

Global Innovation

July 2023



James Dowey

Co-Head of
Global Innovation



Storm Uru

Co-Head of
Global Innovation



Clare Pleydell-Bouverie

Fund Manager



James O'Connor

Fund Manager

Nvidia leads the way

On January 22, 1999, during the internet bubble's peak, Nvidia launched publicly at a mere \$0.41 per share. Last night, following exceptional earnings, the stock touched an impressive \$500, reflecting a 1,219% return in 24 years. Yet, Nvidia's emphasis isn't on past feats, but on future endeavours. And, after Jensen Huang, Nvidia CEO, set the bar incredibly high after their Q1 results, Nvidia has executed once again.

Financial markets and businesses constantly challenge our assumptions. Nvidia's evolution over the past year is awe-inspiring, largely credited to Jensen's meticulous two-decade strategy – and the time has come for Nvidia to reap the value of this meticulous planning. Given where we started the year, Nvidia is now on track to achieve 76% topline growth for 2023 compared to only 10% expected at the start of the year. However, it's the growth in profitability from \$6 billion in 2022 to an expected \$23 billion in 2023 that is driving the stock price appreciation. One could argue that the stock price hasn't kept up with the change in fundamentals.

Jensen elaborates on the growth catalyst, noting, "a new computing era has begun. The industry is going through two platform transitions, accelerated computing and generative AI. Data centres are making a shift from general-purpose to accelerated computing. The trillion dollars of global data centres will transition to accelerated computing to achieve an order of magnitude better performance, energy efficiency and costs. Accelerated computing enabled generative AI, which is now driving a platform shift in software and enabling new, never-before-possible applications. Together, accelerated computing and generative AI, are driving broad-based computing industry platform shift."

What are customers purchasing? Cloud service providers (Microsoft, Amazon, Google & Oracle) drove exceptionally strong demand for HGX systems in the quarter as these companies undertake a generational transition to upgrade their data centre infrastructure for the new era of accelerated computing and AI. Consumer

internet companies like Meta also drove very strong demand – for instance Meta highlighted that since launching reels and AI recommendations, these have driven a more than 24% increase in time spent on Instagram.

Importantly, virtually every industry can benefit from generative AI. For instance, AI copilots, such as those just announced by Microsoft, can boost the productivity of over one billion office workers and tens of millions of software engineers. Billions of professionals in legal services, sales, customer support, and education will be able to leverage AI systems trained in their field.

However, Nvidia can't champion this seismic shift alone. It is joining forces with enterprise IT giants such as Adobe, Accenture, Getty, Hugging Face, Snowflake, Service Now, VMware, and WPP, as well as system partners including Dell, HPE, and Lenovo. The recent collaboration with VMware aims to unlock an emerging bottleneck on the edge as enterprises require the capabilities to deploy accelerated computing on premise – the VMware and Nvidia collaboration is a key development for the next stage of generative AI deployment across all industries.

Much like Apple and Tesla, Nvidia offers a full-stack ecosystem, adeptly enhancing everything from data processing and AI modelling to real-time speech and computer vision. This efficiency translates to unmatched data centre cost-effectiveness and energy proficiency. Jensen insightfully marked this phase as "the iPhone moment" earlier this year. We're merely at the outset of this computing paradigm shift. While it might seem like a sudden shift, Jensen has been orchestrating this moment for over two decades, positioning Nvidia at the forefront of the accelerated computing revolution.

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