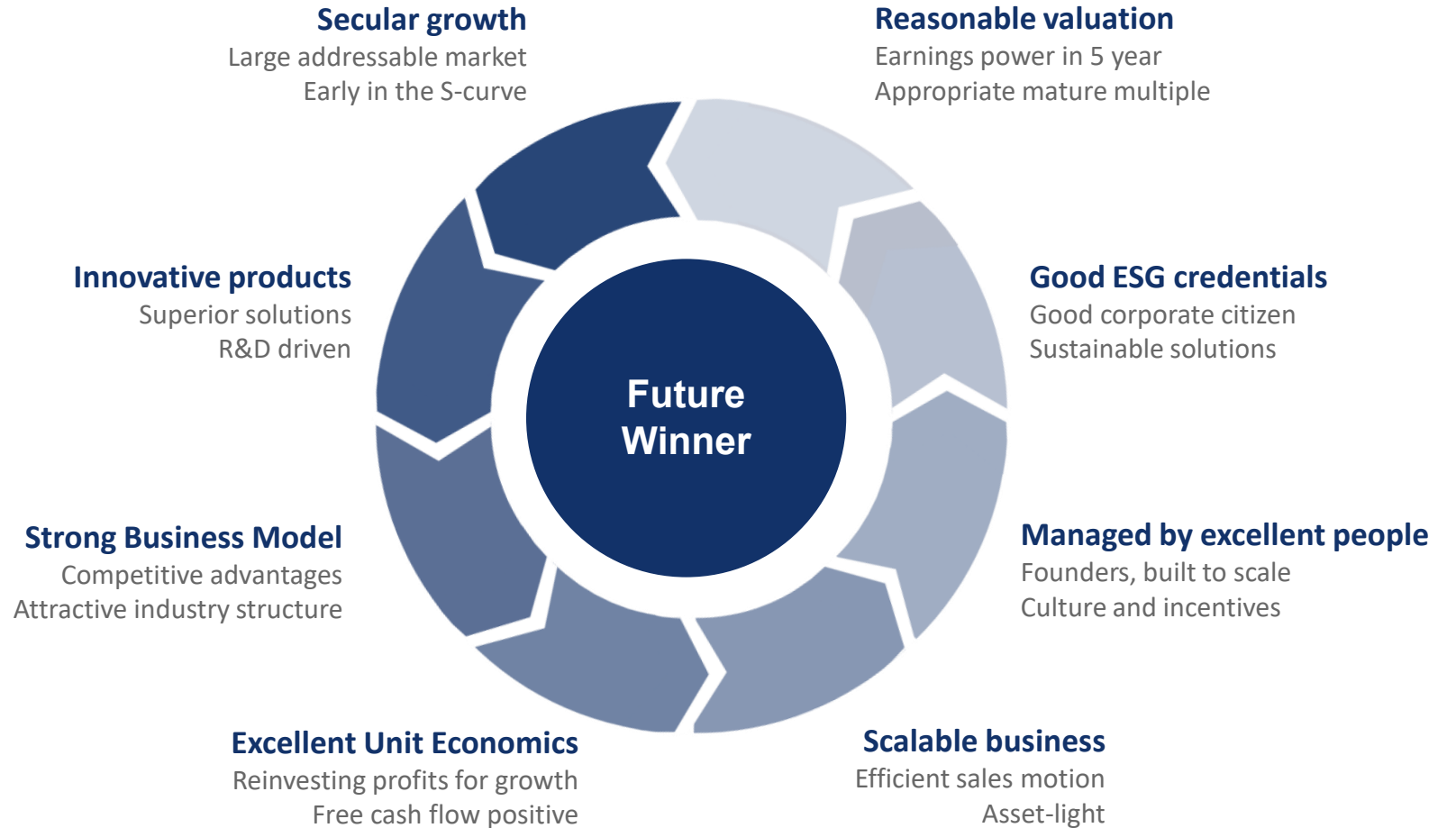# Only a subset of companies will capture the AI value

5-year Average Return on Capital

Sweet spot: **TECH+**
Oligopolistic, unregulated, vertical industries

Winners and losers

High ROIC and wide dispersion

Undifferentiated markets

Low ROIC and dispersion

Cons. Discr. · IT · Industrials · Health Care · Cons. Staples · Materials · Energy · Communication · Financials · Real Estate · Utilities

● Bottom Quartile   ■ Average   ● Top Quartile

Source: DPAM, Bloomberg.

02

Pillars of Proven Winners

Secular growth
Large addressable market
Growing market share

Reasonable valuation
Free cash flow yield
Don't overpay

Differentiated Products
Unique and premium
Mission critical

Good ESG credentials
Good corporate citizen
Sustainable solutions

Proven Winner

Resilient Business
Recurring revenue
Solid balance sheet

Managed by excellent people
Culture and incentives
Good capital allocation

Strong Business Model
Competitive advantages
Attractive industry structure

High Profitability
High (incremental) ROIC
Solid cash conversion

02

Features of Future Winners

Secular growth
Large addressable market
Early in the S-curve

Reasonable valuation
Earnings power in 5 year
Appropriate mature multiple

Innovative products
Superior solutions
R&D driven

Good ESG credentials
Good corporate citizen
Sustainable solutions

Future Winner

Strong Business Model
Competitive advantages
Attractive industry structure

Managed by excellent people
Founders, built to scale
Culture and incentives

Excellent Unit Economics
Reinvesting profits for growth
Free cash flow positive

Scalable business
Efficient sales motion
Asset-light

03

In-depth analysis

Integrated in-depth analysis

- 4 Portfolio managers ('Generalists')
- 18 Buy-side analysts ('Specialists')
- 6 ESG analysts

Fundamental deep-dive

- Growth drivers
- Competitive dynamics
- Margin dynamics
- Innovation
- DCF/IRR modelling
- Corporate culture
- Management meetings
- Expert calls

ESG scorecard

- Corporate governance
- Company-relevant material ESG indicators
- Sustainable impact
- Controversies review
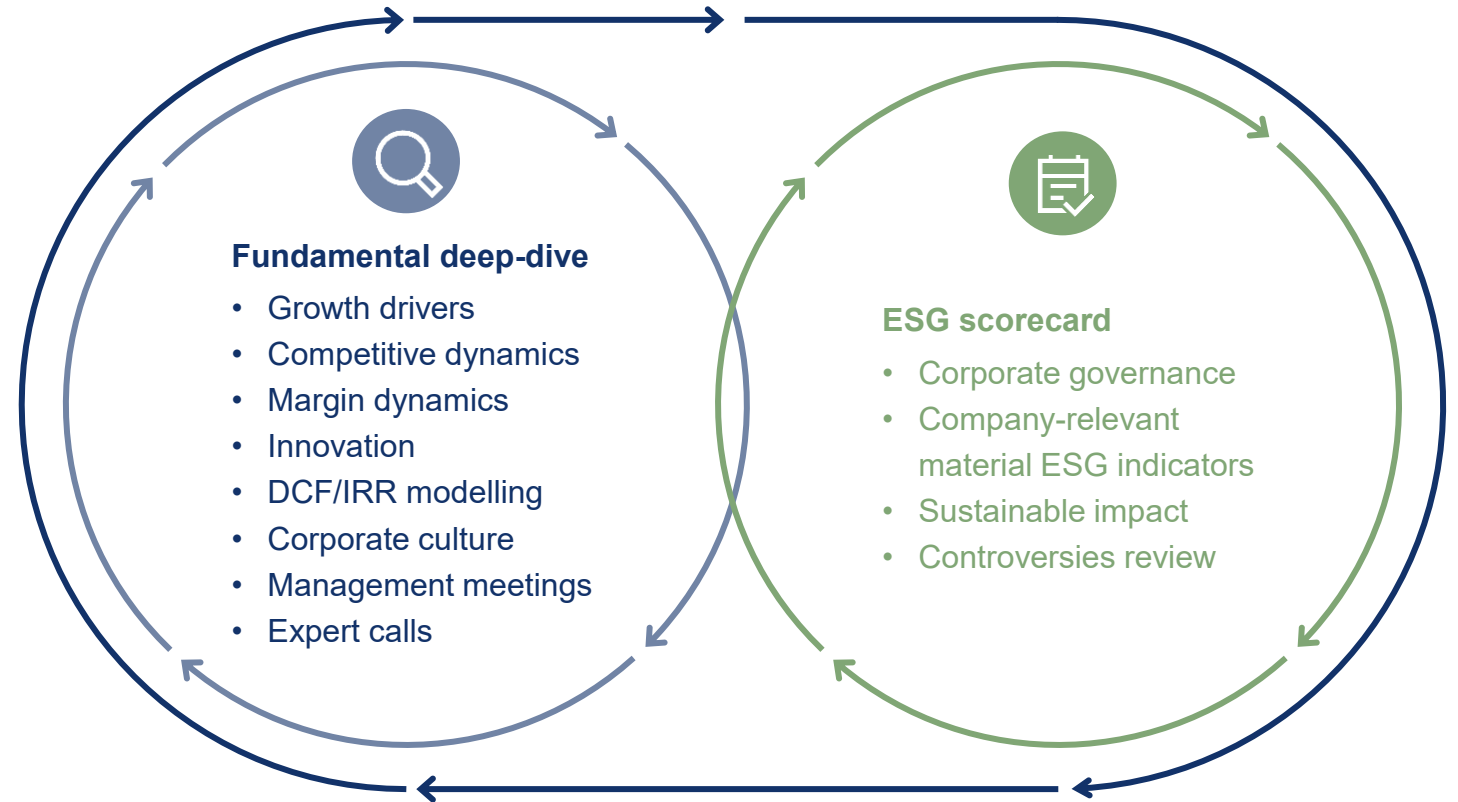
04

Portfolio Construction

30-60 stocks

High active share, 30-60 stocks

Risk management on company and portfolio level

Well-diversified across AI sub-themes

Quality companies with different growth profiles

Balanced between cyclical and defensive exposures.

Fundamental diversification with uncorrelated growth drivers

Risk/return balance

Fully invested (5% cash maximum), no hedging

Barbell approach

Unique combination of proven and future winners

Investable Universe

Adoption

Time

Early Stage

Future Winners

Proven Winners

Value
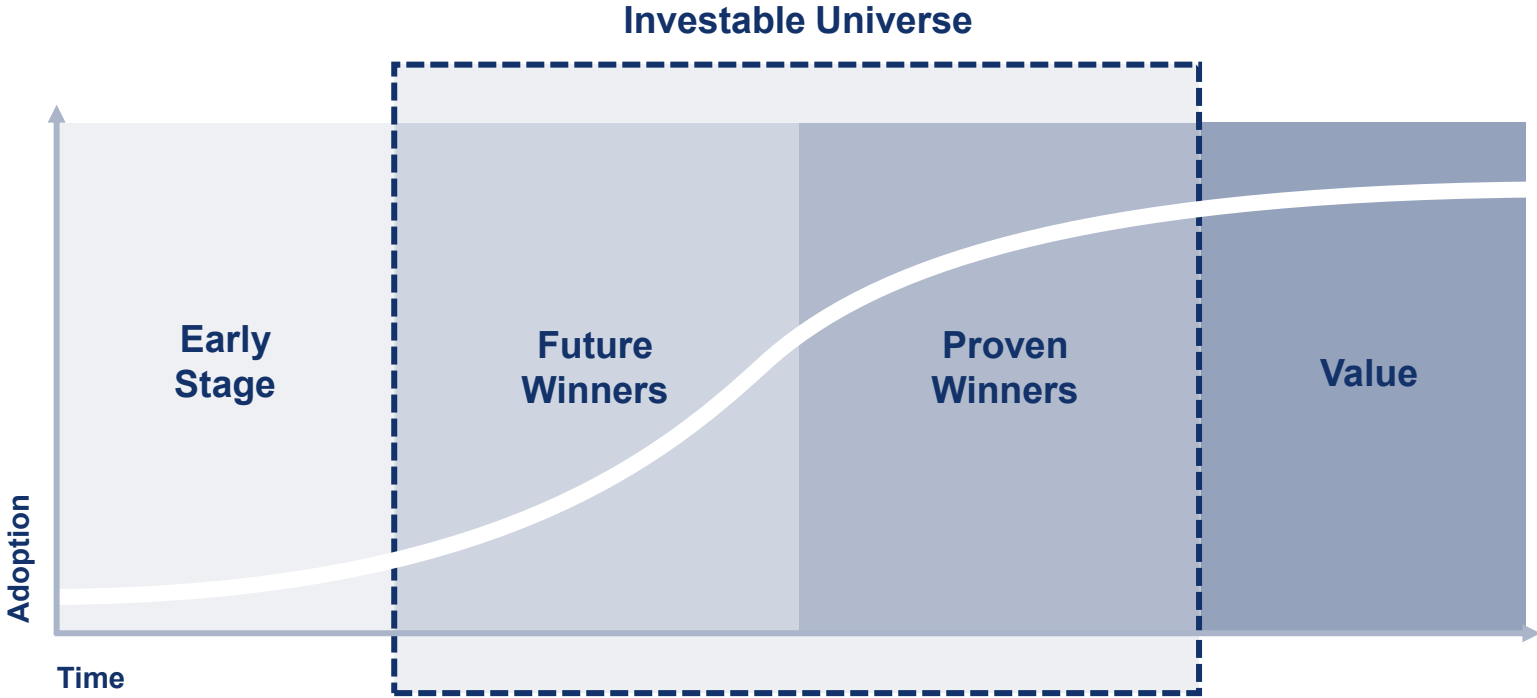
Our barbell approach in action

Turning processes safer and more efficient

	Cloud Computing	Chip Complexity	GenAI / Copilot	Edge Computing	Cybersecurity	Power

