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Dear Partner,

	January 2024	2024	Alkeon Growth Strategy Since Inception (Cumulative)	Alkeon Growth Strategy Since Inception (Annualized)
Alkeon Growth Partners¹	5.49%	5.49%	1798.69²	11.95%²
MSCI World	1.14%	1.14%	242.23%	4.83%
MSCI AC World	0.53%	0.53%	220.71%	4.57%

Past performance is no guarantee of future results. Investing in securities involves substantial risks. Please see Important Notes at the end of this letter.

Alkeon Growth Partners Portfolio Information (Approximate)³:

- Net Exposure (delta adjusted) 75.9%
- Gross Exposure 175%
- Number of Long Positions 88
- Number of Short Positions 110

January offered positive results to global equities. Alkeon Growth Partners, LP returned 5.49%. Both long and short positions had positive performance during the month, while market hedges detracted. Portfolio performance was positive in the US, Europe and Latin America, and negative in Asia.

We continue to find significant opportunities to invest in high quality growth compounders at attractive relative multiples in the current market environment. Additionally, given more recently elevated valuations for the broader equity market, particularly in the US, we are also seeking to remain highly selective in our stock picking.

Furthermore, we see elevated tail risks currently, including around increased social polarization and potential for social unrest, unsustainable large fiscal deficits and global geopolitical uncertainty, and therefore we believe it is more imperative than ever to *balance our high conviction long investments* in quality secular growth companies with alpha-seeking short investments as well as structured market hedges, and also to stay globally diversified, seeking to reduce concentration in any single country, currency or regional economy.

Stepping back for a moment and looking at the broader macroeconomic picture, last year marked the end of the most aggressive global tightening cycle in decades, unprecedented in recent history, which, as we discuss below, particularly hurt high growth stocks over this period. But now we believe this dynamic is changing. As a result, as we enter 2024, and as we elaborate in this letter, we currently believe this monetary backdrop is likely to shift and change in a way which is favorable to growth investing, especially as the economy slows down.

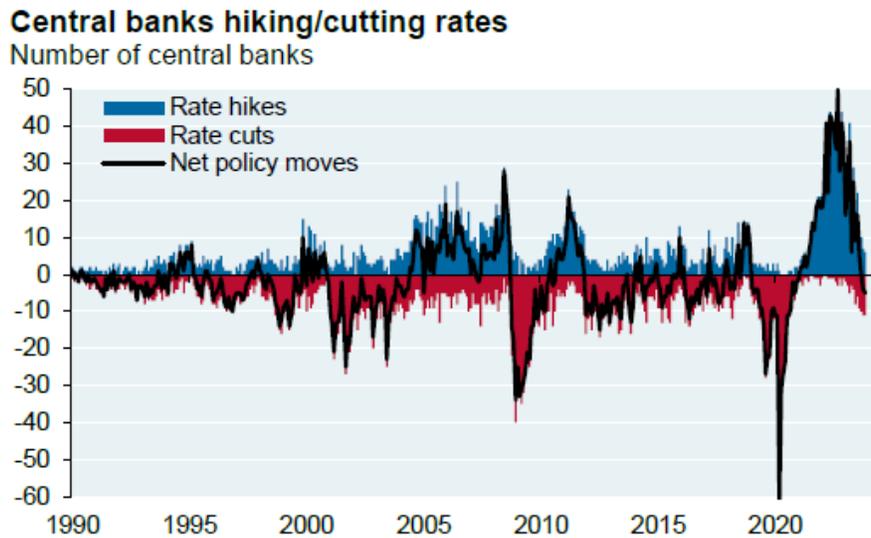


Exhibit 1. *Chart of the Year: The Most Intense Global Tightening Cycle in Decades is Ending, January 2024, source JP Morgan.*

To put things in perspective, the correction of high growth stocks in the last three years reflected not just a recession (i.e., a bear market defined as a larger than 20% decline) in this group, but rather a severe depression, in our view. Specifically, and according to Empirical Research, the 75 fastest growing US stocks corrected more than 69% vs. the market from their 2021 peak through their trough in early 2023, erasing all 2019 and 2020 relative gains. In fact, erasing all relative gains since 2017! And even with the market's appreciation in 2023, the correction stood at more than 52% at the end of December.



