

# EXECUTIVE SUMMARY



- ▶ **The Covid-19 pandemic has hugely accelerated take-up of artificial intelligence (AI).** It is forcing companies to rethink their approach to intelligent automation, speeding the spread of AI-based technologies from the tech and internet sectors through the rest of the economy. Early adopters stand to gain huge competitive advantages.



- ▶ **While the holy grail of “artificial general intelligence” remains distant, the real-world applications of AI in its current form will be hugely economically significant.** AI works best today when carrying out limited and well-defined tasks, where large amounts of data are available to train the algorithms effectively.



- ▶ **AI is set to boost economic productivity as soon as three to five years from now.** Businesses are deploying AI to cut costs, grow revenues and enable disruption, although it remains in its early stages of development. Similarly to personal computers and other “general purpose technologies” such as electricity and the internet, AI will prove a powerful tool for creating economic value.



- ▶ **Active portfolio managers will be challenged to identify and invest in “superstar companies” that successfully use AI to sharpen their competitive edges and dominate their respective sectors.** All industries are now adopting AI; it is just a question of how quickly. In time, it will affect many stocks in an investment portfolio.



- ▶ **AI will create formidable “economic moats” enabling businesses to establish and maintain competitive advantages.** Leaders in AI are set to benefit from a virtuous circle: advances in AI lead to better products and services that attract more users, who provide more data, which leads to further advances in AI. This cycle will also benefit companies by helping them to attract the best people and grow profitability, fostering still more investment in AI. AI leaders will increase their returns on capital significantly. Meanwhile, some undervalued companies face major challenges to their business models and may not exist 10 years from now.