Smaller
Expensive

Future winners

Proven winners

Larger
Cheaper
Diversified
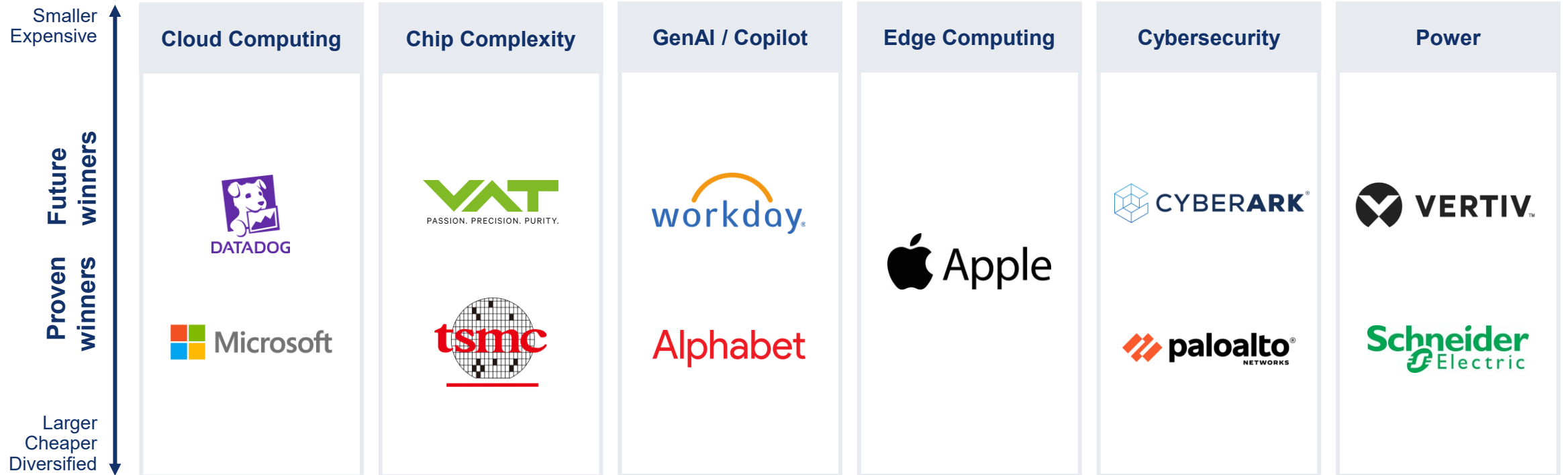
DPAM "secret sauce"

Avoiding the hype cycle
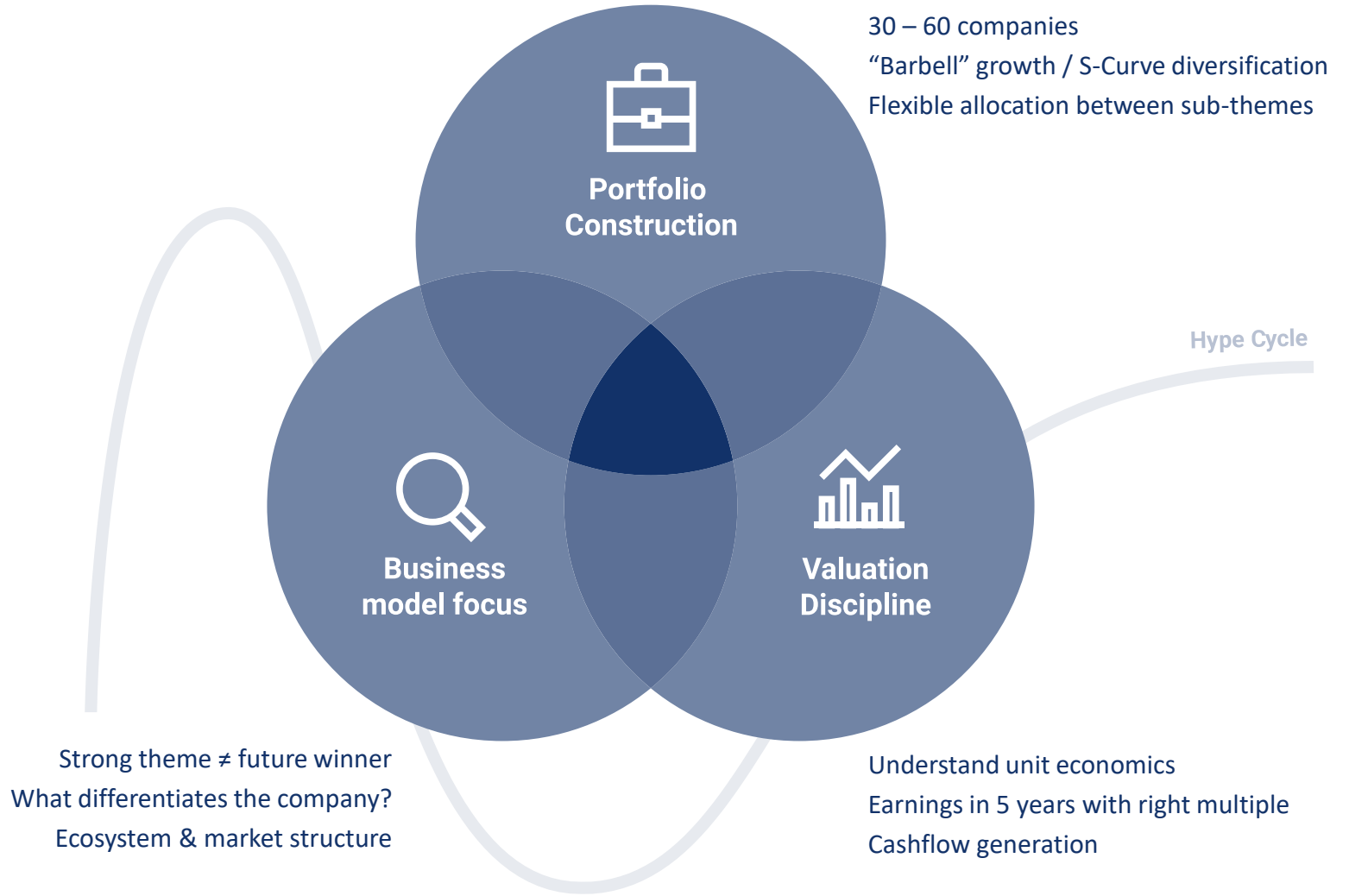
Portfolio Construction
- 30 – 60 companies
- "Barbell" growth / S-Curve diversification
- Flexible allocation between sub-themes

Hype Cycle

Business model focus
- Strong theme ≠ future winner
- What differentiates the company?
- Ecosystem & market structure

Valuation Discipline
- Understand unit economics
- Earnings in 5 years with right multiple
- Cashflow generation

8

SFDR Article

Company-wide integration: DPAM SFDR positioning

Our 20 yrs SRI experience allows for structured, credible SFDR alignment

The fund promotes a combination of environmental and social characteristics and invests partly in assets with a sustainable investment objective as defined by SFDR. More product-specific ESG information can be found on https://www.funds.dpaminvestments.com.

SFDR Positioning:

Linking existing processes with regulatory concepts & frameworks

Responsible investment

Transition • Sustainable • Impact investment

ESG integration	Active ownership	Basic negative screening	Normative Screening	Negative Behaviour Screening	Extensive negative screening	Positive screening Best in class	Sustainability Themes	Impact Framework
Inclusion in investment decisions (PAI)	Influencing behaviour	Exclusions based on activity	Compliance with global standards	Exclusion of severe controversial behaviour (min. social & gov. safeguards)	Extensive exclusions based on activity	Best in class, best approach Scorecards (PAI)	In-Depth Qualitative Analysis	GIIN based proprietary impact

Article 9

Article 8+

Article 8

+   Others   −

Sustainability risks

Benchmark

MSCI World Net Return Index

Actively managed fund, the portfolio manager does not aim to replicate the performance of a benchmark.

The benchmark is used to compare performance. The selection and weighting of the assets in the fund's portfolio may differ significantly from the composition of the benchmark.

Risks

DPAM L Equities Artificial Intelligence

Capital risk
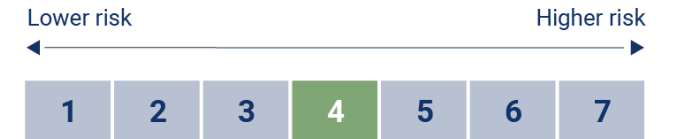
Exchange risk

Market risk

Concentration risk

Liquidity risk

Derivative risk

Sustainability risk

DPAM L Equities Artificial Intelligence is a sub-fund of DPAM L under Luxembourg law

Summary risk indicator (SRI)

Lower risk   Higher risk

1	2	3	4	5	6	7

SRI calculated according to PRIIPs (EU) N° 1286/2014 regulation

We refer to the **prospectus and KID PRIIPS** for more explanation and a complete overview of the risks.

Portfolio Management

Equities Artificial Intelligence

Dries Dury, CFA
Fund manager
Industry: 17 Years
DPAM: 12 Years

Dries joined DPAM in 2013 as a fund manager for the EMU equity high dividend yield strategy and later became a fund manager for international and sustainable equities. He began his career as a research analyst at the National Bank of Belgium before moving to Bank Degroof as a sell-side real estate equity analyst. He holds a master's degree in Economic Sciences from the University of Ghent and is a CFA Charterholder.

Tom Demaecker, CFA
Fund manager
Industry: 11 Years
DPAM: 11 Years

Tom joined DPAM in 2016 as a buy-side analyst for the US consumer sector, later progressing to fund manager for international and sustainable equities. He initially started his career at Bank Degroof as a portfolio manager in private banking. He holds a master's degree in Economic Sciences from the University of Ghent and is a CFA Charterholder.

Aurélien Duval, CFA
Fund manager
Industry: 11 Years
DPAM: 2 Years

Aurélien joined DPAM in 2022 as a fund manager for its global sustainable equity and multi-thematic strategies. He embarked on his career in 2012 as a senior audit associate at PwC, and subsequently held positions such as investment fund product manager and investment strategist at CBC Banque, as well as a quantitative multi-assets portfolio manager and equity fund manager at KBC Asset Management. He earned a master's degree in Business Engineering from the Louvain School of Management and is a CFA Charterholder.

Humberto Nardiello
Fund manager
Industry: 14 Years
DPAM: 2 Years

Humberto joined DPAM in 2022 as a buy-side equity analyst for European and small & mid-cap equities, later advancing to fund manager for international and sustainable equities. Prior to this, he served as an equity analyst for Lanx Capital and senior equity analyst for Opportunity Asset Management. He holds a master's degree in Economic Sciences from IBMEC and has participated in the Value Investing Program at Columbia University.

Equity Research
Team

Johan Van Geeteruyen
CIO Fundamental Equity,
Member of the Management
Board

37 **'98**

Financials, Energy & Utilities

Bert Talloen, CFA
Financials
28 **'11**

Ivo Dierick
Financials
31 **'09**

Pieter-Jan De Meyer
Financials
05 **'20**

Michiel De Paepe
Energy & Utilities
04 **'23**

Francesco Ancona
Generalist Analyst
01 **'22**

Technology, Media, Telecom & Industrials

Eros Portillo, CFA
TMT
10 **'13**

Beau Deschacht
TMT
04 **'22**

Yixin Guo*
TMT
07 **'20**

Wenlu Xie
Industrials
03 **'21**

Eduard Pienaar
Industrials
16 **'22**

Marc Ernaelsteen
Industrials
30 **'23**

Weiyi Zhang*
Industrials
04 **'20**

Real Estate

Carl Pauli
Real Estate
06 **'21**

Consumer & Healthcare

Lieven De Schryver, CFA
Consumer
22 **'19**

Philippe Labilloy
Consumer goods
20 **'07**

Xiaofang Yan*
Consumer
06 **'21**

Milena Ognjenovic
Healthcare
07 **'19**

Tjaša Lukšič
Healthcare
04 **'20**

| Team Leader # Years of experience # Entry date *Syncicap: Syncicap Asset Management is a joint venture between DPAM & OFI Invest |

Agenda

Portfolio

Chip Complexity 33%

NVIDIA
tsmc   ASML
synopsys   APPLIED MATERIALS
ASM   VAT PASSION. PRECISION. PURITY.
MARVELL
BROADCOM

GenAI / Copilot 29%

Alphabet
Meta
servicenow
salesforce   workday
intuit   VISA
NETFLIX   Uber

Cloud Computing 18%

Microsoft   amazon
mongoDB   DATADOG

Cyber Security 5%

CROWDSTRIKE
paloalto NETWORKS
CYBERARK

Edge Computing 8%

Apple
ANALOG DEVICES
TESLA

Power 8%

EATON
Schneider Electric
VERTIV

Source: DPAM, June 2024.

Performance since inception

Legend:
— Dpam L Equities Artificial Int
--- MSCI World Net Return
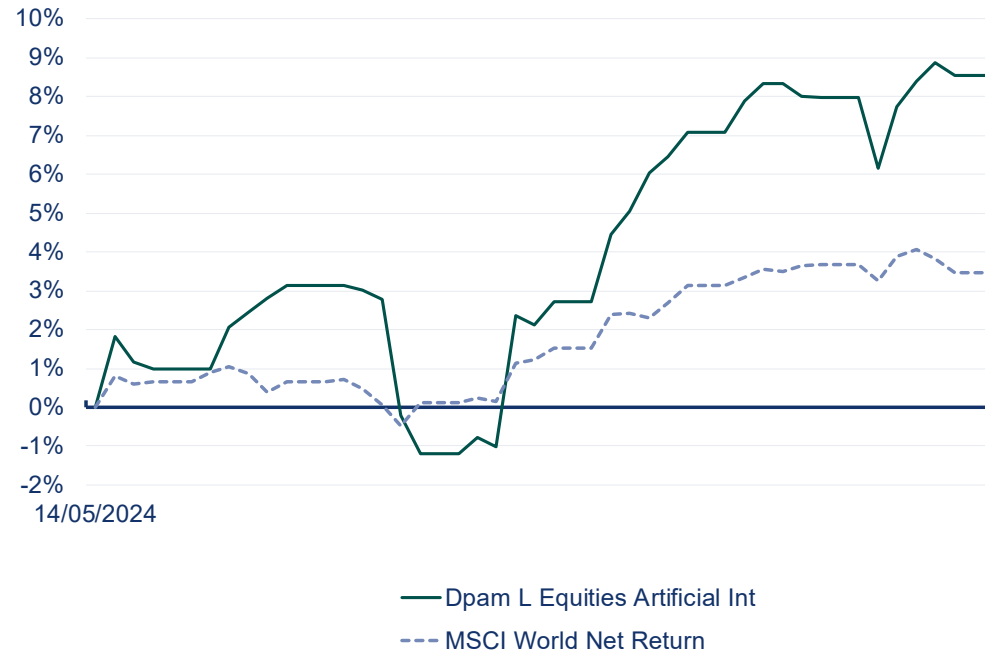
Source: Bloomberg, MSCI, DPAM Performance (F-class) until 30.06.2024
*2024 performance starting from May 14, the inception of the strategy

Comparison key metrics

	DPAM L Equities Artificial Intelligence	MSCI World
'23 Return on Equity	30%	14%
'23 Net Income Margin	28%	11%
R&D / Sales	16%	11%
Capex / Sales	9%	6%
'19 - '25 EPS Growth	23%	8%
'25 PE ratio	29.4x	17.7x
'23 Net debt to EBITDA ratio	-0.2x	1.6x
'25 FCF/EV	3.2%	4.2%

Source: DPAM, Bloomberg estimates, 30.06.2024
All figures are weighted average
For certain metrics (capex/sales, net debt /ebitda, FCF/EV) Financials are excluded.

