



AI: Opportunities in Equity Sectors in 2024

Rebecca Chesworth

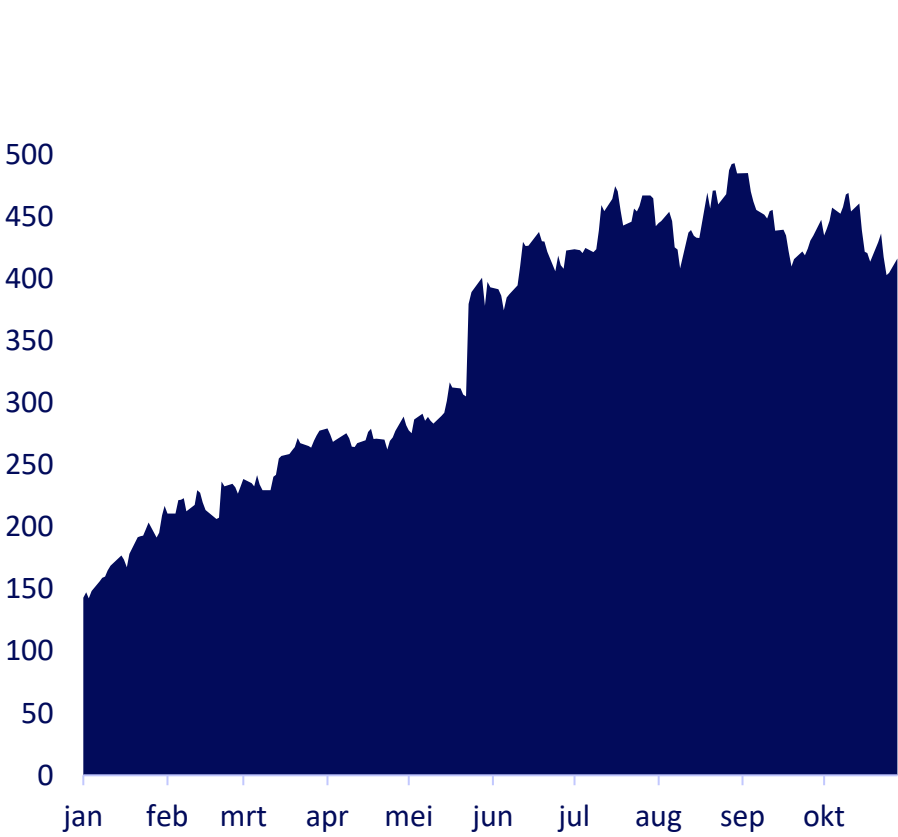
Senior Equities Strategist, SPDR ETFs

Q4 2023

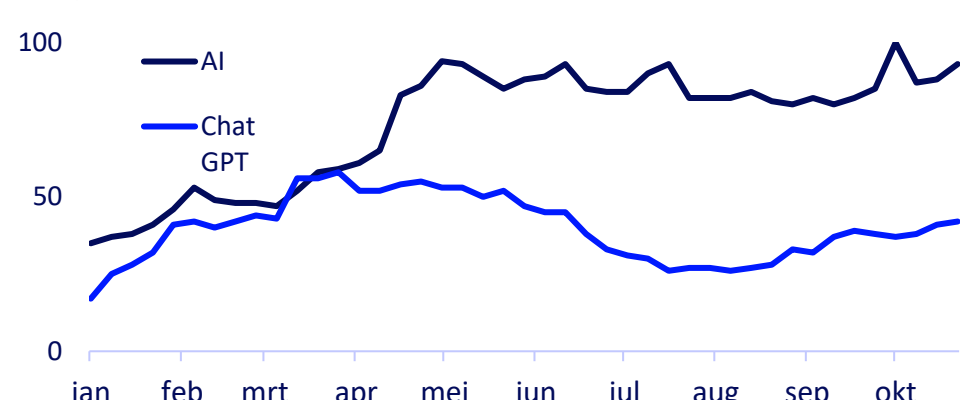
Everything, everywhere, all at once

AI: Initial excitement peaked but not the implications

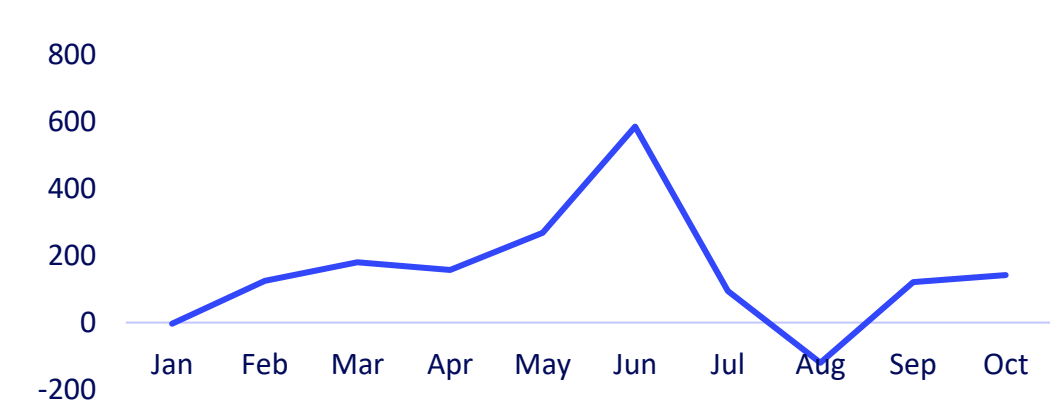
NVIDIA share price (\$)



Google searches for "AI" & "ChatGPT"



Monthly net flows into AI thematic ETFs (\$m)



