

# AI: Is it all over?

DeepSeek AI, a Chinese startup, has recently made headlines with its latest AI model, DeepSeek-R1.

This model has showcased efficiency and performance gains, rivalling established players like OpenAI at a fraction of the cost – assuming the reported numbers are to be believed. The market reacted swiftly to this development, with significant declines in the stock prices of major AI and semiconductor companies in the immediate aftermath.

While these developments are significant, the techniques themselves are not groundbreaking, and the full costs of the model remain undisclosed and likely overstated. They

do however highlight the importance of efficiency and competition in the AI sector, particularly if applications rather than just trained models are to become mainstream.

DeepSeek's breakthrough has raised questions about its potential to disrupt AI infrastructure, particularly impacting chip manufacturers and hyperscalers such as Microsoft and Google who are investing heavily in increasing compute capacity. Initial investor concerns focus on whether DeepSeek's developments could reduce the need for extensive compute resources typically required for AI training and inference. While it's still early days, the fear is this could lead to a diminished demand for high-end AI infrastructure. On the other hand, reduced compute costs could encourage broader

AI adoption by lowering barriers to entry, expanding demand for AI applications and addressing some of the cost hurdles associated with widespread adoption.

### So, is the AI trade over?

Not at all. We believe this is a long-term trend that will play out over the next decade and beyond. AI, along with the increasing computational power it demands, will remain a growing part of our daily lives.

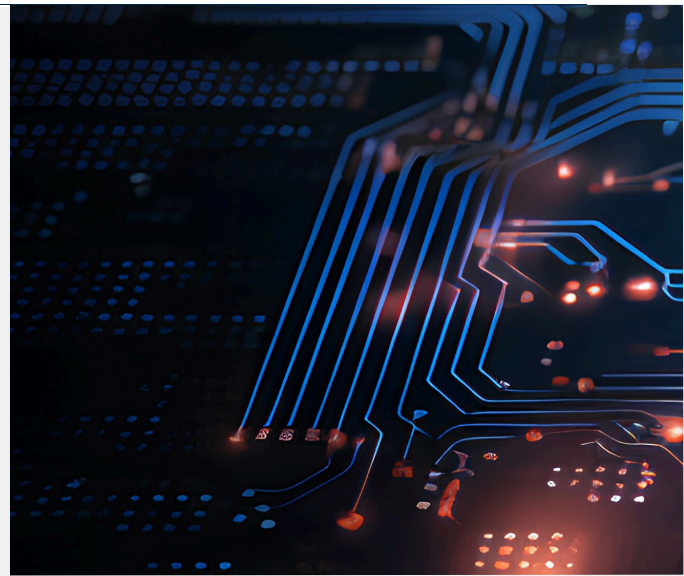
It is difficult to predict how exactly the AI industry will develop, however, this increased focus on efficiency should be welcomed. Healthy competition will push the industry to develop more advanced, cost-effective end market applications. Lower inferencing costs is a positive for the sector as new entrants are likely to push incumbents and disruptors to develop advanced and more cost-effective models. It is possible the race to develop more powerful foundational models will continue, which will require more computing power, better energy efficiency, larger memory capacities and advanced chips.

### Portfolio Perspectives

At Atlas Global Companies, we view AI as a key component of several long-term growth trends across our portfolio. A notable area of exposure is the semiconductor value chain, where we have investments such as Taiwan Semiconductor Manufacturing Company (TSMC). At TSMC, AI and cloud computing represent about a third of revenues, balanced by other key markets such as smartphones and industrial applications. Our investment thesis in TSMC remains unchanged, with AI-related sales accounting for approximately 25% of total revenues. Several prominent customers are increasingly relying on TSMC’s advanced chips, and the company’s leadership in technologies like CoWoS (Chip-on-Wafer-Substrate) is positioned to play an important role in the advancement of AI.

We also hold a position in Synopsys, a market leader in chip design tools. Synopsys provides essential tools for the design, development and verification of increasingly complex semiconductor chips. With its consistent expenditure in research and development, Synopsys maintains its competitive differentiators in this potentially profitable sector.

We believe many companies in our portfolio stand to benefit indirectly from the rise of AI, as they can enhance their products and services to their end customers. A reduction in AI



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training costs could benefit numerous companies. DeepSeek’s advancements suggest that lower AI training costs are likely to accelerate the adoption of AI driven tools across various industries. Additionally, reduced inference costs may make software applications more affordable, giving customers broader access to these applications. As companies scale their AI deployments, many will likely turn to Software-as-a-Service (SaaS) solutions from companies like Bentley Systems (Bentley).

Bentley, a global leader in engineering software for infrastructure has specialized in providing comprehensive solutions for infrastructure design, construction, and operations for over 40 years. Its deep industry experience and long-standing customer relationships create a significant competitive moat. It is one of the only company to offer an integrated ecosystem of products that cover the full lifecycle of infrastructure assets – from design and construction to maintenance and operation – ensuring high client retention. Bentley is a global leader in engineering software in the infrastructure industry and has already

launched 'OpenSite+', one of the first generative AI-powered engineering application for civil site design, seeking to enhance both efficiency and accuracy. Given Bentley's strong market position and loyal customer base, we believe it is one of the software companies in our portfolio poised to benefit from the rapid growth of AI.

Keyence, a Japanese leader in automation, has advanced its machine vision capabilities by delivering even greater speed and accuracy in factory automation and robotics through its cameras, sensors and systems. Similarly, RELX, a global provider of information-based analytics and decision tools for professional and business customers, leverages AI to deliver significant productivity and efficiency gains in risk management and legal services to clients worldwide. Our portfolio includes several other companies across sectors, from retail to healthcare to infrastructure, that aim to capitalise on the AI-driven transformation.

### What Next?

While there is much to be excited about, it's equally important to stay level-headed. At Atlas Global Companies, we treat AI like any other growth or cost driver. Will it deliver high, sustainable and incremental returns on capital for our companies? Growth is only one of the four characteristics we seek from our investments. We also prioritise strong moats and capital allocation and predictable cashflows.

The Atlas Global Companies strategy is built on a diverse portfolio of exceptional companies. We believe in the power of resilient companies with sustainable and diversified

cashflows. The portfolio is exposed to several compelling long-term growth tailwinds, such as animal healthcare, aging populations, the rise in wealthy individuals, as well as AI and semiconductor picks and shovels.

As an experienced investment team, we have witnessed various themes and cycles throughout our careers. Our approach has always been to stay true to our investment philosophy, as we believe this is the best way to capitalise on structural growth trends. By focusing on companies that deliver solid fundamentals, we aim to drive long-term returns while managing risk effectively.



**Simon Steele** Head of Atlas Global Companies and Senior Portfolio Manager



**Sachin Sharma** Client Portfolio Manager

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