Exposure per sector

	DPAM L Equities Artificial Intelligence	MSCI World
Information Technology	62%	23%
Communication Services	16%	8%
Consumer Discretionary	11%	11%
Industrials	8%	11%
Health Care	2%	15%
Financials	0%	2%
Materials	0%	7%
Consumer Staples	0%	12%
Energy, Real Estate, Utilities	0%	5%

Source: DPAM, Bloomberg, June 2024.

Distribution per market cap

	DPAM L Equities Artificial Intelligence	MSCI World
< €10bn	0%	3%
€10bn - €30bn	5%	14%
€30bn - €100bn	38%	42%
>€200bn	56%	41%

Source: DPAM, Bloomberg, June 2024.

Growth classification

	DPAM L Equities Artificial Intelligence
1. Slow & Steady (0-10)	6%
2. Mighty Mature (10-12)	6%
3. Compounding Cash Cows (13-15)	48%
4. Generational Growth (16-18)	20%
5. Fast & Furious (19+)	13%
6. Hypergrowth (25+)	6%

Classification based on estimated annual mid-term EPS growth

Source: DPAM, Bloomberg, June 2024.

Agenda

Investing in AI: We're not too late

4 key reasons for a good risk/reward

01
Large and expanding investment universe

Investment opportunities go from big tech, to semiconductors, software, industrials, to internet and data companies

02
Incumbents will benefit most

AI requires a lot of capital, data, best engineers and a wide distribution network.

No "concept" stocks

03
Other secular trends as a tailwind

Even without AI, these investments are underpinned by trends like 5G, EV and especially the cloud.

04
Valuations are reasonable

Companies have outstanding business models, often active as a monopolist or oligopolist

Valuations are in line with 5- year average, similar to the market

Incumbents will benefit most

State of the art compute infrastructure

+

Unique, proprietary multi-modal data

+

Talent & distribution networks

=

Big tech: software & internet
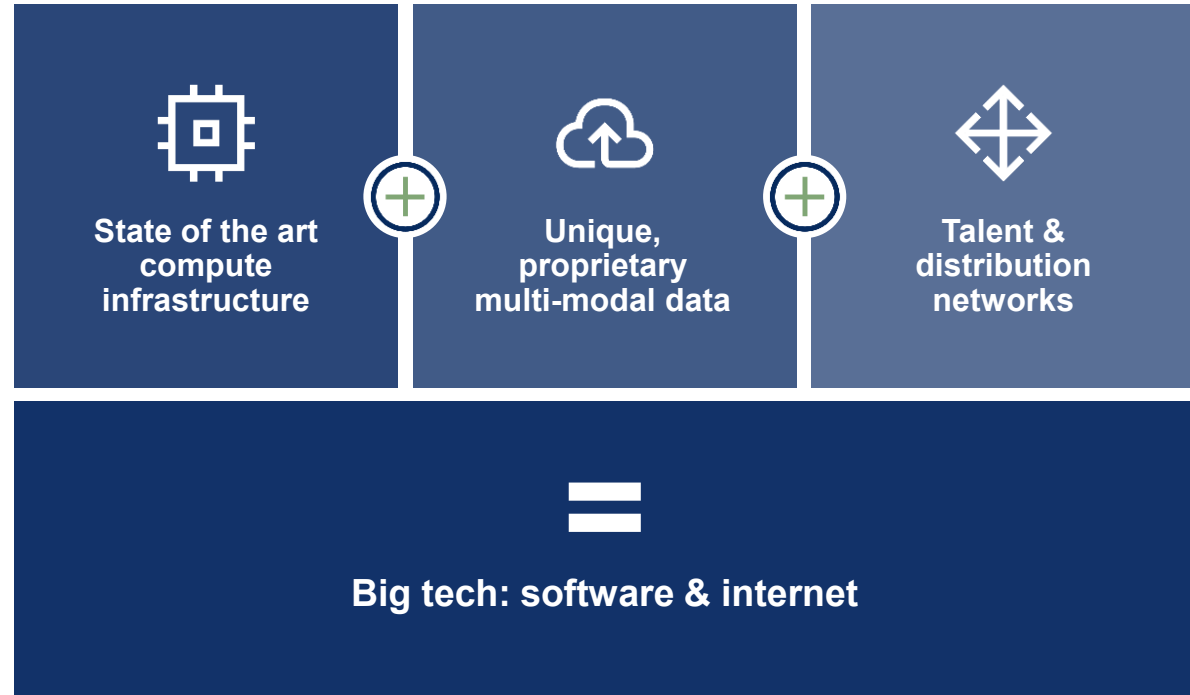
Incumbents will benefit most

The Semiconductor Value Chain — Created by Quartr
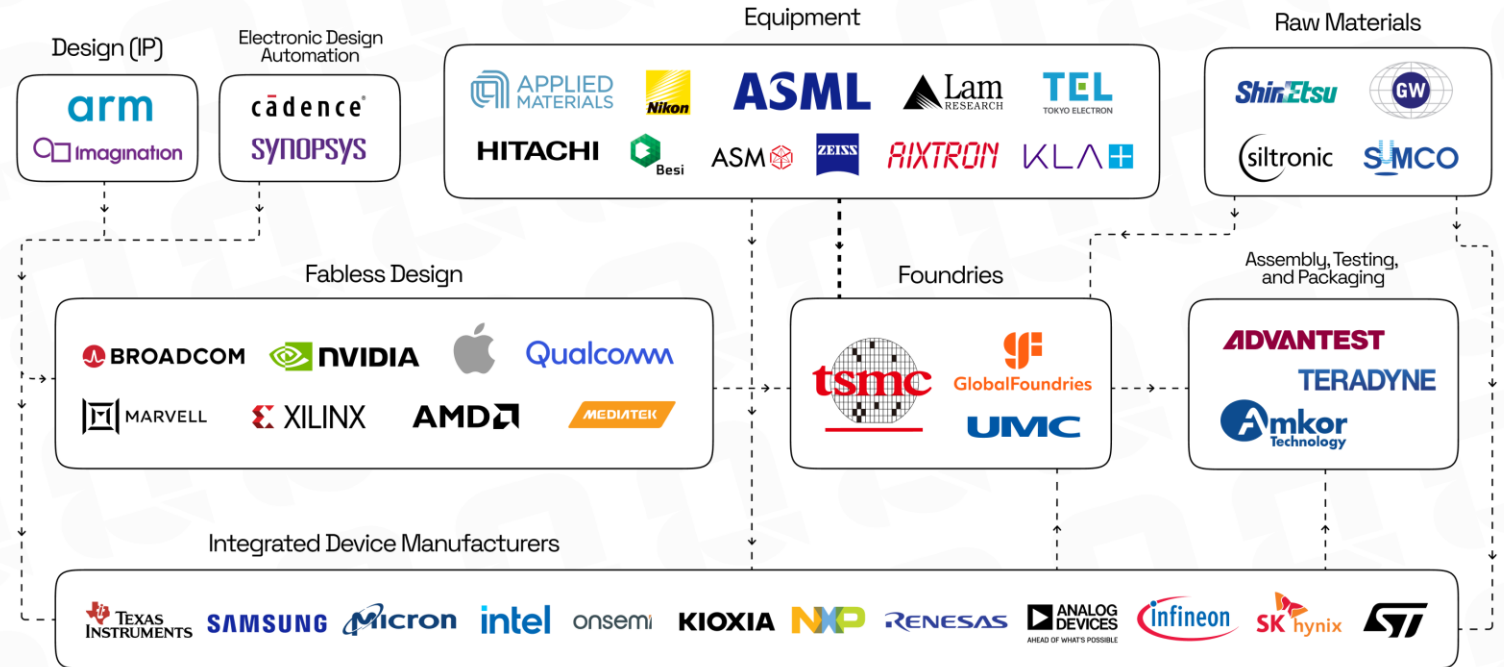
Note: The exact flows might differ between companies (subsidiaries, hybrid business models, etc) | Created by Quartr_App
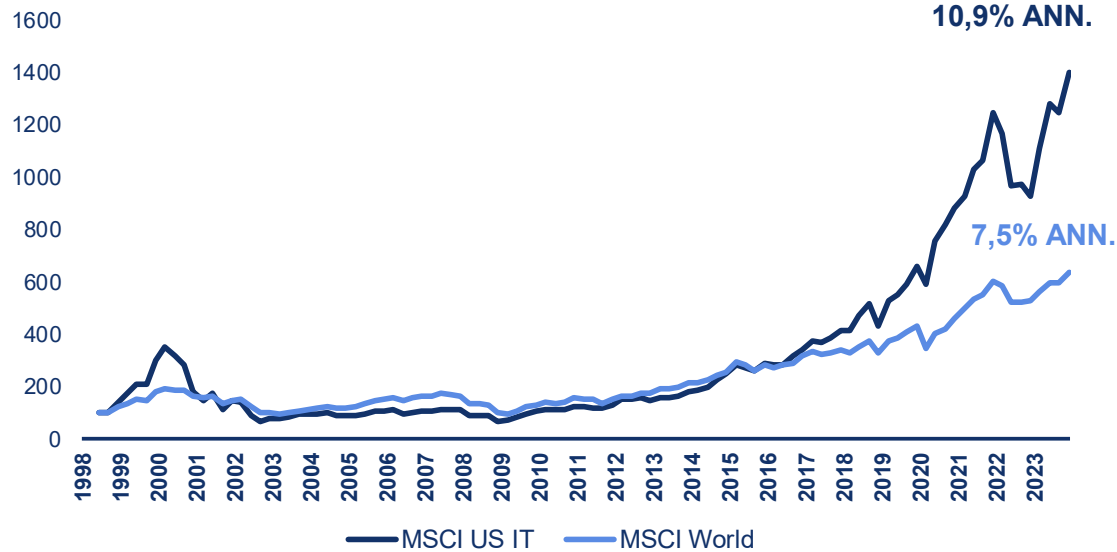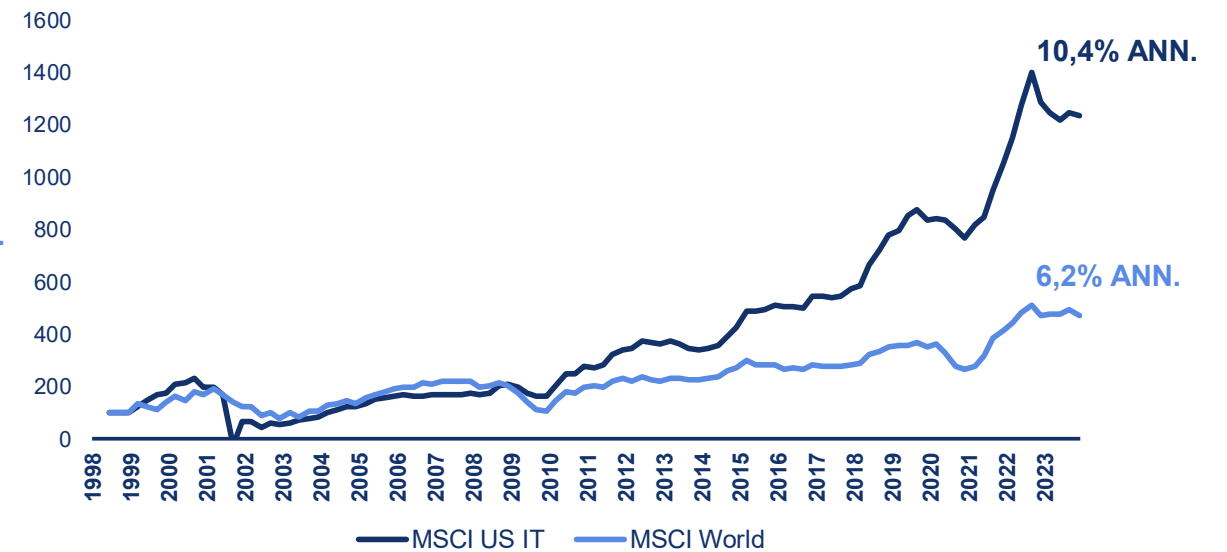
Source: Quartr App

Performances are driven by fundamentals

Total Return

10,9% ANN.

7,5% ANN.

MSCI US IT — MSCI World

Trailing 12 month Earnings Per Share

10,4% ANN.

6,2% ANN.