Source: Bloomberg Finance L.P. Google Search; Morningstar as of 30th October 2023. Total net flow into six AI or AI & Robotics UCITS ETFs – as defined by Bloomberg screen of ETFs. Past performance is not a guarantee of future results. References to specific company stocks should not be construed as recommendations or investment advice. The information contained above is for illustrative purposes only.

AI: More than just generative applications

Potential boost to economic growth everywhere

Productivity of
workers

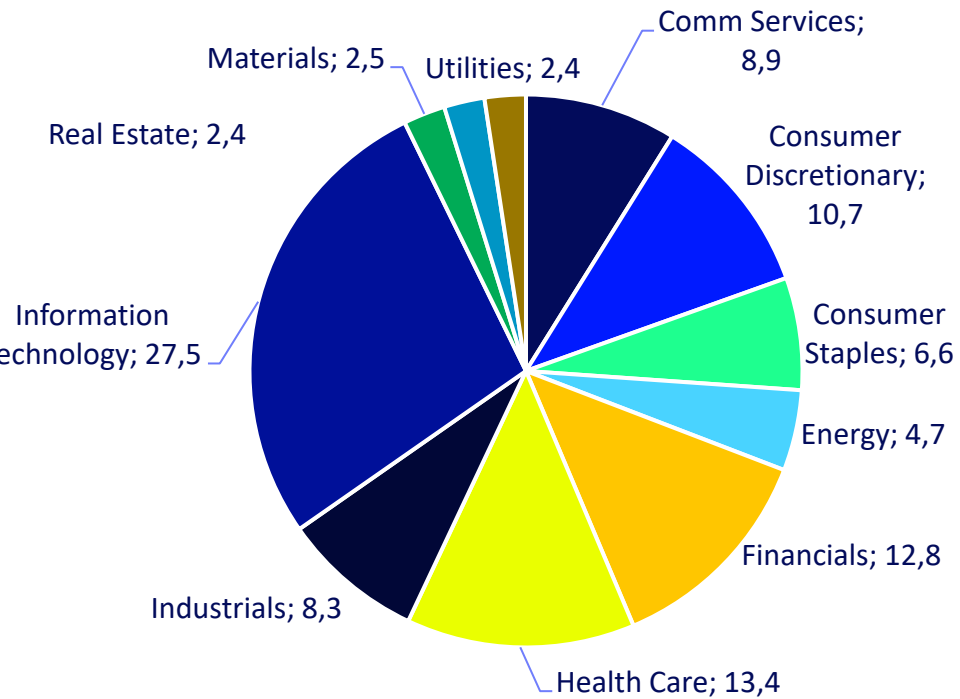
Labour
replacement
(ie cost savings)

