

## MANAGER MINUTES

### THE NEXT FRONTIER FOR AI GROWTH

First, last year, a very strong year. The Magnificent Seven, which gets a lot of the headlines, accounted for 43% of global equity market return last year. That's pretty amazing. However, during the fourth quarter, we did start to see, for the first time in a while, some broadening out under the hood of emerging growth leaders, more mid to large cap companies, which we think portends well for so far this year.

I want to talk a little bit more about gen AI and what's going on. It's moving very quickly. It's very dynamic. The progression of what large language models are able to generate in terms of information, in terms of improving process, improving productivity is accelerating as we speak. But it's also very volatile. So, we, of course, have been in this big infrastructure build out. Right. It's two years old now where we're building very large data centers with increasingly highly sophisticated GPUs to do the accelerated computing. That continues, we think, unabated right now. But on top of that, we're actually seeing dramatic improvements in algorithms. So, on the software side of AI, that are leading to huge efficiency gains.

And it's a very exciting development because it means the speed to market, to getting low-cost gen AI applications into the marketplace, is probably going to accelerate this year.

Given these markets, we look at three big clusters. One cluster is AI-related. Right? It's not just companies that are now selling semiconductors or networking equipment. It's the whole ecosystem around it. And the software applications that are coming through that system now hitting the market and companies that are benefiting from process improvement and productivity gains. So it's an all-encompassing kind of thesis within the portfolio. And we do think it will continue to evolve this year, next year and beyond to more of the application side, less on the physical infrastructure side. That's just natural. The second is on the consumer front. It's always a rich hunting place. You know, coming off a big fed tightening cycle and rising inflation, you did get a cyclical slowdown. It got a little tougher last year. But we're through that. So now when we look out, we're just looking for those idiosyncratic ideas that are very unique, unique product positioning, very unique product cycles, where consumers are moving their money, you know, all of these exciting opportunities and they're global. So it happens everywhere.

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