MSCI US IT — MSCI World

Sources: Bloomberg, MSCI, from 30.06.1998 – 31.12.2023, in EUR

Exhibit 4: Sales growth drove the bulk of Magnificent 7 returns since 2019
as of February 1, 2024

Source: Goldman Sachs Global Investment Research
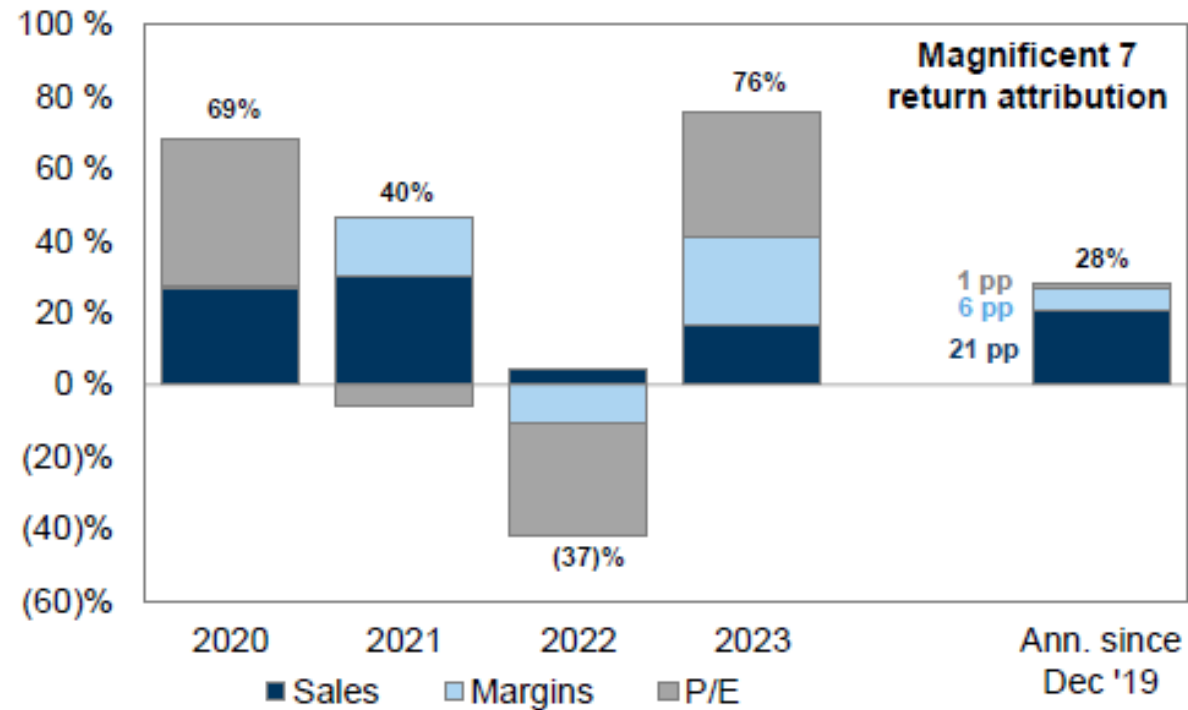
Mag 7 outlook better vs the rest of the market

Next 3-year Sales Growth Expectations

- NVIDIA: 35%
- TESLA: 15%
- Microsoft: 15%
- Meta: 14%
- Alphabet: 13%
- amazon: 12%
- Apple: 4%
- Mag7: 15%
- S&P 493: 2%
- S&P 500: 6%

Source: Bloomberg and DPAM analysis
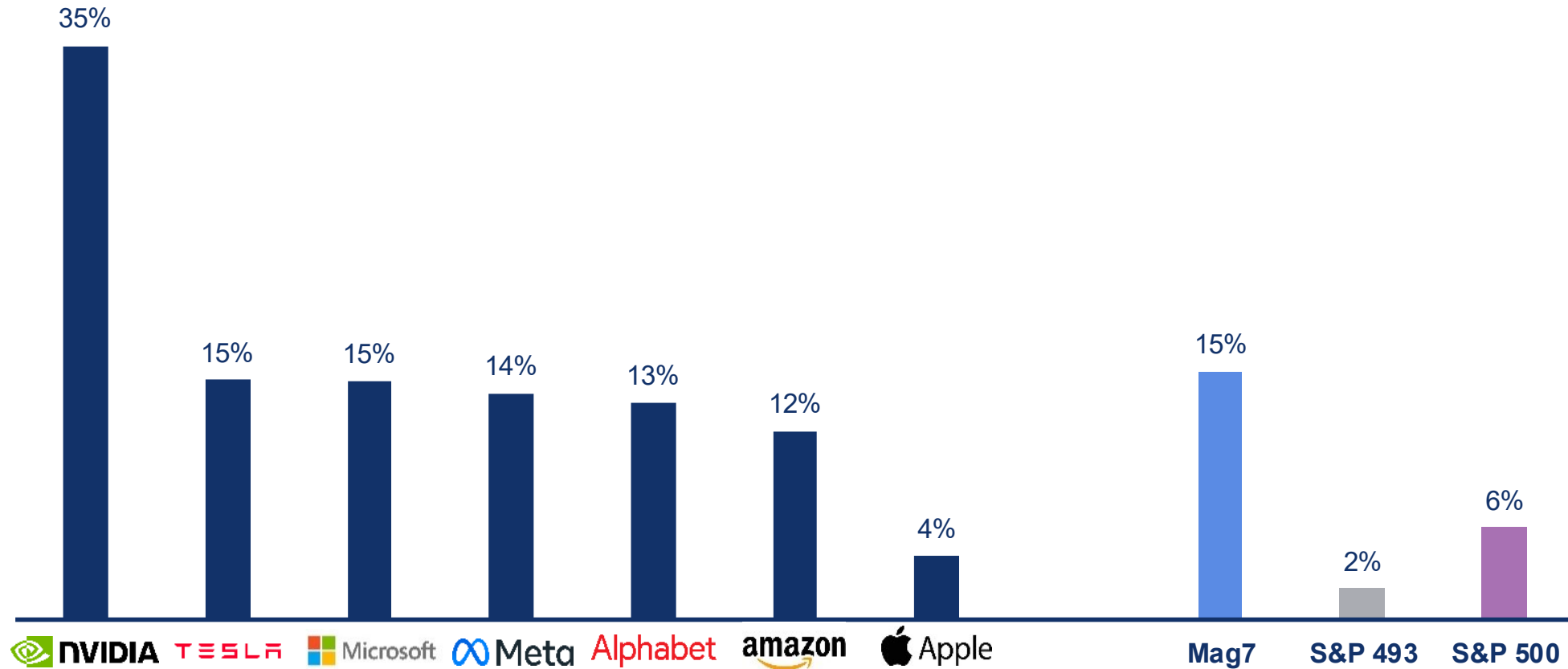
Nvidia: Stock price has followed earnings

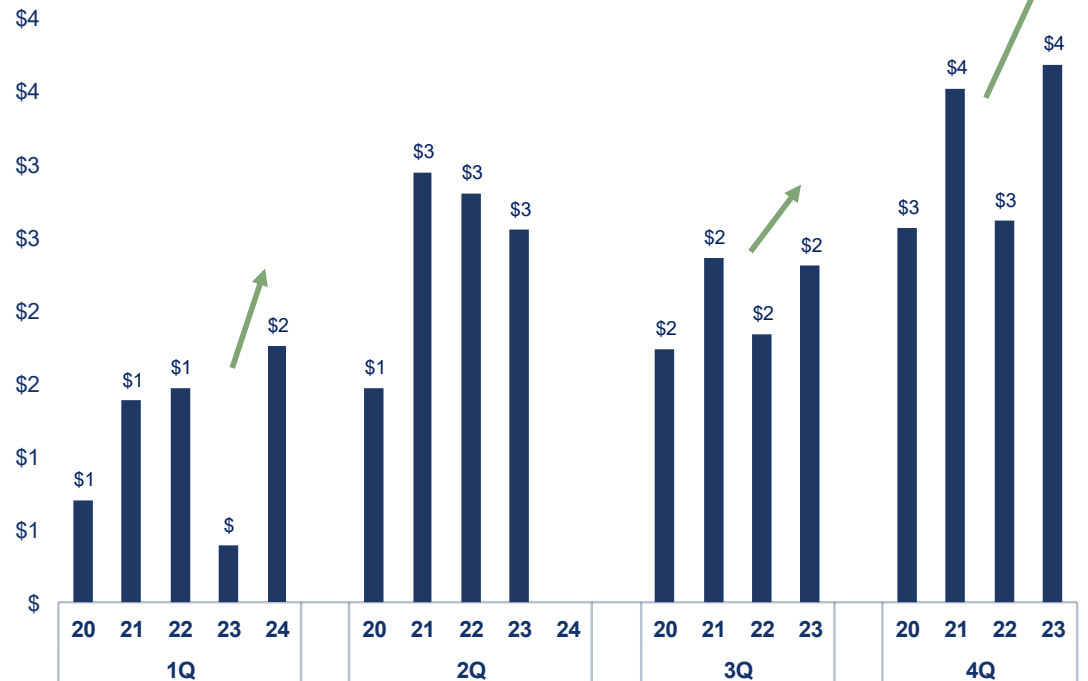Stock AND earnings per share up ~4x over the last couple of years

Source: Bloomberg

Blue skies for Cloud

Revenue growth is accelerating again for Microsoft, Amazon and Google

Cloud Revenue Growth YoY
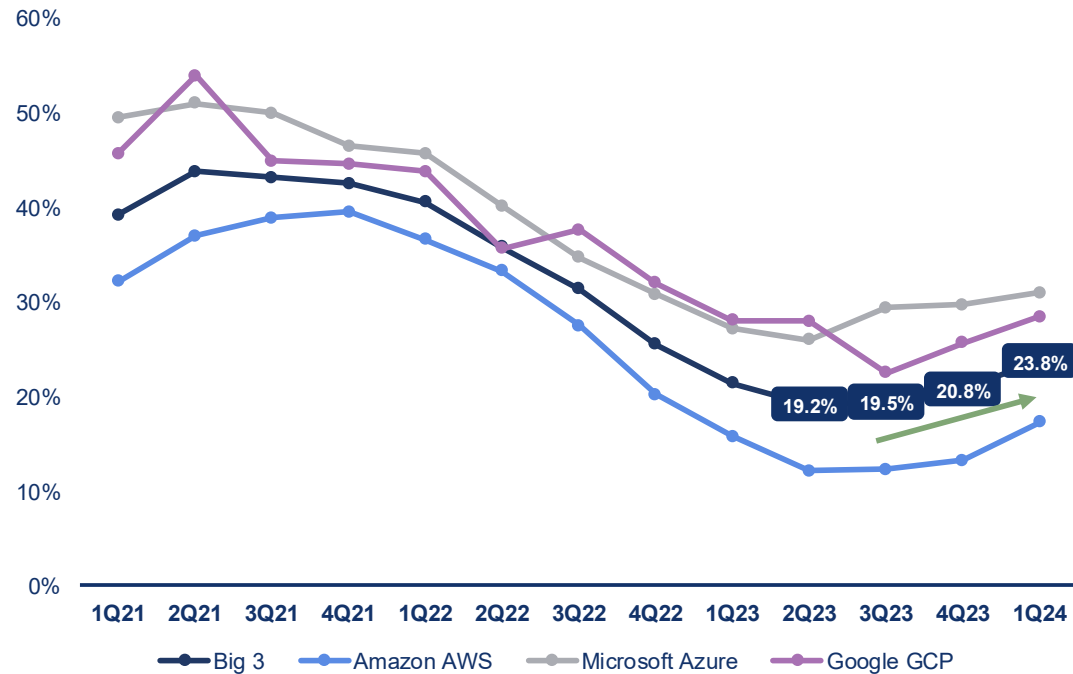
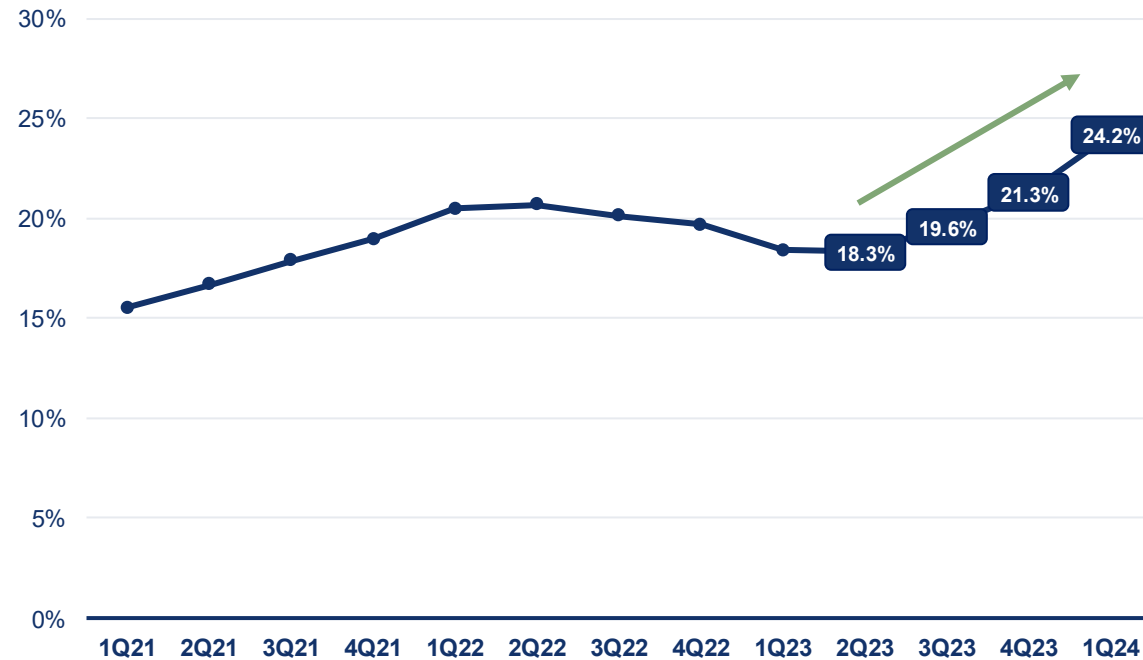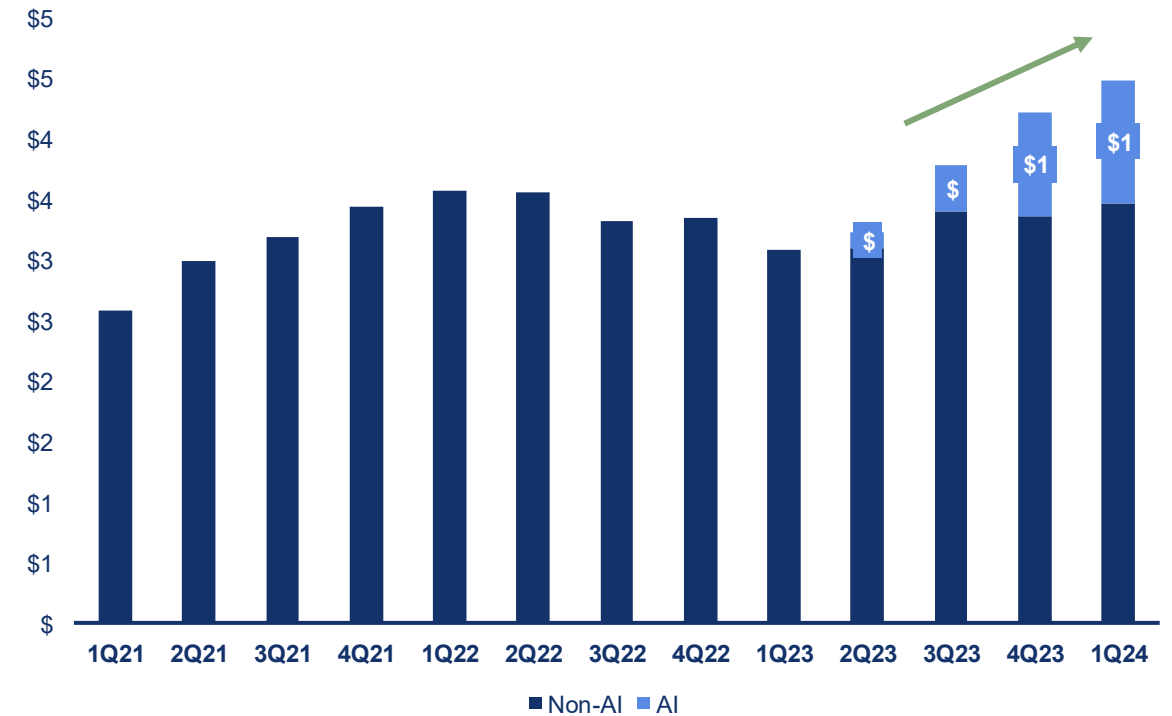**Big 3 Sequential Cloud Revenue Combined ($ billions)**