Re-employment
of displaced
workers

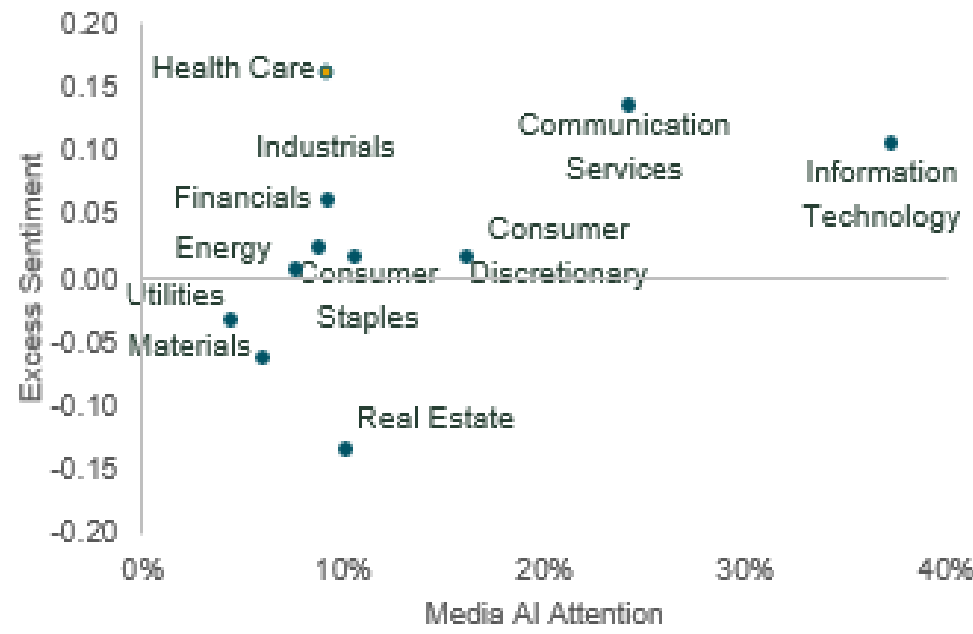
Reports this year have suggested a 1-1.5% p.a. boost to global GDP growth

AI: Everywhere, but economic impact will vary

Sector weights in S&P 500 Index (%)