Exhibit 2. *The Big Growers Relative Growth of a Dollar (Equally Weighted), December 2023, source Empirical Research.⁴*

As a result, and from a stock selection standpoint, despite last year's positive market performance, many stocks still do remain severely oversold, in our view. For example, almost half of Nasdaq stocks are still down 50% or more from their 2021 highs.

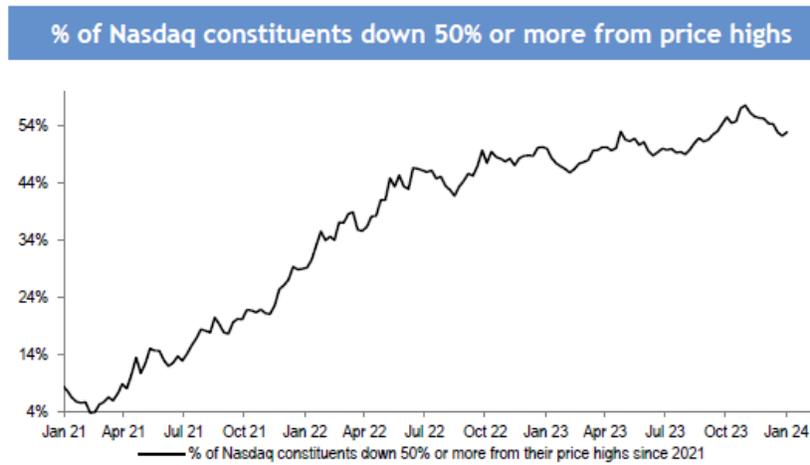


Exhibit 3. *Percentage of Nasdaq Constituents Down More Than 50% Since 2021 Price Highs, January 2024, source JP Morgan.*

In short, the severe correction in high-growth stocks over the last three years has continued to present *potential significant opportunities to buy high quality, classic growth compounders at attractive relative multiples, in our view.*

To stress this last point, it is important to note that many high growth segments of the market actually continued to de-rate in 2023. For example, both Fintech and non-profitable Tech are still currently trading at Price/Sales relative multiples below their historical medians, with non-profitable Tech trading close to all-time lows.



Exhibit 4. *Global Fintech & Non-Profitable Tech Price/Sales, December 2023, source JP Morgan.*

To offer another example, both SaaS companies and fast-growth Internet companies are currently trading at multiples significantly below their 2021 peaks.

Tech Valuations

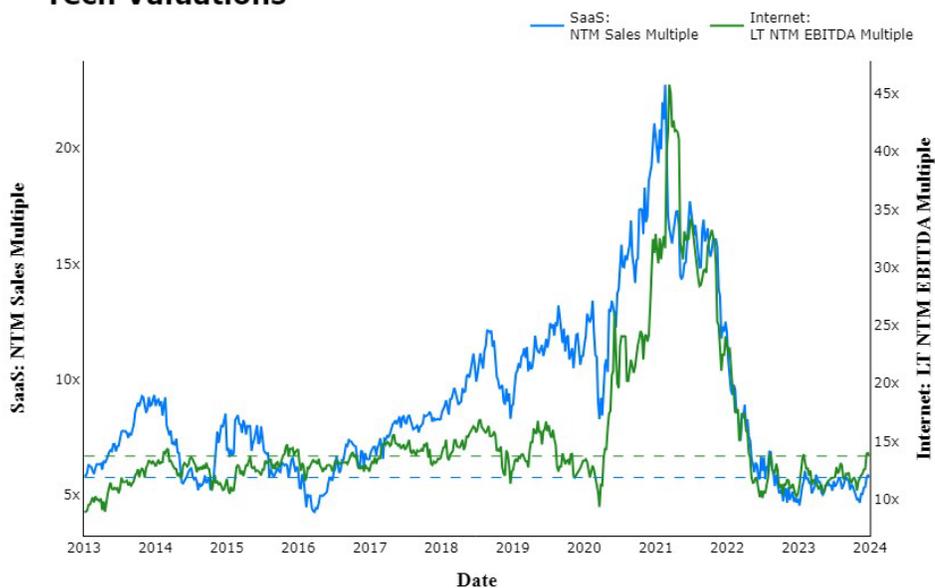


Exhibit 5. *SaaS and High Growth Internet Valuations, December 2023, source FactSet and Alkeon.⁵*