Source: Companies filings and DPAM analysis

Blue skies for Cloud

Margins getting healthier + AI becoming more and more important

Big 3 Cloud Operating Margin Combined

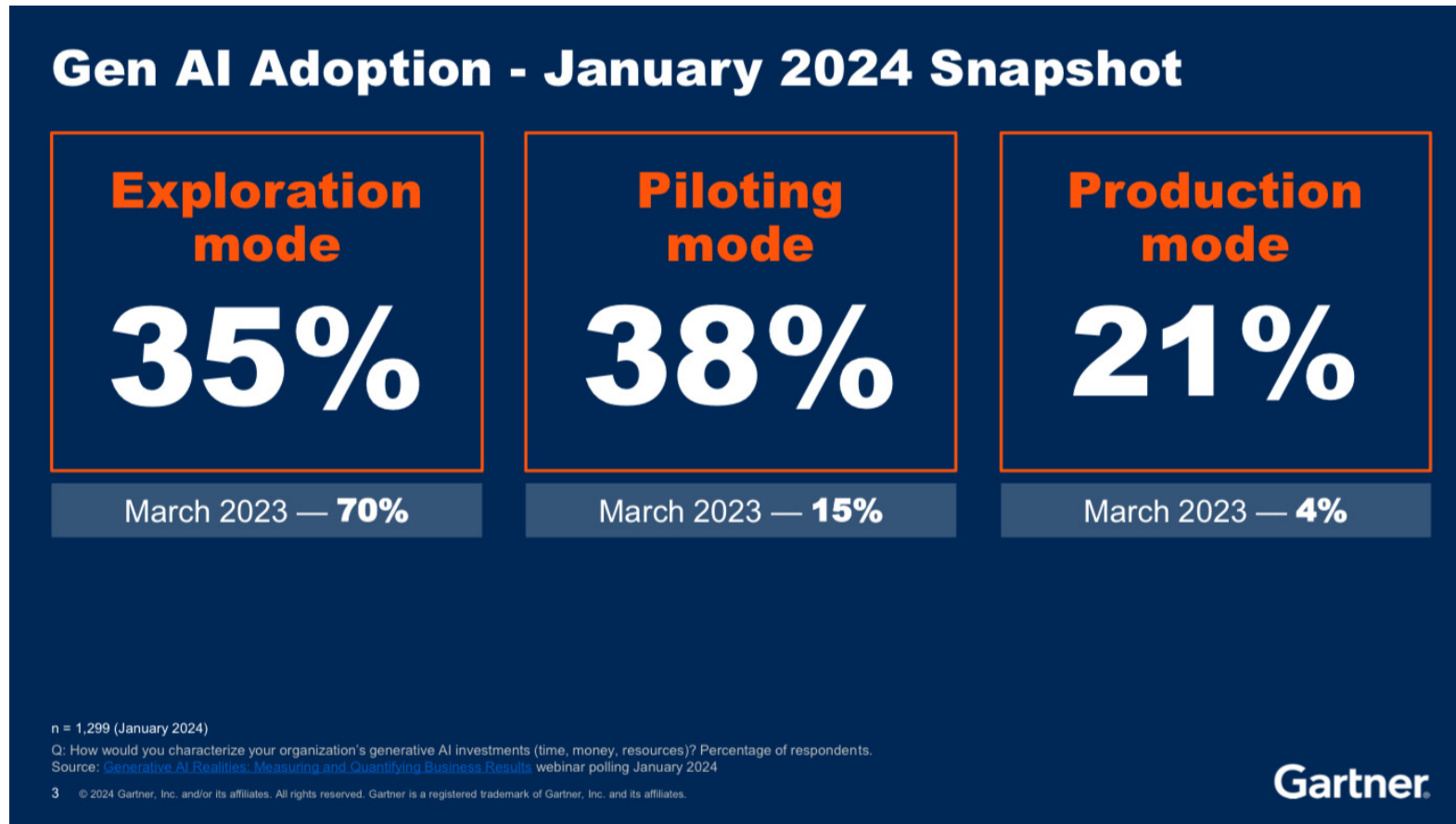Data points: 18.3%, 19.6%, 21.3%, 24.2% (2Q23–1Q24)

Microsoft Azure Incremental Revenue Contribution ($ Billions)

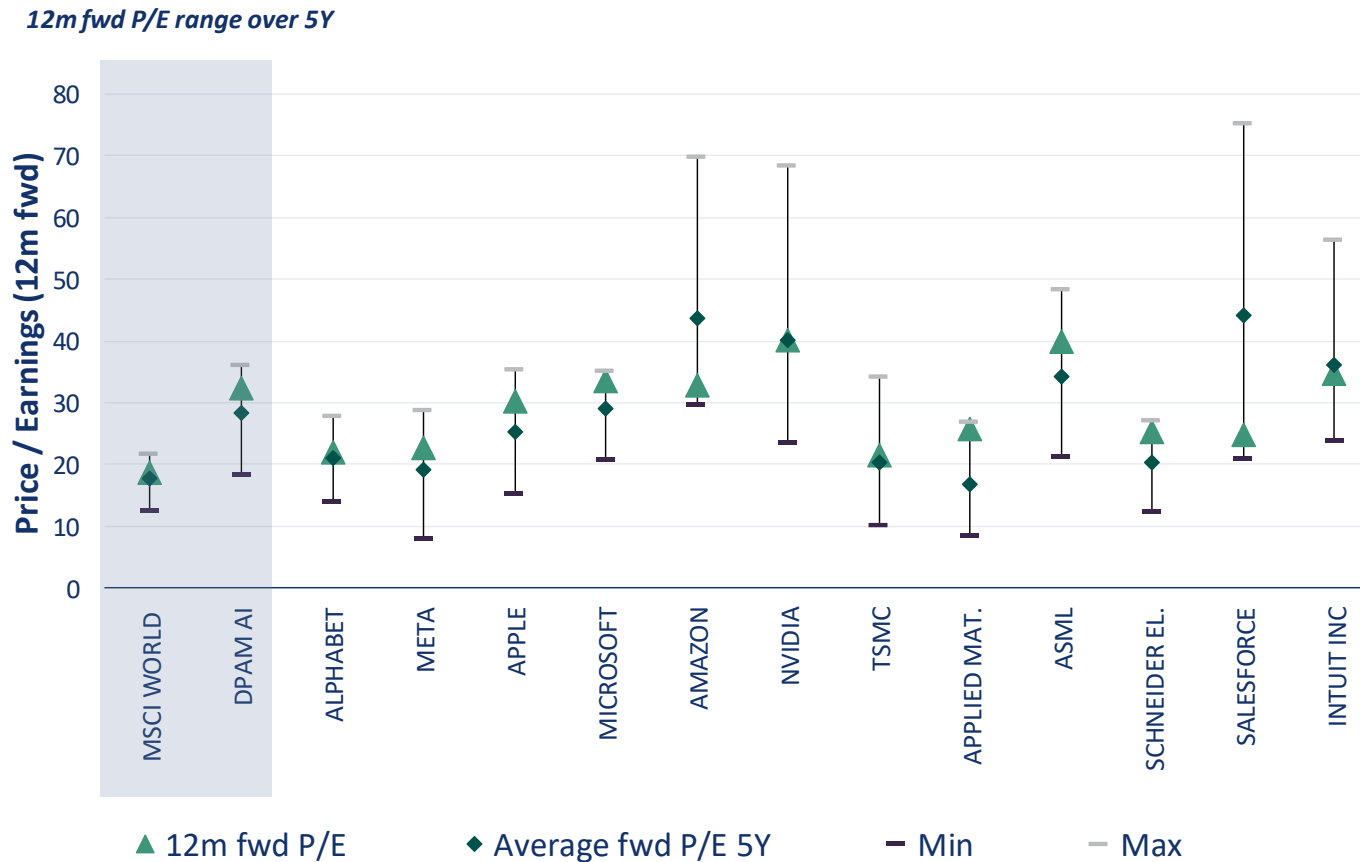Legend: Non-AI, AI

Source: Companies filings and DPAM analysis

Adoption intent only getting higher (cont'd)

AI transitioning from concept to products

Valuation in line with 5Y average

12m fwd P/E range over 5Y

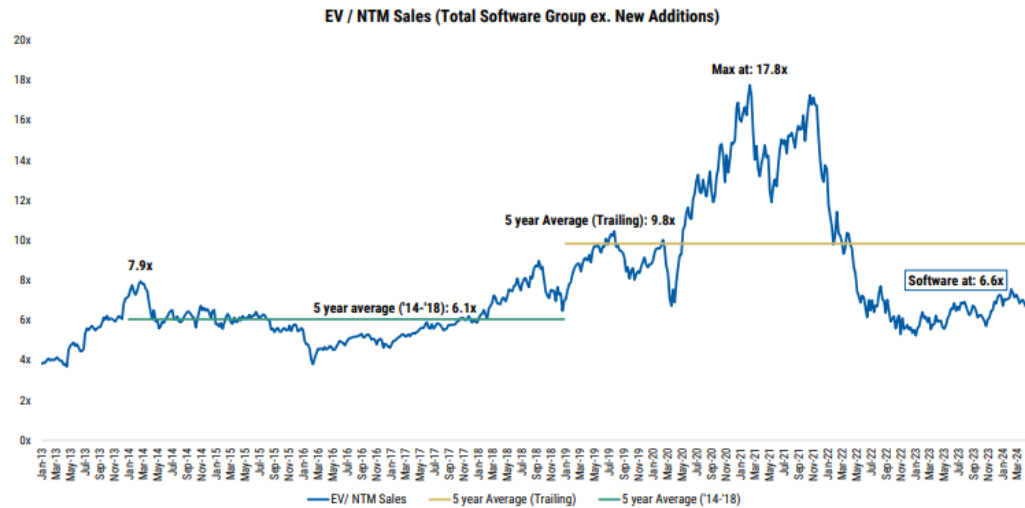Source: Bloomberg and DPAM analysis, 30.06.2024

Valuations very reasonable

Bubble? Late to the game? We are still in the early days

Software

Exhibit 1: Overall Software Coverage Group Trading at 33% Below the Trailing 5-Year Average...

EV / NTM Sales (Total Software Group ex. New Additions)

Max at: 17.8x

5 year Average (Trailing): 9.8x

7.9x

5 year average ('14-'18): 6.1x

Software at: 6.6x

EV/ NTM Sales — 5 year Average (Trailing) — 5 year Average ('14-'18)

Source: Morgan Stanley Research, FactSet, Company data

Internet

Exhibit 1: LTM EV/EBITDA multiples are 1%/7% above the 5/10 year averages...