AI Narrative: attention & excess sentiment by sector

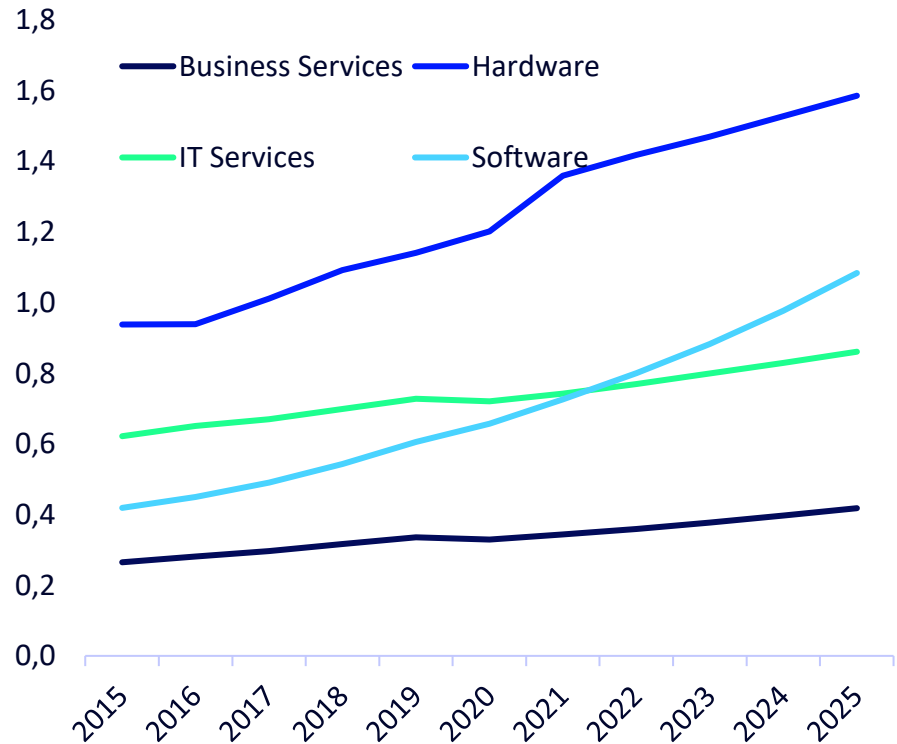


Source: Bloomberg Finance L.P. 30th September 2023. State Street Global Markets; MKT MediaStats 17th July 2023

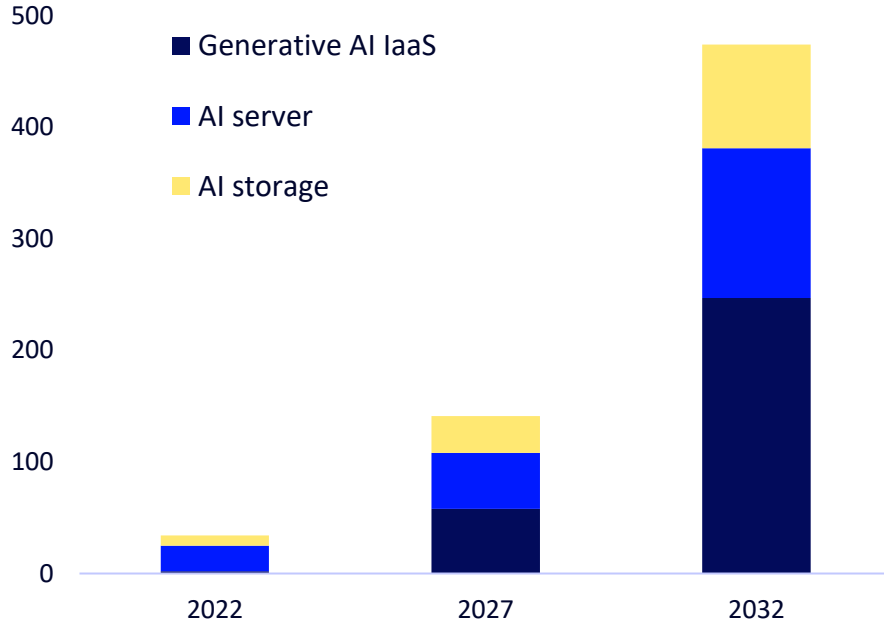
AI: Impact on Technology

AI spending reinforces existing trends in Cloud, Cybersecurity, etc

Global technology spending (\$tn)



Revenue from training AI (\$bn)

