

M&G Global Equity Fund: Celebrating five years of AI investing

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This month, we're marking the 5-year anniversary of the launch of the pioneering Global Maxima Strategy, which underpins the M&G Global Equity fund. It's an opportunity to reflect on its remarkable journey in combining human expertise and machine intelligence to deliver superior performance for our clients.

The M&G Global Equity Fund leverages advances in artificial intelligence (AI), data science, and computer processes to provide stock-picking recommendations. The fund's AI-driven approach builds on the foundation of the earlier AI-based machine learning strategy, the Global Maxima strategy, which was conceived in 2017. After building the team, launching the first prototype, and testing it for a year, we officially launched the fund in December 2019.

Five years on, we're now running the fourth version of the model. The team has grown from two to five investment professionals, with significant technical and infrastructure support, and our assets under management have surpassed one billion US dollars.

Beyond the hype: AI is here to stay

We understand that, as AI continues to transform the investment landscape, investors are eager to understand how this technology is impacting the decision-making process and reshaping the role of human investment professionals. With AI becoming increasingly ubiquitous and large language models like ChatGPT hitting the mainstream in a dramatic way, there's no shortage of buzz surrounding the theme of AI.

However, we view AI as more of an evolutionary development. As such, we feel that, with a diligent approach to implementing AI techniques, we're able to produce **differentiated outcomes**. That said, it is important to remain cautious in the application of AI, as not every problem is well suited to the use of AI in its solution.

AI is undoubtedly here to stay, driven by three key factors: the evolution of modeling techniques, the growth in computational power, and the explosion of available data. With 90% of the world's data being created in the last two years, AI's role in asset management will continue to grow more central to investment decision-making.

AI and the M&G Global Equity Fund

AI-based decision making is at the heart of our investment process. Our approach mirrors the traditional investment process — collecting data, modeling it, making predictions, and constructing a portfolio — but it does so at scale, without the biases often associated with human decision-making. It enables us to access useful information from text, images, and sound, enhancing our investment decision-making. As AI techniques develop, we continually explore new methods to refine our models.

We use historically representative data from the investment landscape to train our AI model, enabling it to learn underlying patterns and provide us with a rich view of the market. These models not only help us predict investment

outcomes but also deepen our understanding of how market factors interact.

Over the past five years, the Global Maxima strategy employed by the M&G Global Fund has consistently outperformed its benchmark, the MSCI All Country World Index, by an annualised 180 basis points. This achievement is notable, especially considering the challenging environment for global equity managers, who underperformed by an annualised 200 basis points during the same period. The Global Maxima strategy ranks in the top quartile for performance over one and three years, and in the top decile over five years.



Note: Fund - M&G (Lux) Global Maxima C USD Acc, Benchmark - MSCI ACWI NR USD, Peers - Barclay UCITS Equity Long Index

Combining the potential of humans and machines

We feel that the real benefits of our AI approach come from blending the strengths of both humans and machines. The model excels at identifying patterns and nuances in the data that are indistinguishable to human beings. It also operates at a speed and scale that would be impossible for humans alone. The model is also emotionless, which helps mitigate biases such as overconfidence or fear that can distort human decision-making.

However, human judgment is crucial for addressing areas where AI models can't always perform optimally. For example, humans can provide additional context to data, accounting for shifts in the market, and filling in the gaps where the AI might be blind to certain qualitative factors. Every stock selected for our portfolio undergoes a human check before being added. We make sure that the things we've accounted for are correct and consider any critical factors that may not be captured within the model.

Looking to the future

AI presents great possibilities for delivering exceptional outcomes for our clients. However, careful management and expertise are required to ensure optimal results. The key to success lies in the processes used to apply it and we remain committed to harnessing its power as its full potential unfolds over time.

To discover more about the M&G Global Equity Fund, visit:

<https://www.mandg.co.za/financial-adviser/our-funds/all-funds/mg-global-equity-fund/>

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