Portfolio Strategy

Driven by premium analytics and hedge fund actions

Generative AI and High Performance Chips

Stocks, ETFs, Structured Products, Call Options

June 2023

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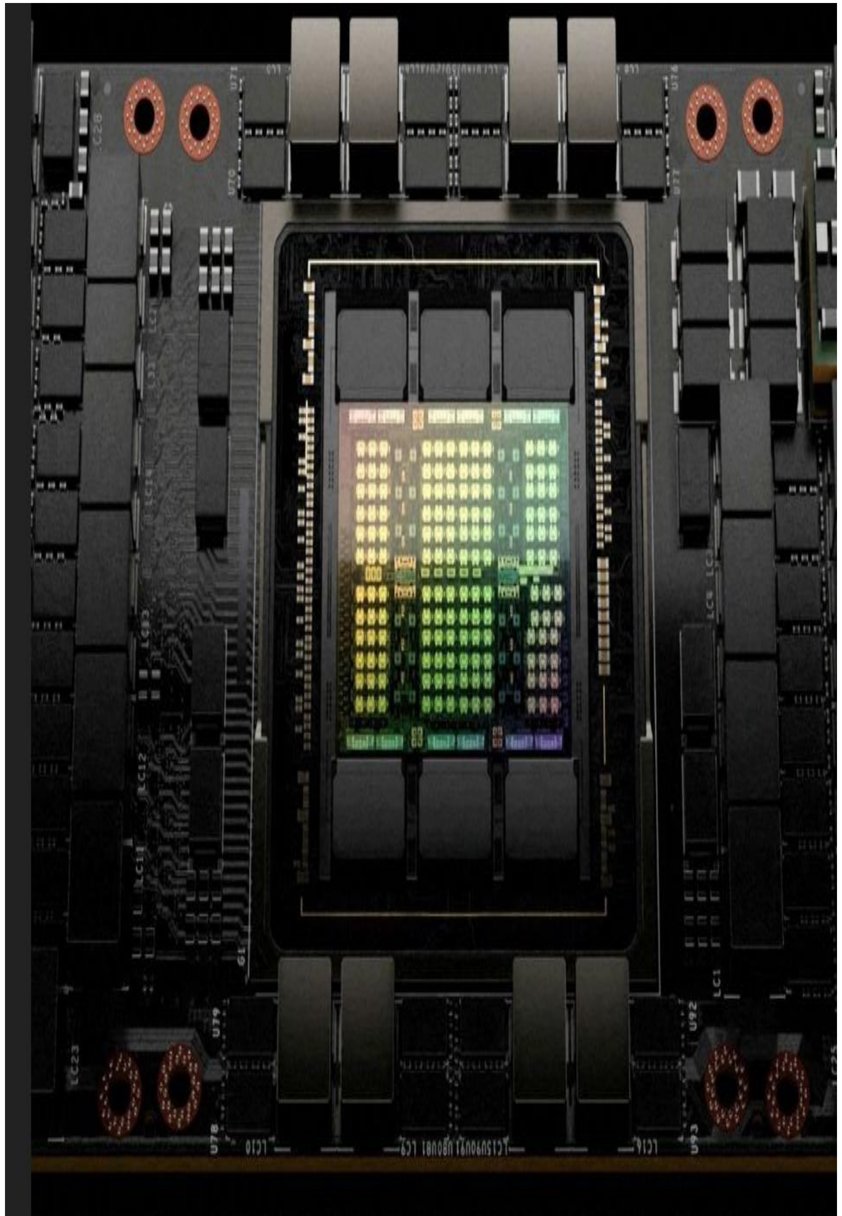
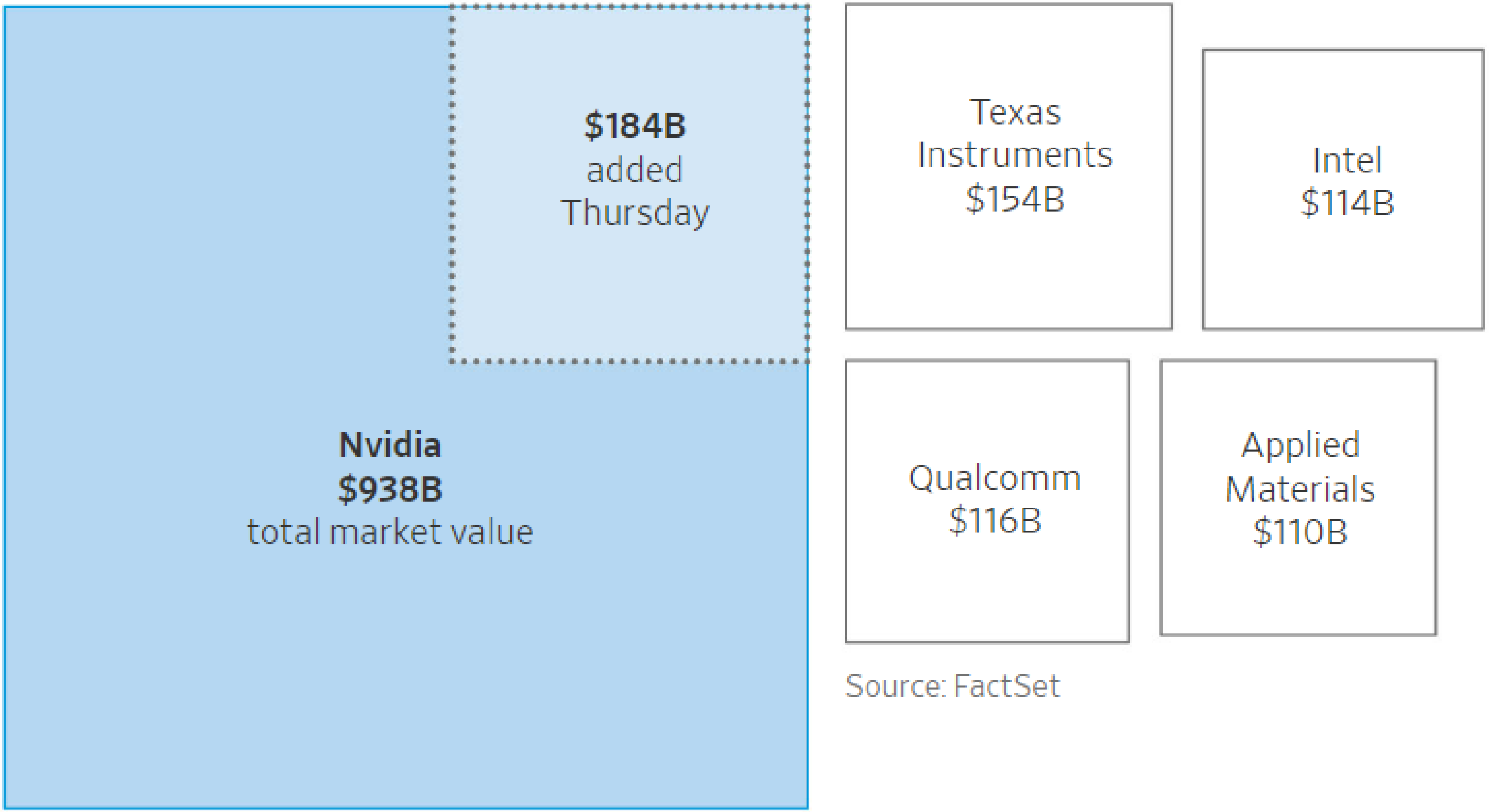


