



# Artificial Intelligence (AI)

**>50%**

Growth by AI in just 10 years through 2025, according to McKinsey<sup>1</sup>

**\$15.7 tn**

Contribution to world GDP in 2030<sup>2</sup>, which is more than China's and India's combined GDP

**\$100 bn**

Estimated volume of AI software revenues in 2025<sup>3</sup>



## Artificial intelligence is not science fiction

It is already a **reality** that is making people's daily lives easier, through such applications as speech recognition and automatic translation systems

## What is artificial intelligence?

In simple terms, artificial intelligence can be defined as the **intelligence exhibited by machines**.

It is applied when a machine, program or algorithm is capable of **mimicking typical human cognitive functions**, specifically: learning, reasoning, decision-making and problem solving.

The concept was formally coined in the 1950s, but it is only **in recent years** that we have been witnessing a boom in this new technology.

**Why?** There were two essential requirements for AI to take off:

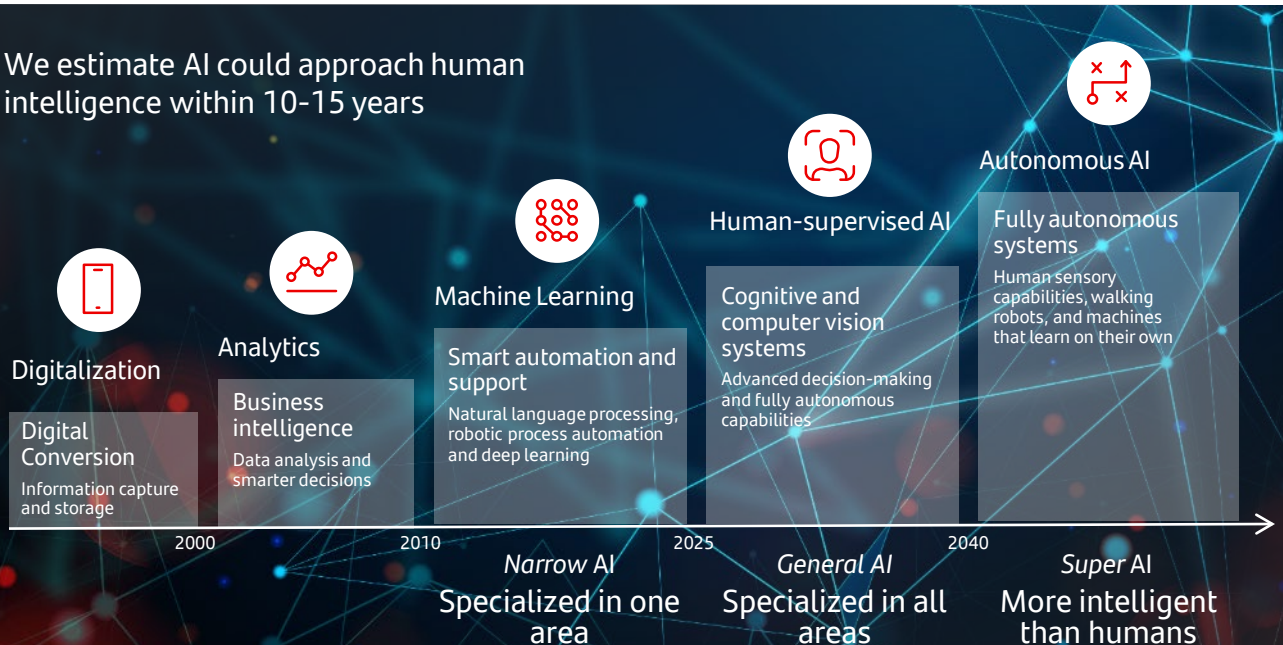
- **Development of computing capacity:** increasingly more powerful, smaller and faster computers (Moore's Law: computational capacity doubles approximately every two years).
- **The arrival of Big Data:** data is the "food" that nourishes AI. Machines need a huge volume of data to learn.

## Why now?

AI is still at a very early stage of development of AI. We are just beginning to glimpse some of its potential. Technically, we are in a **transition** between what is known as "*narrow AI*" and "*general AI*":

- The **current phase (narrow AI)** is characterized by machines using learning systems — machine learning and deep learning — and specializing in a single task, in which they are able to outperform a human.
- In the next **phase (general AI)**, it is expected that programs and algorithms will continue to be supervised by humans but will be applied to several tasks simultaneously, with decision-making being more agile and efficient.

We estimate AI could approach human intelligence within 10-15 years



Source: Allianz Global Investors, oct 2018



# Why is Artificial Intelligence so important?

Artificial intelligence is one of today's major disruptive forces, and we believe it will be one of the main catalyst for innovation and transformation in the coming decades. We believe artificial intelligence's potential impact on society and people's lives is similar to that of the internet.

Companies that cannot adapt and evolve, that are unable to incorporate artificial intelligence into their business model, could find themselves at a competitive disadvantage that could jeopardize their survival. Artificial intelligence confers clear competitive advantages that can boost revenues or reduce costs, or do both simultaneously. And it could be a factor to separate winners and losers.

We believe that is not a passing craze and that it could be one of the biggest business opportunities of the moment, with the capacity to increase the rate of economic growth in all sectors, which highlights the cross-cutting nature of this technology: its transformational impact will be felt in all sectors of the economy, not just in technology. We could find investment opportunities in virtually any industry or sector of activity. It is a global phenomenon.

AI is not limited to the technology sector; rather, it could drive innovation in virtually any industry or sector of activity.



## Healthcare

- Drug discovery
- Early detection of disease

## Farming

- Improving crop yields

## Internet of Things

- Automated data analysis
- Automated decision-making

## Retail

- Personalized interactive experience

## Home

- Optimized energy consumption
- Greater security

Source: Allianz Global Investors, 2023

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