

Ben Rogoff, Partner and Lead Fund Manager Polar Capital Technology Trust

Q1: Why is AI increasingly disruptive?

It does feel that AI has moved into a more disruptive phase three and a bit years after the launch of ChatGPT. I think there are a number of reasons for that, primarily to do with model progress. We have seen some really powerful models coming out of Google with Gemini, but also more recently out of one of the frontier labs, Anthropic, whose Claude model has moved the agentic side of the AI story meaningfully forward. So much so, that within the world of software and software coding, it has now become possible for coders to use AI to perform tasks that used to take humans hours. It is really this that has driven a heightened excitement around AI, because if we are able to use AI to perform tasks without humans in the loop, we can start to scale AI in a completely different way.

So disruption is definitely higher on the agenda and of course, as a result of some of these changes, we have seen some of the discomfort around the software sector spreading to other areas in the economy too. We have seen that with information services. We are seeing it with digital platforms, even advertising. I think people are beginning to worry about, in an agentic-first world, what will happen to some of those pre-AI profit pools.

I think that is why we are seeing this heightened sense of disruption and fear around AI, which really reflects this AI model progress.

Q2: How does this impact portfolio positioning?

I think the idea of AI moving into a more disruptive phase has some very meaningful ramifications for the portfolio. We have already made some very significant changes to the portfolio, over the past few years, reflecting our excitement about our 'AI maximalist' approach that really wanted us to position more in favour of CapEx beneficiaries than perhaps, the traditional companies and the composition of benchmarks. In more recent times, we have also significantly reduced software. We felt that the AI story was becoming more disruptive, and we felt that software might not be a beneficiary, but actually could be on the wrong end of some of the disruption that we are now seeing via AI coding and some substitution effects that we expect to see play out more aggressively in the years ahead.

The pace of this AI race is intensifying, and the race is more exciting than ever. AI is more capable than ever and the ramifications of that are very meaningful and obviously the portfolio that we have today is the one that we think is the right one for today, but things are changing very fast. We saw recently that Google went from being perceived as a potential loser back to being very much at the front of the race with a very successful AI model of its own, Gemini. That idea of a winner to loser and loser to winner is, I think, something that we should consider as 'table stakes' in what remains an incredibly intense, ever-changing AI race. The changes we have made, we think, position us very well for where we are today and for the immediate future, but we fully expect the AI race to take other turns along the way. That will involve us moving the portfolio again and very much remaining 'active active' investment managers.

Q3: What are the risks to the AI story?

There are multiple risks to the AI story that we have been very clear about ever since we came out with this idea of being 'AI maximalist'. We believe that AI is a 'general purpose technology', not another theme or another sector. This is something that is transformative in the way that electricity, steel or the internet have proved to be in the past. We have been pretty clear that things are not going to progress in a straight line – there will be setbacks inevitably along the way. I think we have highlighted in the past that between 1994 and 1998, the pre-bubble years of the dotcom period when we were building out the internet infrastructure of today, there were multiple setbacks, I think seven 15% corrections in the Nasdaq. This was a period of great progress, both in terms of performance of the tech sector and also the build out of the internet infrastructure. There were some material setbacks along the way, and we would expect that pattern to play out again during this AI infrastructure build that we are in the midst of. We have already seen a few of these, of course, with DeepSeek and some other more macro related.

What would be those risks be today? They will possibly be macro related or they could be supply chain related. There is obviously a subtext: within the AI story, we have an AI race between the US and China. That could result in export restrictions or other challenges to what is a global fragmented supply chain.

Find out more



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However, for us, the biggest risk and the one that we monitor most closely really relates to the pace and trajectory of AI model progress, because everything hangs on that. Models need to be getting better for the opportunity set of AI to really realise its potential. Likewise, if you are going to commit hundreds of billions of dollars for building infrastructure for new AI models, those models need to be yielding better results.

So for us, that is the principal thing that we are focused on. It is why we travel the world as we do as a team. It is why we do a thousand company meetings a year, because we absolutely have to be at the coalface of what is happening in AI for us to assess that risk.

Q4: What is the outlook?

Thinking about the balance of the year, we are upbeat. We feel like we are entering the sweet spot for AI. Here we are three years after ChatGPT, it is easy to think that we are in the middle of a cycle. When you step back and you think about the agentic breakthroughs that we have seen with Claude code, and other models, this idea of being able to non-human scale AI in a way that we have not seen before, it is possible that we will look back at this point as the breakthrough moment for AI. If that is true, then what should happen next is that we see models meaningfully improving. We have still got to see the first models using the Blackwell architecture from NVIDIA. We have got continued CapEx that we hope is revised higher because more demand for AI requires more compute capacity and that ought to be good for beneficiary companies.

I think on the other side of the trade, we should expect to see – and anticipate – more disruption. We have seen some very violent moves in markets, particularly for companies that are perceived to be on the wrong side of the trade - and of course some of those in the very near term may be overshoots - but I think that they speak to early concerns in the market around the more pernicious and disruptive aspects of AI that we are just beginning to see play out. From our perspective, we are super excited about the trajectory of model improvement and we think the adoption in enterprise is going to be the breakthrough this year I think the key is increasingly trying to make sure that you stay on the right side of the AI story and avoid the losers as this general purpose technology moves into this ever more disruptive phase.

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Polar Capital Global Technology Team

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