Market value



Source: FactSet

US generative AI ecosystem

As on June 02, 2023

Stock	Last Price ($)	Mcap ($ bn)	P/E 2023E	EPS 2023 E	EPS 2024 E	ROE	Consensus rating	Target price
Nvidia	393	963	59		6.68	19%	Buy	xxx
Alphabet	125	1,587	23	5.32	6.24	22%	Strong Buy	xxx
Taiwan Semiconductor	99	535	19	5.11	6.35	37%	Strong Buy	xxx
AMD	118	205	41	2.86	4.13	15%	Buy	xxx
SoundHound AI	3	0.6	Neg	-0.39	-0.2		Buy	xxx

- The graphics chips, or GPUs, used for AI are almost all made by Nvidia which is its biggest strength
- The boom in demand for AI ready chips has far outpaced supply following the viral success of ChatGPT
- Server manufacturers and their customers face waits of more than six months to get Nvidia's latest graphics chips
- Alphabet is investing into machine learning (TensorFlow), natural language processing and self-driving vehicles which hold a strong upside potential. Its AI capabilities such as LaMDA and DeepMind are expected to hit the market soon.

Chinese generative AI ecosystem

As on June 02, 2023

Stock	Last Price	Mcap ($ bn)	P/E 2023E	EPS 2023 E	EPS 2024 E	Consensus rating	Target price
Baidu	USD 126	44	12.5	10.05	11.21	Strong buy	xxx

- U.S. sanctions on supplying advanced chips to China have cut Chinese tech giants off chips used in AI but they are responding by working around existing less powerful chips to build comparable AI capabilities.
- Alibaba and Baidu have stockpiled Nvidia's A100 chips before sanctions were imposed in Oct 2022. Baidu is learnt to be using A100 chips in its ChatGPT equivalent, Ernie Bot
- There are significant challenges to grow AI capabilities without access to powerful chips such as Nvidia’s H100 and US is expecting to make the most of the AI boom

Nvidia as a portfolio holding

Stock	ETFs
Generative AI and large language models are driving demand for Nvidia's powerful chips on one hand while on the other hand, cloud providers are increasingly relying on its next gen Hopper GPUs. The company is also expected to benefit from its Grace CPU and self-driving solutions (Nvidia Drive)	How to position in an ETF having a concentrated position in Nvidia?
How to position in Nvidia stock ?	There are six passive ETFs having more than a 11% allocation in this stock
Time horizon: 1-2 years	**Time horizon: 1-2 years**
Portfolio weight: Maximum 5%	Portfolio weight: Maximum 10%
Capital allocation: Invest x % of your allocation at price P1 Invest xx% of your allocation at price P2.	Capital allocation: Invest x % at price , P1 Invest xx% of your allocation at price, P2.

