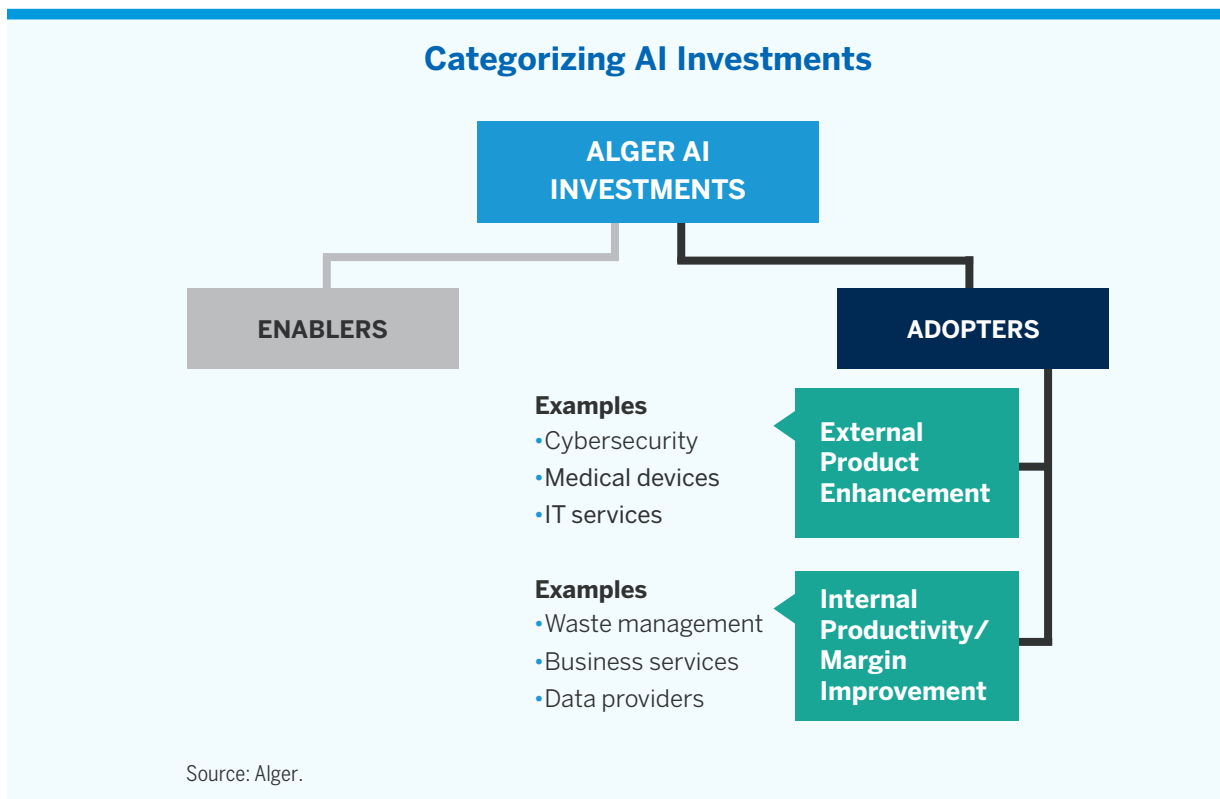


Investing in AI: Adopters

In a previous Alger On the Money, we presented our framework for Artificial Intelligence (AI) investments, categorizing AI beneficiaries into two key segments: [enablers](#) and adopters. Having already detailed AI enablers, in this piece we delve into AI adopters.



- In our view, AI adopters are companies using AI technologies to improve their existing business operations. Within this framework, we further categorize these firms based on their application of AI in two key areas: 1) external product enhancement and 2) internal productivity or margin improvement.
- External product enhancement companies leverage existing AI technology, such as large language models, to improve their client-facing products. This type of enhancement may improve a product's functionality and therefore client satisfaction, potentially generating increased customer loyalty and higher revenue. In our view, an example of an AI adopter in this category is Pinterest, an image sharing and social media platform. By personalizing recommendations, powering visual search, and curating high-quality content through AI, Pinterest has refined the user experience and achieved a strong product-market fit, aligning its platform with users' evolving needs and interests.¹ These enhancements have improved the user experience and increased the effectiveness of advertisements, boosting return on investment for advertisers and enhancing Pinterest's ad monetization.²
- When used internally, AI technology can help drive margin improvement. For instance, J.P. Morgan uses AI to enhance operational efficiencies, fraud detection and credit decision making. Recently, the bank has used AI technology to achieve an 80-90% productivity improvement in the laborious "know your customer" (KYC) protocol, which requires data collection and identity verification.³

¹ Pinterest, Inc. Q1 2024 Earnings Call.

² Pinterest, Inc. Q1 2024 Earnings Call.

³ Brown, D. (2023, October 26). JPMorgan KYC Operations Up to 90% More Productive with AI. Bank Automation News. Retrieved from <https://bankautomationnews.com/allposts/ai/jpmorgan-kyc-operations-up-to-90-more-productive-with-ai/>

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The following positions represent firm wide assets under management as of March 31, 2024: Pinterest, Inc. 0.98%; J.P. Morgan Chase & Co., 0.11%.

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