Last 5-Year Average: 21.9x
Last 10-Year Average: 20.7x

22.1x
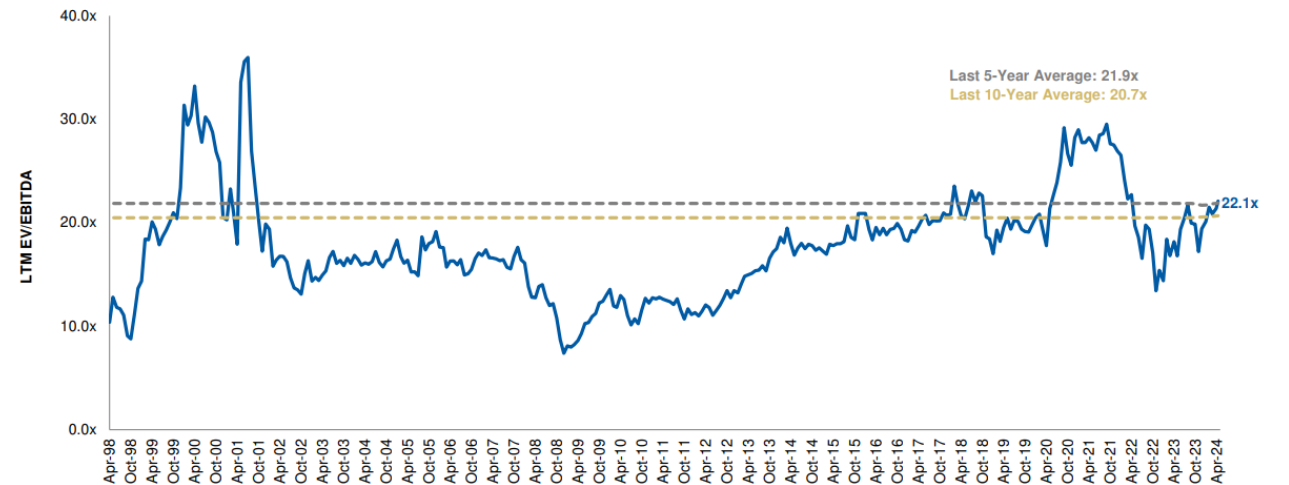
Source: Compustat, FactSet, Morgan Stanley Research Note: Internet = Broadline Retail, Interactive Media & Services, Entertainment. As of March 17, 2023, Internet & Direct Marketing Retail has been discontinued and has been replaced with Broadline Retail.
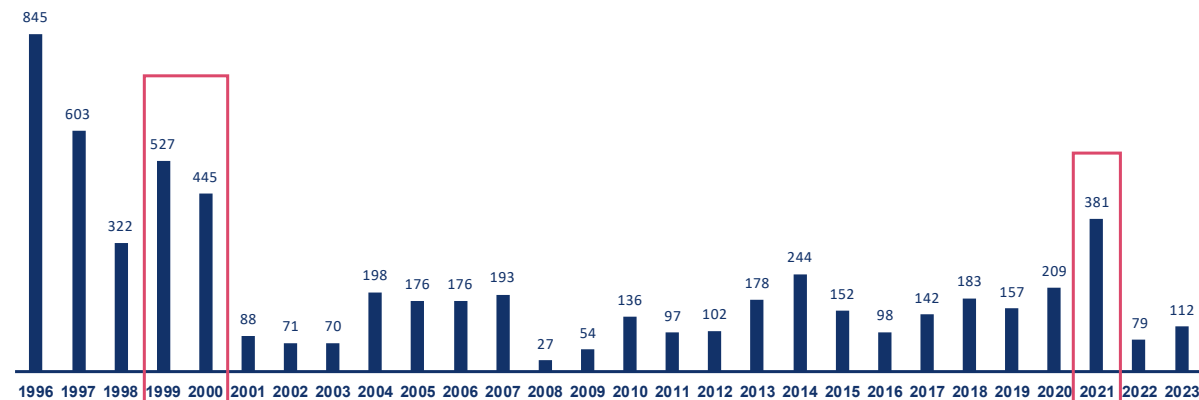
IPO market still subdued

Bubble? Late to the game? We are still in the early days
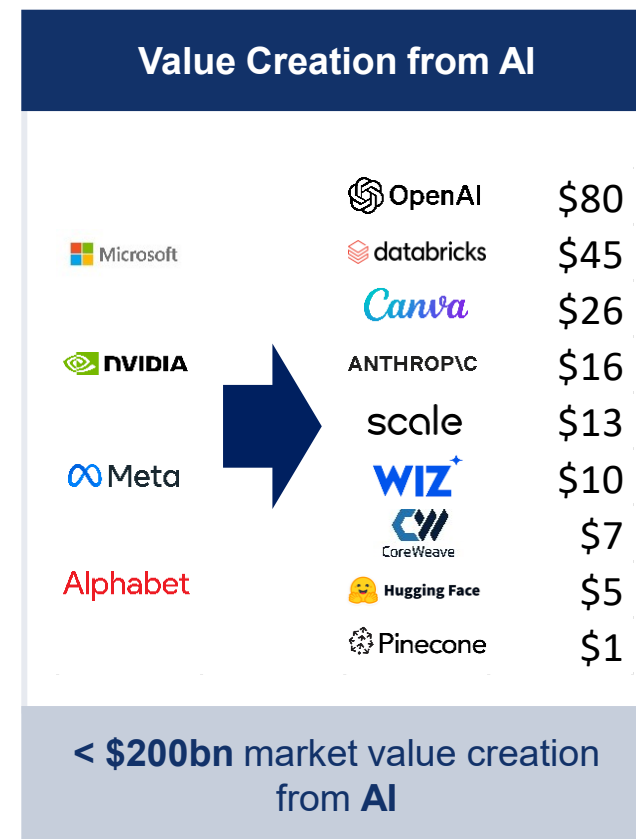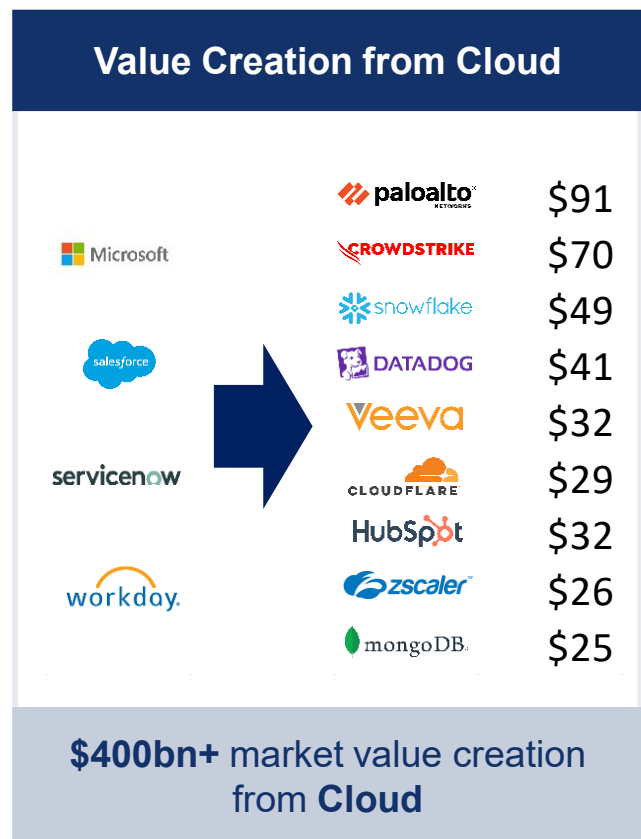
US IPO Volume ($B)

US IPO Deal Count

Source: Bloomberg and DPAM analysis

Yet to emerge new mega caps

Bubble? Late to the game? We are still in the early days

Value Creation from Web 2.0

Apple
Alphabet
Meta

Uber	$144
airbnb	$101
shopify	$91
Spotify	$54
DOORDASH	$51
theTradeDesk	$38
Pinterest	$22
snapchat	$18
Roku	$8

$500bn+ market value creation from **web 2.0**

Value Creation from Cloud

Microsoft
salesforce
servicenow
workday

paloalto NETWORKS	$91
CROWDSTRIKE	$70
snowflake	$49
DATADOG	$41
Veeva	$32
CLOUDFLARE	$29
HubSpot	$32
zscaler	$26
mongoDB	$25

$400bn+ market value creation from **Cloud**

Value Creation from AI

Microsoft
NVIDIA
Meta
Alphabet

OpenAI	$80
databricks	$45
Canva	$26
ANTHROP\C	$16
scale	$13
WIZ	$10
CoreWeave	$7
Hugging Face	$5
Pinecone	$1

< $200bn market value creation from **AI**

Source: Bloomberg and DPAM analysis

Already use cases today

2 examples amongst many

AI boosts developer productivity

- Software development is a USD 2 trillion + market.

- GenAI helps developers to write code up to 50% faster, with less errors.

- Global developer shortage

Customer Service automation

- Contact centers is a USD 300 billion business

- Customer service extremely important for customer satisfaction, but at a large cost.

- Problems solved by AI in 35 languages, 24/7, 2 minutes to resolution (vs 11 min previously)

And the future is here

Source: Github.

And the future is here

GitHub Copilot

Total Addressable Market

- **25M** prof. developers x $100,000 wage = **$2,500 billion** software development

- **10%** productivity gain

= 250bn productivity gains
(≈ GDP Portugal ≈ Revenue Google)

Source: Github, DPAM calculations

And the future is here

Contact center automation

- **2.3 million conversations,**
  2/3 of Klarna's customer service chats

- **700 full-time agents,** equivalent

- **Customer satisfaction score on par**
  with humans

- **25% drop in repeat inquiries**, because
  more effective

- **Resolved 5x faster.**
  <2 mins vs 11 mins before

- **23 markets, 24/7** and **35 languages**

- Will drive a **$40 million USD extra profit**
  for Klarna in 2024
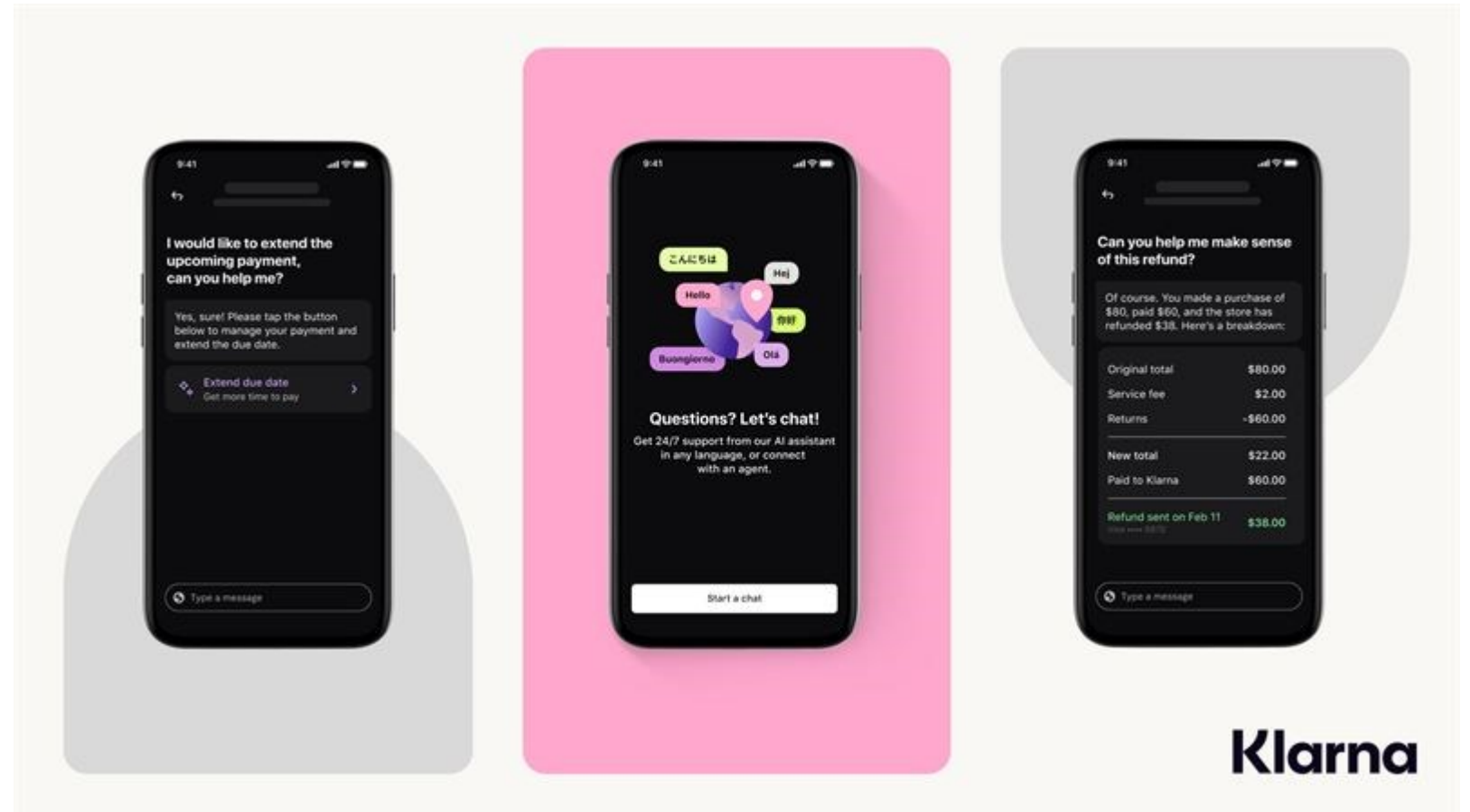
Source: Klarna.

