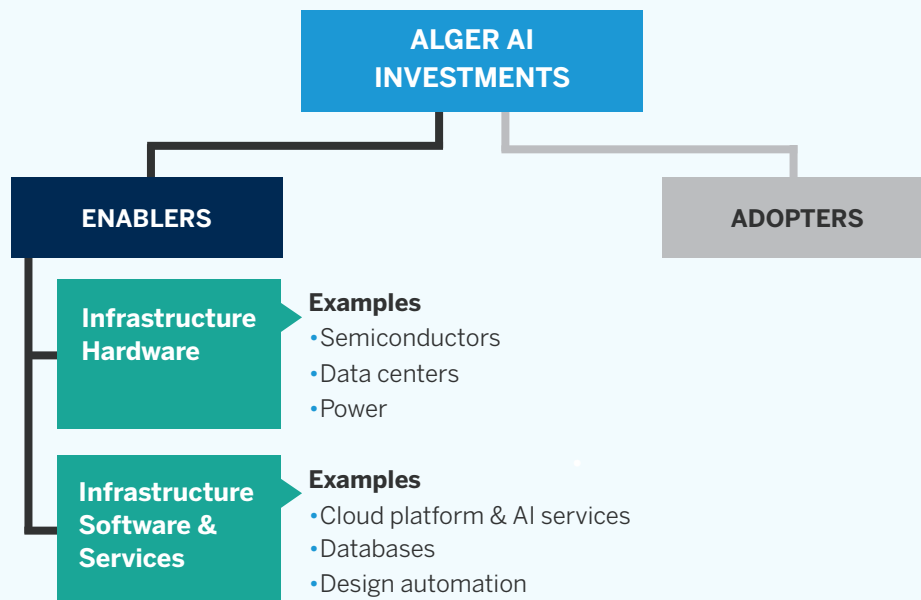


Investing in AI: Enablers

Artificial Intelligence (AI) is revolutionizing productivity across industries. While many investors recognize AI's importance, some may view incorporating AI beneficiaries into their portfolios as less straightforward. At Alger, we categorize AI market participants into two key segments: enablers and adopters. In this piece, we explore AI enablers, providing a structured framework to help improve investors' understanding of the AI investment theme.

Categorizing AI Investments



Source: Alger.

- In our view, AI enablers are companies driving innovation by developing the building blocks for AI infrastructure. Within this framework, we further break down these companies into 1) infrastructure hardware and 2) infrastructure software and services, as illustrated in the chart above.
- Infrastructure hardware includes companies responsible for making the semiconductor chips that power the 'brains' of AI such as GPUs, along with companies that make high bandwidth memory which enhances AI systems' ability to access and process data for better performance. Beyond semiconductors, other areas of infrastructure hardware include the companies that operate data centers, as well as those improving data center efficiency through advanced cooling solutions or enhanced connectivity between devices. Furthermore, infrastructure hardware extends to enterprises involved in power generation and the expansion or optimization of electrical grids to meet the substantial power demands of these data centers (see also [Power Play](#)).
- The infrastructure software & services category includes hyperscaler cloud providers that provide access to AI based applications. This category also includes database providers that help AI interpret unstructured data from sources like social media and webpages (see also [Data Driven](#)). Additionally, the category includes companies that provide design automation software, essential for creating semiconductor chips and data center optimization.

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