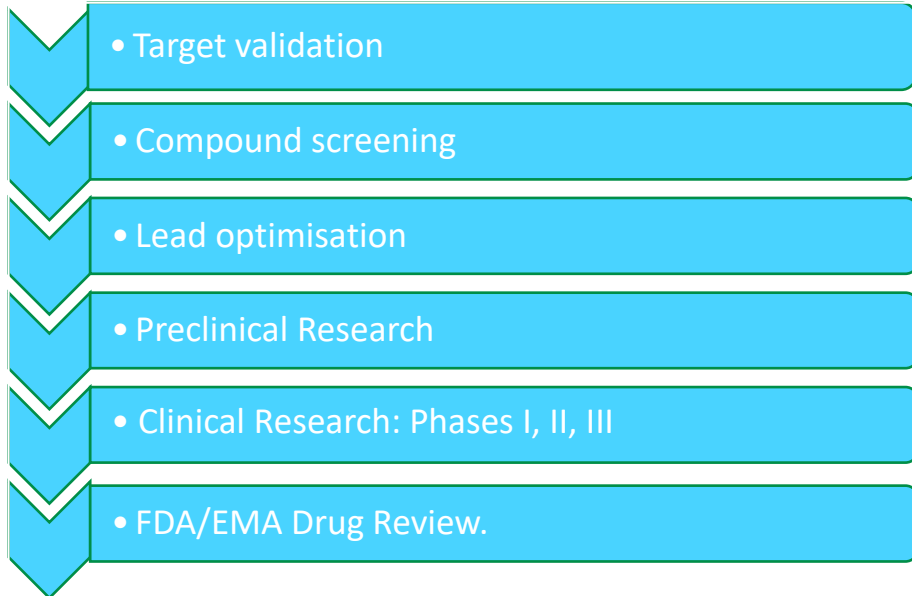


Source: Bloomberg Finance L.P 1st September 2023. The information contained above is for illustrative purposes only

