



ODDO BHF

FOCUS *on Artificial Intelligence*

April 2025



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THE ARTIFICIAL INTELLIGENCE REVOLUTION: *Progress without brakes?*



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It's now a race — not just between tech giants but also between nations. In my view, this race won't slow down. It's a kind of "prisoner's dilemma": no one trusts the other side to stop, so both accelerate.

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THE RACE CONTINUES!

The past few years have been nothing short of extraordinary for artificial intelligence. **Since ChatGPT's debut in late 2022, the pace of advancement has been relentless.** Today, models like Grok 3, GPT-4o, and DeepSeek R1 are vastly more powerful than their predecessors, evolving at an exponential rate. The cost of computing power keeps dropping, and as a result, intelligence is effectively doubling every six months.

This is no longer just about technological progress—it's a full-scale competition. Nations and corporations are locked in a race to dominate AI, each pushing the limits further. The U.S. ***Stargate*** initiative and China's Start-up DeepSeek show that no one is willing to slow down. This race has become a strategic imperative, and in my view, there's no turning back.

AI REASONING: A GAME CHANGER

Despite these breakthroughs, I believe we are only scratching the surface when it comes to AI's true potential. **The biggest leap forward isn't just about making AI faster—it's about making it think.**

Earlier models generated instant responses, but the new generation is different. These AI systems now take time to analyze, break down problems, and structure their reasoning step by step. **This brings us into a new era—one where AI isn't just a tool, but an intelligent system capable of deep understanding.**

This shift has massive implications for the economy. **We are witnessing the replacement of labor with capital, where AI-driven productivity is set to transform industries at an unprecedented scale.**



But this also means that computing power demands are skyrocketing. **The AI of 2023 was just the beginning—what's coming next will require even greater infrastructure and investment.**

THE DEEPSEEK SHOCKWAVE

When DeepSeek R1 was launched in early 2025, the market reaction was immediate. For the U.S, it was a **Sputnik moment**, a stark realization that China is far closer in AI development than many had assumed. The response has been swift: the **Stargate** program, a \$500 billion initiative, aims to ensure that the U.S. remains ahead.

From an investment standpoint, this is a game-changer. Historically, the U.S. has led innovation, and China has been able to replicate and industrialize those advancements at a fraction of the cost. That's exactly what's happening in AI right now. DeepSeek, and the optimization technologies it represents, are likely going to make AI far more accessible worldwide.

DOES NVIDIA STILL DOMINATE?

DeepSeek's rise has sparked debate about Nvidia's dominance. Some believe that more efficient AI models could reduce the need for Nvidia's expensive high-performance chips. Others point to concerns about overinvestment, with major clients like Microsoft and suppliers like TSMC possibly buying more than they need.

But here's the reality: According to us, **Nvidia is far more than just a chip manufacturer. It owns the entire AI ecosystem.** Its customers include hyperscalers like Google, AWS, and Microsoft, as well as governments building sovereign AI systems and startups working on groundbreaking reasoning models. While it's true that AI is becoming more efficient, it's also becoming more complex. And with reasoning-based AI demanding significantly more computing power, Nvidia's role remains critical. The key challenge will be whether it can continue to push performance to new heights.

HOW CLOSE ARE WE TO AGI?

Are we approaching Artificial General Intelligence (AGI)—the point at which AI reaches human-level cognitive abilities? Frankly, I think we're already there, or at least extremely close.

What's fascinating is that AI is now driving its own progress. It is no longer just humans training these models—AI is learning from AI, using synthetic data to refine itself.

This self-improving cycle changes everything. **It means we are entering a phase where AI development is no longer entirely in human hands.** And once that process reaches critical mass, there is no going back. **The impact of this shift—both positive and negative—is something we need to start thinking about now.**

AI'S TRANSFORMATIVE ROLE IN HEALTHCARE AND SOCIETY

One of the most exciting applications of AI is in healthcare. The work done by **AlphaFold**—an AI system developed by DeepMind—has been revolutionary. Determining the structure of a single protein used to take years of research; now, AI can do it in moments for millions of proteins. This could accelerate drug discovery, personalize medicine, and even extend human longevity.

Beyond healthcare, AI has the potential to address some of society's most pressing challenges. It can democratize knowledge, reduce poverty, and provide unprecedented access to education. In elder care, humanoid robots could offer new solutions for supporting aging populations. **From our point of view, this isn't just a technological shift—it's a fundamental transformation of how we live and work.**

THE RISKS WE CAN'T IGNORE

That said, the AI revolution isn't without risks. The replacement of human jobs raises serious questions about the future of work. If people define their lives through their careers, what happens when entire professions disappear? **Finding new meaning and purpose in a world dominated by AI will be one of the greatest social challenges of our time.**

There's also a geopolitical dimension to this. AI, like any powerful tool, can be used for both good and harm. If the most advanced AI systems fall into the hands of authoritarian regimes, they could become tools of control and oppression. **That's why we're seeing massive investments—not just in technology, but in ensuring that the future of AI aligns with democratic and ethical principles.**



INVESTING IN THE AI REVOLUTION

AI is, according to us, the most disruptive force of our era, and over the next decade, it will redefine entire industries. The key to navigating this transformation is identifying companies that will benefit from the AI revolution - within and outside of the tech sector - which have sustainable growth, strong profitability, and visionary leadership. With our thematic equity fund *ODDO BHF Artificial Intelligence*, we invest in 15 different sectors. Healthcare has always been a major focus, but we've also expanded into renewable energy, financial technology, and other

high-impact industries. While North America remains at the heart of our strategy, the resurgence of China — driven by DeepSeek—has become impossible to ignore.

However, investing in AI is not without risk, as can be the case with any new technology.

As William Gibson once said, "*The future is already here—it's just not evenly distributed.*" AI is shaping that future faster than ever, and we are committed to being at the forefront of this transformation.

MAIN RISKS

ODDO BHF Artificial Intelligence is primarily exposed to the following risks: Capital loss risk, Equity market risk, Risk associated with holding mid-cap stocks, Market volatility, Liquidity risk of underlying assets, Modelling risk, Currency risk, Risk associated with emerging markets, Risk associated with investments in China

Investors are encouraged to consult the Key Information Document (Document d'Information Clé) and the fund prospectus for a detailed overview of the risks associated with the fund.

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