Taiwan Semiconductor as a portfolio holding

Stock	ETFs
Taiwan Semiconductor's (TSMC) high-performance computing, N3 designs are in great demand from Nvidia, Apple, AMD and Intel. The company has an impregnable 90% market share in N5 and N3 node processes, strong operating cash flow and a huge cash pile to run through any cyclical downturn	How to position in an ETF having a concentrated position in TSMC
How to position in TSMC stock ?	There are six passive ETFs having more than a 11% allocation in this stock
Time horizon: 1-2 years	**Time horizon: 1-2 years**
Portfolio weight: Maximum 5%	Portfolio weight: Maximum 10%
Capital allocation: Invest x % of your allocation at price P1 Invest xx% of your allocation at price P2.	Capital allocation: Invest x % at price , P1 Invest xx% of your allocation at price, P2.

AMD as a portfolio holding

Stock	ETFs
AMD’s data center segment, which has a higher margin than its PC and gaming segments, is expected to sustain its growth driven by its new product launches. Its 2022 acquisition of Xilinx seems to be working well being accretive	How to position in an ETF having a concentrated position in AMD ?
How to position in AMD stock ?	There are three passive ETFs having more than a 7% allocation in AMD
Time horizon: 1-2 years	**Time horizon: 1-2 years**
Portfolio weight: Maximum 5%	Portfolio weight: Maximum 10%
Capital allocation: Invest x % at price P1 Invest xx% at price P2.	Capital allocation: Invest x % at price , P1 Invest xx% of your ETF allocation at price P2.

Alphabet as a portfolio holding

Stock	ETFs	Structured products
Alphabet is investing into machine learning (TensorFlow), natural language processing and self-driving vehicles which hold a strong upside potential. Its AI capabilities such as LaMDA and DeepMind are expected to hit the market soon. Google cloud is expected to grow around 25% p.a. in the next few years.	How to position in an ETF having a concentrated position in Alphabet?	How to position in a listed structured product having Alphabet as the only underlying ?
How to position in Alphabet stock ?	There are four passive ETFs having more than a 12% allocation in this stock	Barrier Reverse Convertible on Alphabet
Time horizon: 1-2 years	**Time horizon: 1-2 years**	**Time horizon: 12 months**
Portfolio weight: Maximum 5%	Portfolio weight: Maximum 10%	Portfolio weight: Max 5%
Capital allocation: Invest x % of your allocation at price P1 Invest xx% of your allocation at price P2.	Capital allocation: Invest x % at price , P1 Invest xx% of your allocation at price, P2.	Coupon remaining: 8.8% (not callable) **Max return: 9% p.a.** **Buffer: 45%** Liquidity: Good

SoundHound AI as a portfolio holding

Stock	Call options
SoundHound offers voice AI solutions across automotive, TV, and IoT industries, through AI-driven products like Smart Answering. The total addressable market for Voice AI is estimated at $160 B. The company offers fully integrated, proprietary solutions in 25 languages on both cloud-enabled and hardware-embedded devices	How to position in a call option strategy on SoundHound ?
How to position in SoundHound stock ?	How to benefit by buying a call option on this stock ?
Time horizon: 1-2 yrs	**Time horizon: 1-9 months**
Portfolio weight: Maximum 3%	Portfolio weight: Max 1%
Capital allocation: Invest x % at price P1 Invest xx% of your allocation at price P2.	An American Call option buy maturing no earlier than Apr 2024. Cost averaging is usually needed in option buying due to time decay

Baidu as a portfolio holding

Stock	ETFs
Baidu is looking to cash on the AI boom by integrating its Ernie bot across all businesses. The company is trading at a low multiple of 12x 2023E EPS and holding net cash of 25-30% of its current market cap. It is a good fundamental value buy except for geopolitical and regulatory risks.	How to position in an ETF having a concentrated position in Baidu ?
How to position in Baidu stock ?	There are three passive ETFs having more than a 4% allocation
Time horizon: 1-2 yrs	**Time horizon: 1-2 years**
Portfolio weight: Maximum 4%	Portfolio weight: Maximum 6%
Capital allocation: Invest x % at price P1 Invest xx% of your allocation at price P2.	Capital allocation: Invest x % at price P1 Invest xx% of your allocation at price P2.

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