And the future is here

Contact center automation

Call Center Employment

-10% fall in employment over the last 18 months

Wages (Y/Y)

- Call Centers
- All
- Leisure and Hospitality (Non-Supervisory)

Wage growth has tracked that of lower-paid service sector jobs more broadly
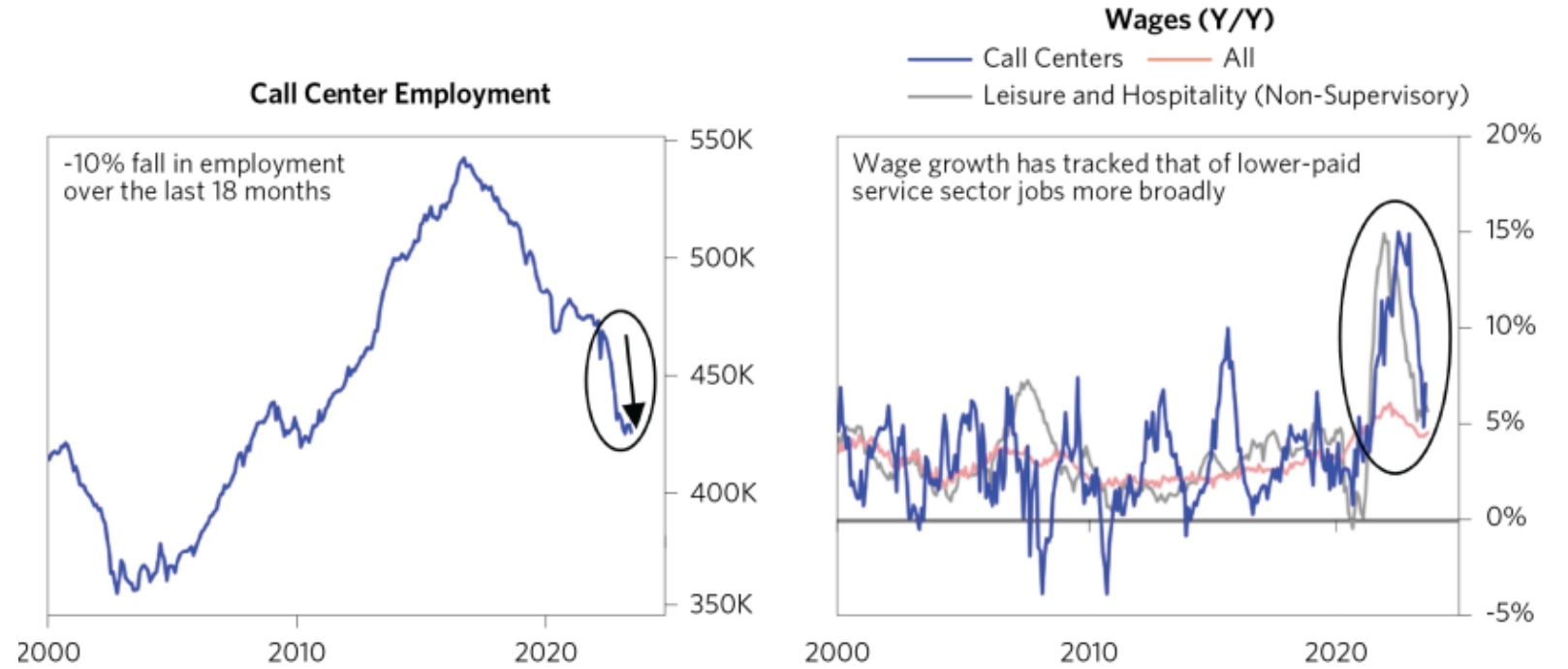
Source: Bridgewater.

We haven't reached the end of model scaling

Estimated training cost and compute of select AI models
Source: Epoch, 2023 | Chart: 2024 AI Index report

Models plotted (Training compute, petaFLOP – log scale, x-axis) vs (Training cost in U.S. dollars – log scale, y-axis):
- Transformer
- BERT-Large
- RoBERTa Large (University of Washington)
- LaMDA
- GPT-3 175B (davinci)
- Llama 2 70B
- Megatron-Turing NLG 530B
- PaLM (540B)
- GPT-4
- Gemini Ultra

Figure 1.3.23

Source: Bloomberg and DPAM analysis
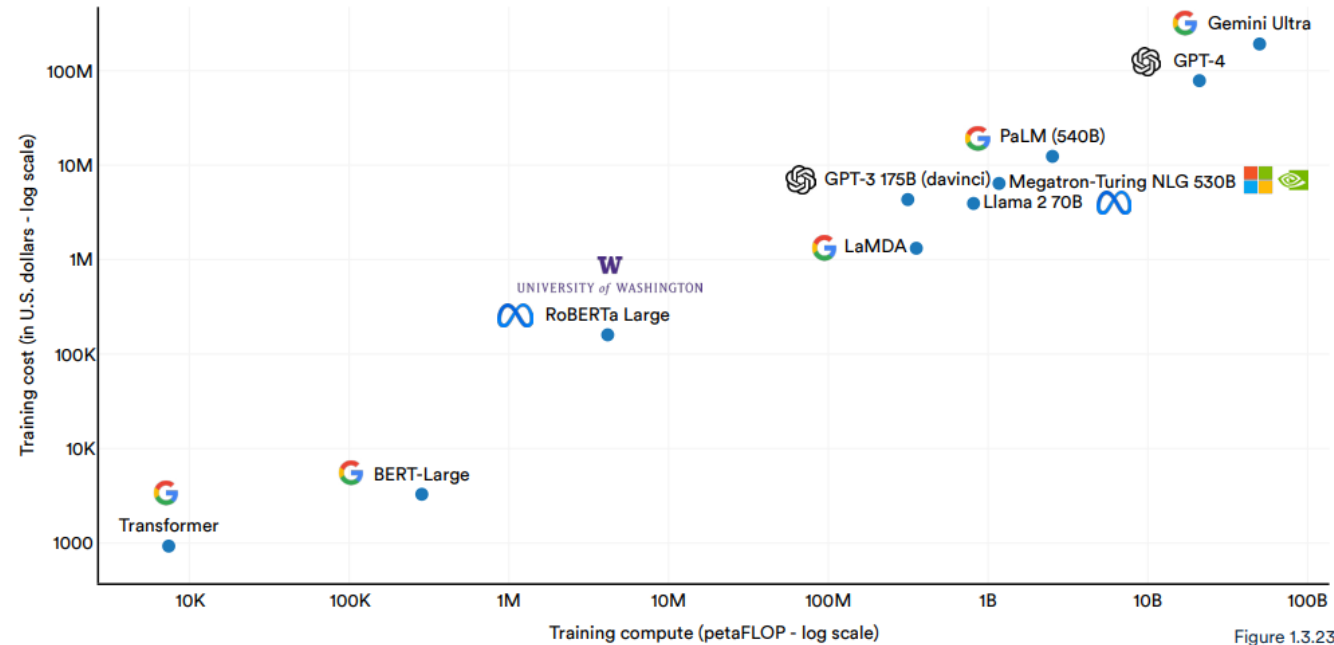
Or other forms of improving models

There are many other opportunities to improve models!

Beyond scaling parameters & data, there are many angles to push on

Better model eval · Local models · Multi-modality · Longer contexts · New architectures

Time

Non-exhaustive, illustrative opportunity set

Source: Bloomberg and DPAM analysis
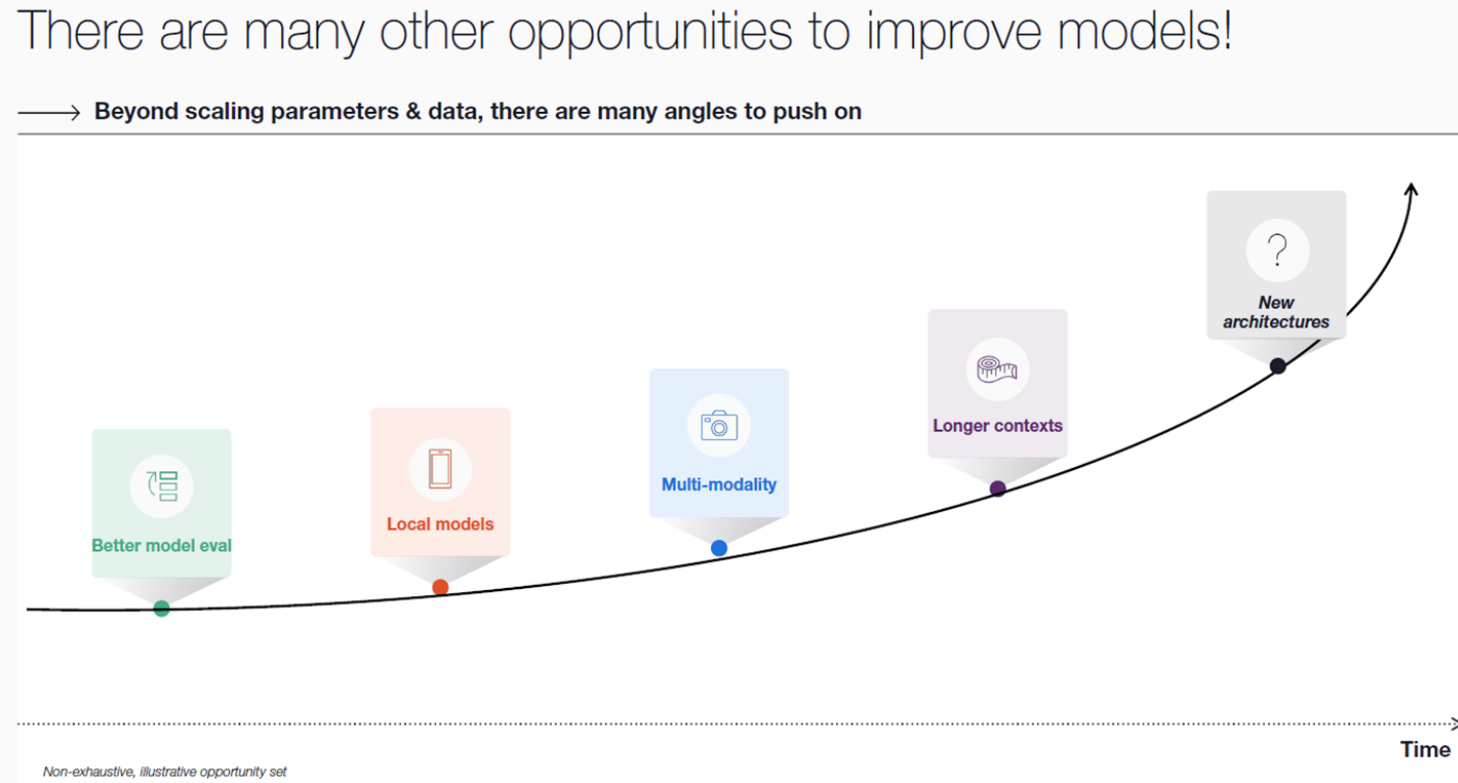
AI model release and capabilities timeline
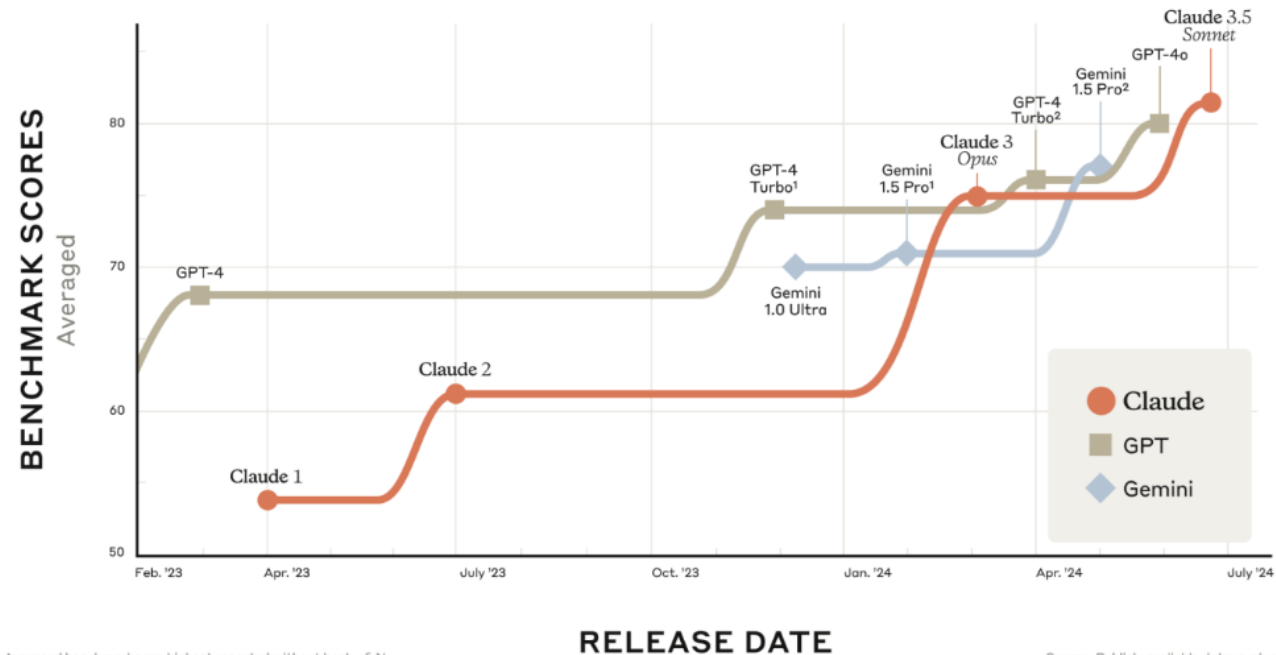
Source: Bloomberg and DPAM analysis

AI isn't better than humans at everything… yet

Select AI Index technical performance benchmarks vs. human performance
Source: AI Index, 2024 | Chart: 2024 AI Index report

Figure 2

Source: Bloomberg and DPAM analysis

"
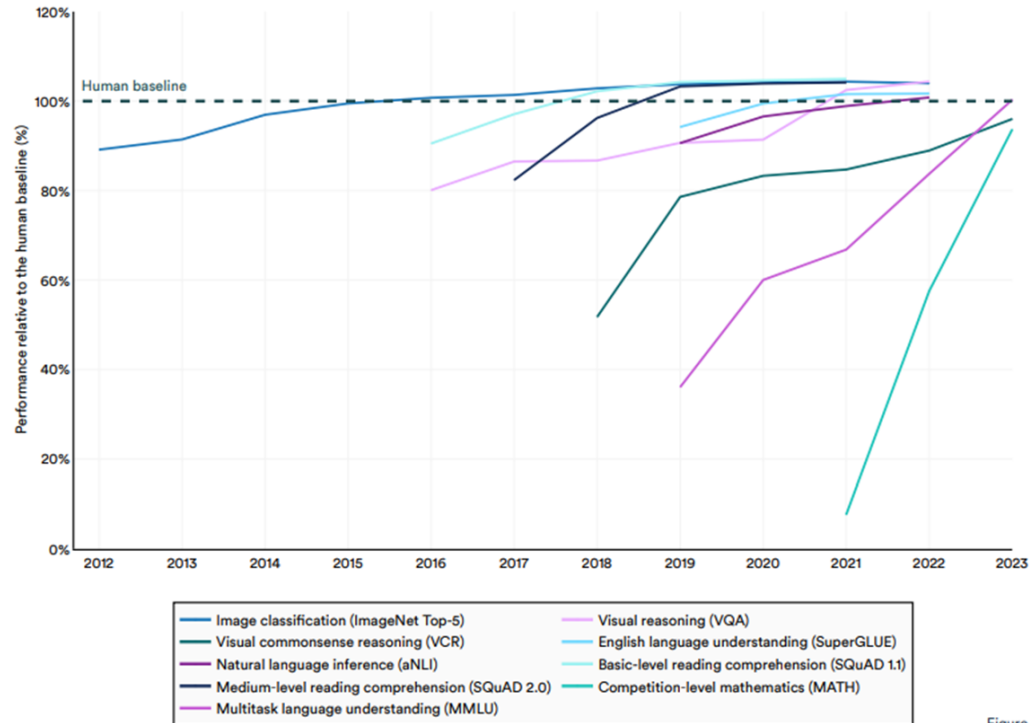
We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run.

