



WILL TECH DELIVER?

▶ After several years of remarkable performance, the tech universe was enshrined in 2020. It rose up as a financial winner for the present and future, supported by theories about the post-COVID world. It also emerged as a necessary ally, both for governments, in order to guarantee national independence, and for humanity, so that it could face major challenges like a nearly worldwide lockdown.

At a time when it has become almost too easy to embrace this line of thinking, particularly for major stakeholders, we feel it is important to look at the trajectory and future of the sector critically and with a degree of distance. This is a call to action, because it is only collectively that we will help tech deliver on its promises.

INTERVIEW



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SOCIETAL AND STOCK-MARKET PROMISES

Let's distinguish between societal promises and stock-market promises, and let's take tech in the limited sense, i.e. information and communication technologies, and digital technology more broadly. With regard to this first social aspect, it is tempting to conclude that instead of bringing us closer together, **tech has actually driven us further apart over the past decade**, further polarising society via social networks, increasing inequality by enhancing the wealth of winning tech companies while some face the new danger of gig jobs (underpaid tasks), and finally forging an abysmal gap between the so-called winner-takes-all companies and those which survive on the crumbs we are willing to leave them, whereas 15 years ago several competitors of a similar size could co-exist.

Far from being a kiss of death, we consider that **these problems can be addressed by citizens, politicians and economists** and that they reflect the need for rules to **maintain healthy competition**.

We can also look at the glass as half full: the technology developed over the current decade – notably involving data mining and machine learning¹ – which started with web giants is gradually spreading to **sectors that benefit from value creation** which far surpasses the advertising market or one-day delivery. Synthetic biology, genomics, logistics, financial inclusion, insurance risk analysis and education/training can

¹. Regardless of which 'sub-technique' is used (machine learning, deep learning, adversarial network, etc.).

be accelerated at an unprecedented rate. Again, the question of responsible use will continue to come up, but **the benefits will be significant** and will overshadow the debates of yesterday.

Concerning the second aspect, i.e. the stock market performance of tech players, it is clear that some promises will not be kept: financially speaking, 40% of listed tech companies in the United States are still not profitable, which has not prevented certain CEOs from becoming extraordinarily wealthy, taking advantage of shareholder structures with no checks and balances.

It is worth noting that **some stock valuations are close to those seen during the bubble of the 2000s**. We are well aware of the need to take losses initially in order to develop a major plan. Nevertheless, let's keep in mind that the growth of Facebook or Google was almost always self-financed, and that some of the companies we are talking about have been around for 5, 10, or sometimes 20 years.

USE YOUR BEST JUDGEMENT

The corollary of a possible bubble, which some see as positive, is that it sometimes accelerates economic development by attracting energy and capital like a black hole. In the same vein, some consider it a necessary evil if it results in the financial ruin of savers and their advisers who throw themselves into it head first, indiscriminately, and that it is just collateral damage of the march of progress.

On the contrary, we believe that it is our duty, at Edmond de Rothschild Group's equity management division, to provide support for the changes that are taking place, but with the caution, pragmatism and discipline of those who have learned that trust is the most precious asset in the long run. That is why our theme-based management is not built on promises and illusions that foster pipe dreams, but rather on solid fundamentals and realistic perspectives. They may be less spectacular, but all the better—investment is not a media circus.

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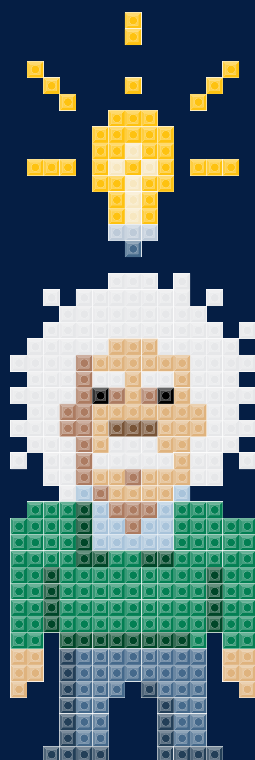
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