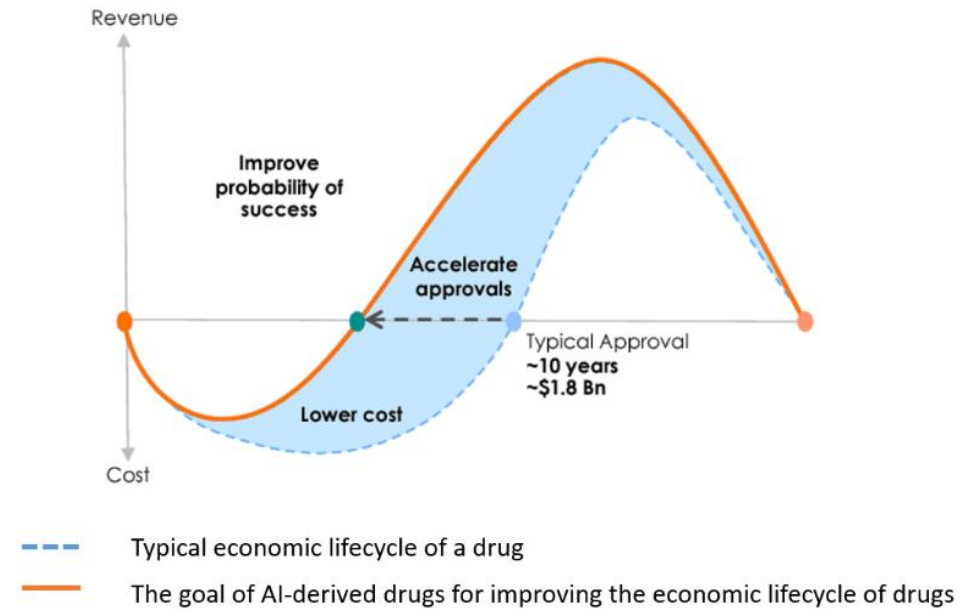
AI: Impact on Health Care

Underappreciated innovation

Drug discovery takes 10-15 years, cost > \$1bn, failure rate > 90%



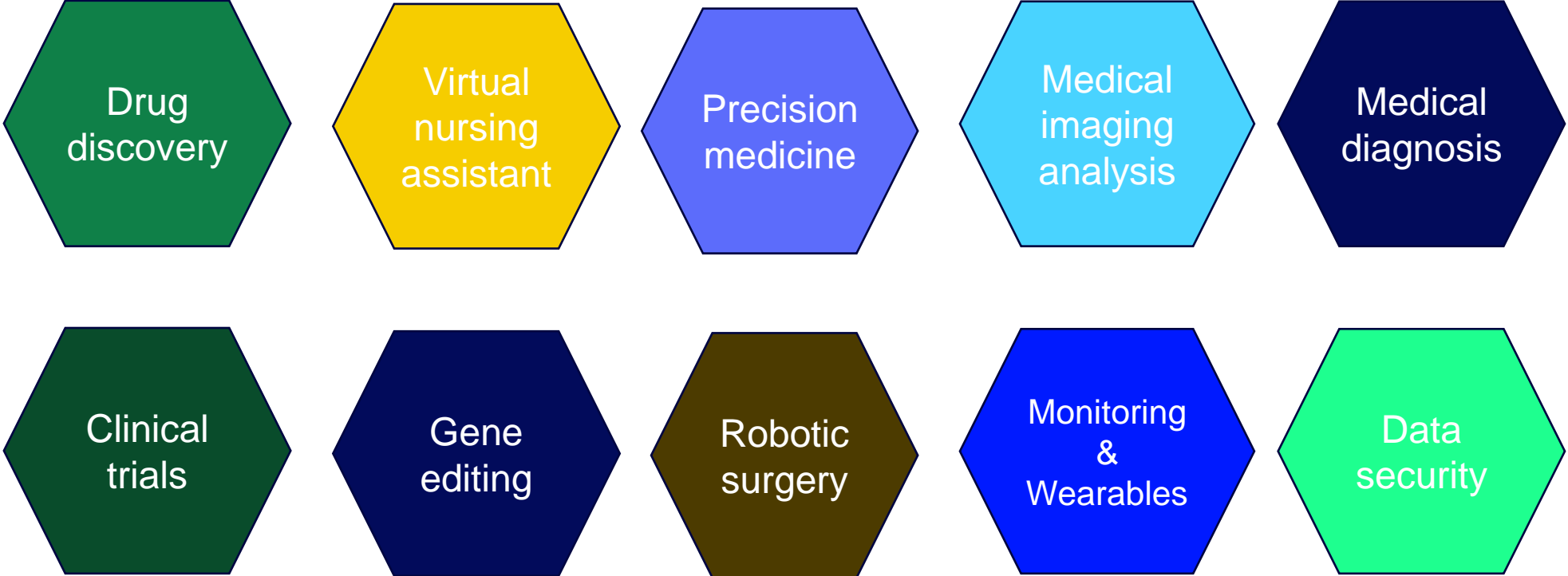
Application of ML could achieve faster cycle, lower cost, higher success rate



Source: Adapted from FDA, DeepPharmaIntelligence, Exscientia 31st August 2023. The Information contained above is for illustrative purposes only.

AI: Impact on Health Care

Many current use cases



Source: SSGA. The Information contained above is for illustrative purposes only.

AI: Impact on Industrials

New revenue streams & solutions

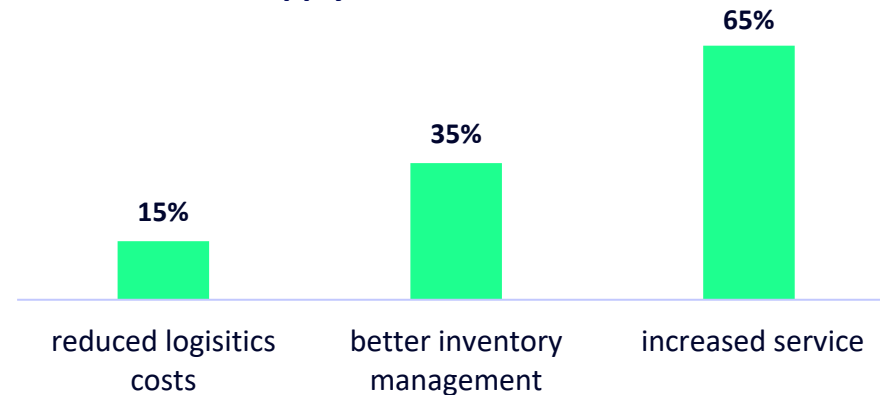
Application of AI may help:

- Inventory Management
- Warehouse optimisation
- Fleet management
- Procurement

CAGR of 33% in AI in Military market

- Demand for tech hardware & components
- Specialist software providers & cybersecurity
- Defence system integrators

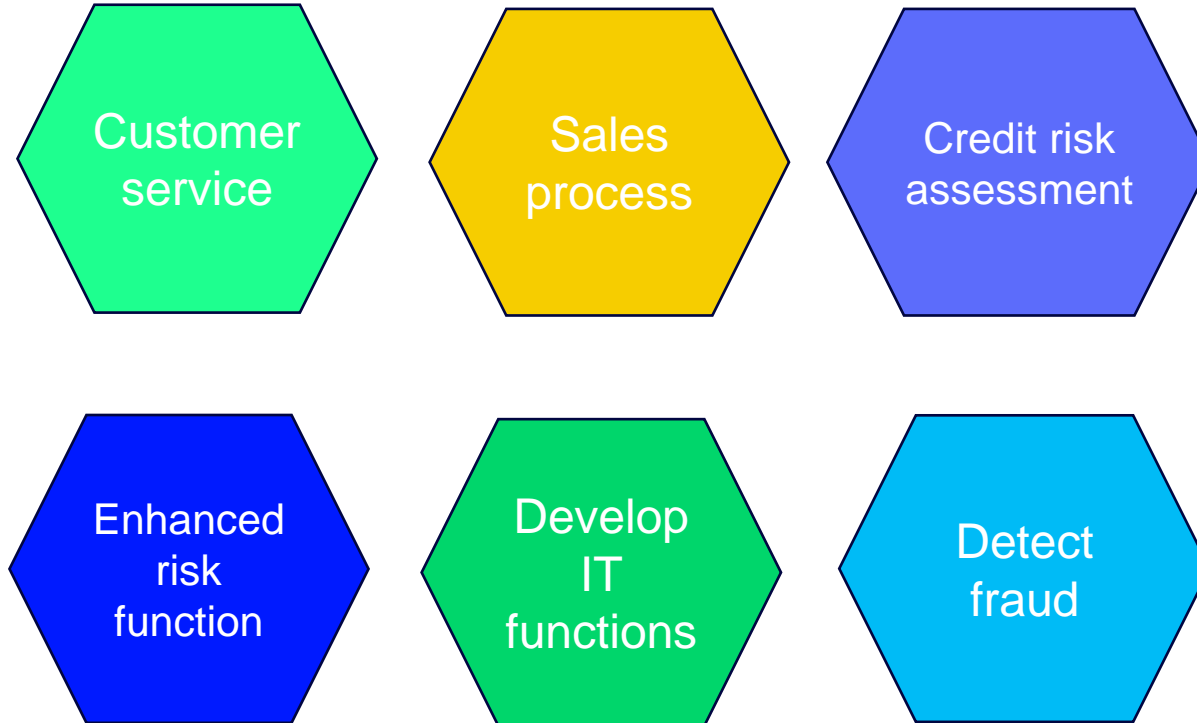
Benefits for supply chains



Source: BBG, McKinsey from logistics managers expectations, 1st June 2023. This information should not be considered a recommendation to invest in a particular sector shown. It is not known whether the sectors or securities shown will be profitable in the future. Past performance is not a reliable indicator of future performance. The information contained above is for illustrative purposes only.

AI: Impact on Financials

Current use cases of AI



Key role in Insurance already:

1. **Acceleration of digitisation & automation** - most advanced with P&C
2. **New underwriting processes**, more personalised insurance
3. **New insurance propositions** (e.g. self-driving cars)
4. **Processing of claims** – especially where high-frequency, low-cost
5. **Demand for cybersecurity** prevention & insurance

Source: SSGA. The Information contained above is for illustrative purposes only.

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