



BENEFITING FROM DISRUPTION: 5G AND ARTIFICIAL INTELLIGENCE INNOVATIONS



Some themes are joining heavy trends, known as 'structural' or 'secular'. They are thus deployed with little sensitivity to the economic cycle. This is the case of 5G and Artificial Intelligence. The strength of this theme has been seen in its clear outperformance during the health crisis. The outlook remains excellent.

OUR RECOMMENDATIONS

- This theme has gained in importance with the Coronavirus crisis, which revealed major constraints on networks and businesses: digital transformation must accelerate.
- This theme is global and can be applied to all equity markets.
- A long-term investment horizon is required due to the structural nature of these disruptions.
- This is an aggressive investment: volatility well above average and higher capital risks

RISKS

- Innovation is developing at such a fast speed that the idiosyncratic risks are very high. Broad diversification is necessary.
- The Coronavirus crisis is weighing heavily on the capacity of companies to invest (cash flow contraction) and this could create delays in capital expenditure.
- Risks of a political nature exist, since 5G and AI are seen as key to the competitiveness of nations.



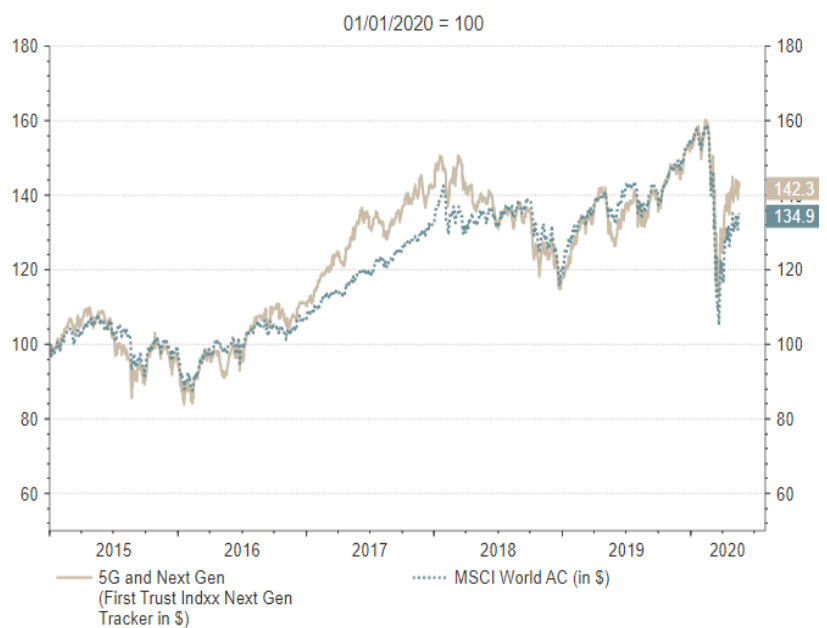
The Coronavirus crisis: an accelerator of trends

Lockdown imposed on people on all five continents led to an intensive use of the internet. In the United States, for example, surfing has exploded by 50% over the past two months. Various services, such as Netflix or Facebook, were forced to reduce the quality of their streaming by 25%. Consequently, the need to modernise communications infrastructure has become more than urgent.

Among fiscal stimulus measures, spending on 'new' infrastructure - with a strong focus on technology - should be a top priority.

For businesses, relocation and digitalisation are becoming a real priority.

Theme 4: 5G and digital



Investing in the most disruptive trends

5G - the fifth generation of wireless technology - represents a powerful catalyst for digital transformation. It is multiplying the possibilities of Artificial Intelligence, the Internet of Things, Industry 4.0 and Cloud Computing. These prospects are made possible by a huge leap forward in terms of velocity, throughput and minimum latency time. Another important asset is the sharp reduction in energy consumption.

Artificial Intelligence is considered as a technology that can be embedded in almost every stage of a company's value creation process.

It can benefit numerous sectors: media, telecom operators, consumer staples, financial services and health care. Its main advantages are improved productivity, lower costs and human-machine collaboration.



THEME 01 – High-quality stocks p.4

We must now favour companies which have high profitability, limited debt, low profit variability and large cash reserves.



THEME 02 – Defensive solutions p.5

The trend is to search for alternative returns via good quality corporate bonds, hedge funds and structured products.



THEME 03 – De-globalisation p.7

Protectionist trends and dependence on international supply chains are expected to lead to a stabilisation and even a decline in international trade in the long term. This 'deglobalisation' should provide opportunities for some companies or even for some countries. In particular, producers of goods and services which substitute imports are well positioned to benefit from this trend. The same is true for emerging market countries which compete with China.



THEME 04 – Digitalisation and technological innovations p.9

Alongside the trends in health care, this is one of the most marked trends: 5G and Artificial Intelligence will benefit from the increased communication and data needs generated by the crisis.



THEME 05 – Innovations in health care p.11

This sector is growing faster than the rest of the economy. Thanks to digitalisation, analytics, database management and Artificial Intelligence, the way treatment/care is given will change considerably at all levels and generate a wave of capital expenditure.

All the themes proposed at the beginning of the year remain attractive but will not be detailed in this document. However, an update on their performance since January is available at the end of this document.

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