Amara's Law

Don't think linearly

1986 Forecast GSM adoption by 2000 from Mickinsey: 900k

Actual adoption in 2001: 109m

"it's too expensive"

"It's a bubble that will soon explode"

"has only limited use for limited amount of people"

"I was wrong"

"I was an idiot"

"I missed the investment opportunity"

Source: McKinsey, DPAM.

Personal Virtual Assistants

Autonomous Driving

Humanoid Robots

Agenda

AI favors incumbents or disrupters?

AI favours incumbents, especially the big tech

Incumbents	Disrupters
Data	Creative
Distribution and audience	Risk-on
Low cost of capital	Fast
Slow and risk averse	No "tech-debt"

AI Mega Trends

	Cloud Computing	"AI is not this separate thing. It is intrinsically bound up with the cloud. Well, for one thing, you **need a data strategy** for AI to work for you at all." – Andy Jassy.
	Edge Computing	"The idea that you could overlay the physical world with things from the digital world could greatly **enhance people's communication, people's connection**." – Tim Cook.
	Chip Complexity	"A **new computing era** has begun. Companies worldwide are transitioning from general-purpose to accelerated computing and GenAI." – Jensen Huang.
	GenAI / Copilot	"Now with natural language, you ultimately in some sense have arrived at that point where it's not about us understanding computers, but **computers understanding us**." – Satya Nadella.
	Cyber Security	"Ransomware attacks are increasing in frequency and severity (…) There is also some evidence that the adversaries are beginning to leverage GenAI as a tool to make **attacks more sophisticated**." – Nikesh Arora.
	Power	"We have a Silicon shortage right now, that will transition to a voltage step down transformer shortage in about a year. In order for everything to go sustainable, to go electric, you **need to triple electricity output**." – Elon Musk.

AI Stack

Applications

SaaS
- Adobe
- Salesforce
- Intuit
- ServiceNow
- Workday

Internet/Consumer
- Meta
- Netflix
- Booking
- Shopify
- Tesla

Corporate
- Visa
- Mastercard
- Moody's
- Intuitive Surgical
- Thermo Fisher

Platforms

Hardware / Cloud / Models
- Microsoft
- Amazon
- Alphabet
- Apple

Tooling / Security
- Palo Alto
- Crowdstrike
- MongoDB
- Datadog

Infrastructure

Equipment
- ASML
- Applied Materials
- Lam Research
- KLA
- Besi
- ASM

Fabless / Design
- Nvidia
- AMD
- Qualcomm
- Broadcom
- Marvell
- ARM

Foundries / IDM
- TSMC
- Intel
- Samsung
- GlobalFoundries
- Texas Instruments
- Micron

Backbone

Data Center / Power supplies
- Vertiv
- Eaton
- Schneider

How we align net zero & risk exposure impact

Science based Targets portfolio coverage approach

The Net Zero Asset Managers Initiative

273 signatures with USD 61.3 trillion in AUM

Carbon Intensive Sectors	Other Sectors
Target	**Target**
75% of portfolio constituents has a Science Based Targets or emissions aligned with a 1.5°C scenario by 2030 (linear increase)	Min. 50% of portfolio constituents has a Science Based Targets or emissions aligned with a 1.5°C scenario by 2030 (linear increase)
Scope: Article 8, 8+ and 9 funds Emissions scope 1 & 2 only (for now) 100% portfolio coverage by 2040	Scope: Article 8, 8+ and 9 funds Emissions scope 1 & 2 only (for now) 100% portfolio coverage by 2040

Engagement until 2025

- Collaborative: annual collaborative engagement via 'CDP SBT campaign.'
- Individual: focus on TCFD assessment scope.

Engagement post 2025

- TBD (more focus on escalation; voting/resolutions/statements/divestment)

Example of engagement
Major controversy at Activision

Invested position in: NEWGEMS Sustainable,
US Dividend Sustainable

02 OCT 2021

DPAM RISG performs **detailed assessment** of the case via its formal Controversial Activities Assessment Process.
Outcome: **agreement on eligibility** in case **company takes strong mitigating measures after engagement** due to significant impact risks of controversy:
- **Operational risk:** 3 main developers were fired. Possible repercussions on talent retention and acquisition.
- **Financial risk:** main sponsors abolished contract with Activision due to allegations. More to follow in case company does not take appropriate action
- **Reputational:** Controversy did not appear to have hurt game use. Main bloggers and game advocates did stage some (online) protests.
→ **Engagement letter prepared**

04 NOV 2021

A group of Activision Blizzard shareholders and more than 800 employees called for the resignation of CEO Bobby Kotick after it was revealed he was aware of sexual misconduct allegations at the company and purposefully fought to keep accused people in a position of power while hiding it from the board. Share- and stakeholders also called for board directors Brian Kelly and Robert Morgado to step down.

JUL 2021 / 01

The California Department of Fair Employment and Housing filed a lawsuit against Activision Blizzard for paying women less, gender discrimination and sexual harassment. The suit says women were assigned lower-level jobs, promoted at slower rates than men, and fired or forced to quit at higher frequencies than men. The lawsuit alleges that the company's executives and human-resources personnel knew of the harassment and failed to prevent such conduct, instead retaliating against women who complained. The company said the lawsuit includes distorted, and in many cases false, descriptions of its past, and that it strives to pay all employees fairly.

Note: Activision is;
- UN GC compliant
- Not within scope of exclusion policy
- No significant other controversies (level 4 or 5)
→ **Internal assessment** by PMs and RICC
→ Decision is made to **further investigate** the issue:
- **Discussion** on Responsible Investment Steering Group
- **consulting** extra-financial data provider Sustainalytics

OCT 2021 / 03

Company announces remediation measures:

1. Launching a new company-wide zero-tolerance harassment policy
2. Increase the percentage of women and non-binary people in our workforce by 50% and will invest $250 million to accelerate opportunities for diverse talent
3. Based on employee feedback, waiving required arbitration of sexual harassment and discrimination claims
4. Increased visibility on pay equity
5. Regular progress updates and significant cut in CEO pay until diversity targets are reached

FEB 2022 / 05

Microsoft announced intention to purchase AB. We reached out to MSFT to understand how they mitigate human capital risk due to the acquisition. We received positive feedback, reassuring the potential risks.

ACTIVISION

This proxy season
- Voted to oust the CEO, and two board members due to close involvement in controversy. Voted against the pay practices.
- Risks seem manageable:
  - Operational risk: largest, due to employer reputation impact
  - Financial risk: limited, investments offset by lower management remuneration
  - Reputational risk: no big impact to game use.

Example of engagement
Continuous push for better working conditions

02
APR 2022

DPAM RISG performs **detailed assessment** of the case via its formal Controversial Activities Assessment Process.

Outcome: **agreement on eligibility** in case company takes clear action to lower injury rate, continuously issues a health & safety report and take tangible action to achieve its own goal of lowering of lowering its injury rate by 50% by 2025.

→ **Engagement letter prepared and sent**

04
APR 2022

DPAM co-filed a shareholder proposal during the AGM of Amazon to conduct a third-party audit of the company's warehouse working conditions.

The shareholder resolution did not gather enough votes to pass (42.8% of adjusted votes), although significant efforts were made to lobby the proposal with proxy voting agencies and major Amazon investors

amazon

To be planned:
Risks seem manageable:

- Operational risk: largest, due to employer reputation impact, lack of workers to staff Amazon warehouses
- Financial risk: limited, massive automation effort of Amazon might lower need for human resources
- Reputational risk: no big impact to Amazon online sales.

Internal ESG analysis of Amazon's ESG profile, depicts a significantly higher rate of employee injuries compared to other US warehouse peers. The company was going to issue a dedicated report with a focus on health & safety of workers.

Note: Amazon is;

- UN GC Watchlist status;
- Not within scope of exclusion policy
- No significant controversies (level 4 or 5)
- → Decision is made to **further investigate** the health & safety issues based on AMZ's latest health and safety report.

DEC 2021

01

- → An internal report on the company's Health & Safety practices was presented for the Responsible Investment Steering Group (RISG).
- → The company's environmental credentials make for a compelling investment from a E perspective.

DEC 2022

03

Due to a lack of reaction, DPAM joined an engagement initiative with 35 other Amazon investors to challenge the company's practices and reporting on health and safety and alleged union hampering activities. Amazon did respond and highlighted its past achievements.

1. 2021, the company invested over $300 mio in safety improvement;
2. A very strong drop in Lost Time injury rate in 2021 and 2022, although an increase in light duty could be observed;
3. Programme put in place with the US National Safety Council to combat musculoskeletal disorders;
4. Hiring of 6200 additional employees with a sole focus on health & safety.

DPAM L Equities Artificial Intelligence
Share Class Details

ISIN	Share class	Currency	Distribution type	Client Type	Status	Countries registered for sale												
						BE	LU	NL	FR	CH	DE	AT	IT	ES	PT	UK	FI	SE
LU2799769083	A	EUR	Dist	Retail	Launched	◆	◆					◆		◆				
LU2799769166	B	EUR	Cap	Retail	Launched	◆	◆		◆			◆		◆				
LU2799769240	B USD	USD	Cap	Retail	To be launched	◆	◆	◆	◆			◆		◆				
LU2799769323	E	EUR	Dist	Instit	To be launched	◆	◆					◆		◆				
LU2799769596	F	EUR	Cap	Instit	Launched	◆	◆		◆			◆		◆				
LU2799769679	F USD	USD	Cap	Instit	To be launched	◆			◆			◆		◆				
LU2799770099	L	EUR	Cap	Retail	To be launched		◆											
LU2799770255	V	EUR	Dist	Retail	To be launched	◆	◆	◆				◆		◆				
LU2799770339	W	EUR	Cap	Retail	To be launched	◆	◆		◆			◆		◆				
LU2799770412	W USD	USD	Cap	Retail	To be launched	◆	◆	◆	◆			◆		◆				

Source: DPAM, May 2024

DPAM L Equities Artificial Intelligence
Share Class Details - Fees

ISIN	Share class	Currency	Minimum investment	Entry fee	Exit fee	Management fee	Performance fee	Ongoing costs	Transaction costs
LU2799769083	A	EUR	0.001 share	Maximum 2%	0%	1.65%	-	1.98%	0.20%
LU2799769166	B	EUR	0.001 share	Maximum 2%	0%	1.65%	-	1.98%	0.20%
LU2799769240	B USD	USD	0.001 share	Maximum 2%	0%	1.65%	-	1.98%	0.20%
LU2799769323	E	EUR	EUR 25'000	Maximum 1%	0%	0.83%	-	1.12%	0.20%
LU2799769596	F	EUR	EUR 25'000	Maximum 1%	0%	0.83%	-	1.12%	0.20%
LU2799769679	F USD	USD	USD 25'000	Maximum 1%	0%	0.83%	-	1.12%	0.20%
LU2799770099	L	EUR	EUR 1'000	Maximum 2%	0%	2.48%	-	2.81%	0.20%
LU2799770255	V	EUR	0.001 share	Maximum 2%	0%	0.83%	-	1.16%	0.20%
LU2799770339	W	EUR	0.001 share	Maximum 2%	0%	0.83%	-	1.16%	0.20%
LU2799770412	W USD	USD	0.001 share	Maximum 2%	0%	0.83%	-	1.16%	0.20%

Entry Fee: Maximum fee applicable when purchasing a sub-fund. Actual rates may be lower. Contact your financial advisor or distributor for more information. The entry fee reduces the potential growth and return on your investment.

Swing pricing: this sub-fund applies swing pricing. In accordance with the terms of the prospectus, the Board of Directors of the SICAV DPAM L determines the threshold value and the value of the swing factors. Please consult the website https://www.dpaminvestments.com to know the applicable threshold value and swing factors.

Source: DPAM, May 2024

Our Offices

BE — **Head Office -** Rue Guimard 18,
1040 Brussels
+32 2 287 91 11
Belgium

ES — Paseo de la Castellana 141,
28046 Madrid
+34 91 5720 366
Spain

FR — Rue de Lisbonne 44,
F-75008 Paris
+33 1 73 44 57 60
France

CH — **Affiliate** – Bld Georges-Favon 20,
1204 Geneva
+41 22 320 19 75
Switzerland

DE — Wiesenhüttenplatz 25,
60329 Frankfurt am Main
+49 69 56 60 82 531
Germany

IT — Corso Europa 15,
20122 Milano
+39 02 12412 4673
Italy

LU — Rue Eugène Ruppert 14,
L - 2453 Luxembourg
+352 45 35 45 23 05
Luxembourg

NL — De Entree 234 unit 5,
1101 EE Amsterdam
+31 6 2987 8338
Netherlands

HK

Joint venture –
Syncicap Asset Management
2801-02, 28th floor, Man Yee
Building 68 Des Voeux Road,
Central, **Hong Kong**
+852 3842 8200

** Syncicap Asset Management
is a joint venture between
DPAM & OFI Invest.*

dpaminvestments.com

funds.dpaminvestments.com

dpam@degroofpetercam.com

/company/dpam