In summary, we currently believe there are attractive opportunities to invest in high quality growth compounders at compelling relative multiples. Additionally, given elevated valuations for the broader equity market, particularly in the US, we also seek to stay highly selective in our stock picking.

Furthermore, we have continued to hedge our top portfolio investments via a combination of individual stock options and hedges embedded in index or ETF options attributable to such positions. At the end of January approximately 16.17% of the aggregate exposure of our top five positions remained unhedged.⁶ Our total value at risk (i.e., the risk of total loss of capital) for our top five positions at month end was approximately 35.97% in aggregate. Our historical aggregate “dollar at risk” exposure for our top ten positions is shown below:

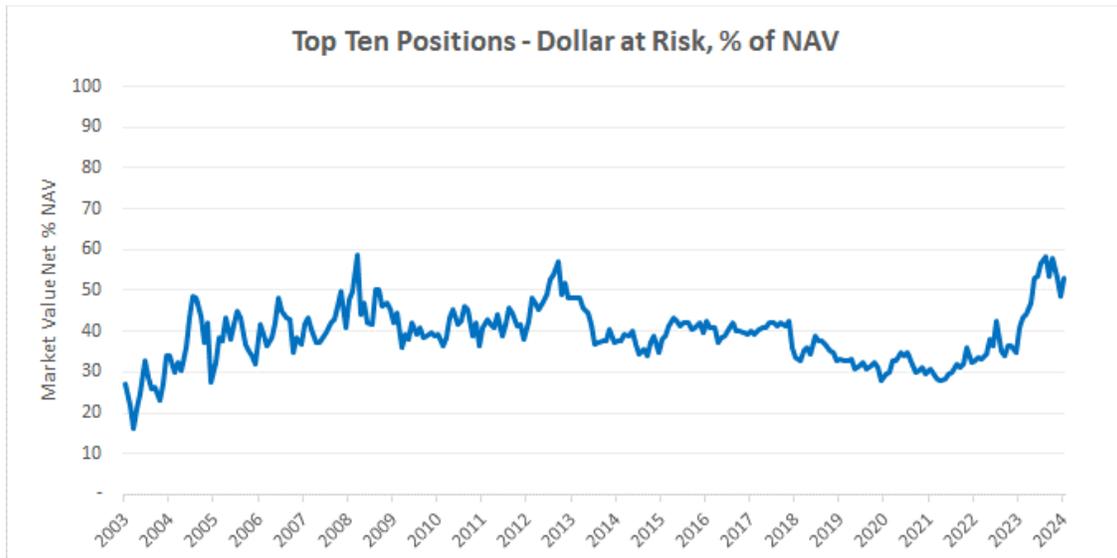


Exhibit 6. *Top Ten Positions, Dollars at Risk, % of NAV, source Alkeon.*⁷

Lastly, and as we noted at the beginning of this letter, given the elevated tail risks we currently see, including around increased social polarization and potential for unrest, unsustainable large fiscal deficits and global geopolitical uncertainty, we believe it is more imperative than ever to *balance our high conviction long investments* in quality secular growth companies with alpha-seeking short investments as well as structured market hedges and also to stay globally diversified, seeking to reduce concentration in any single country, currency or regional economy.

In particular, in the US, the spike in government debt over the last two decades is increasing bearish risk scenarios for asset prices and systemic instability, such as default, currency debasement and inflation. We believe a long/short strategy balanced with hedges designed to mitigate tail risk can offer a suitable fit to the current asset risk environment.

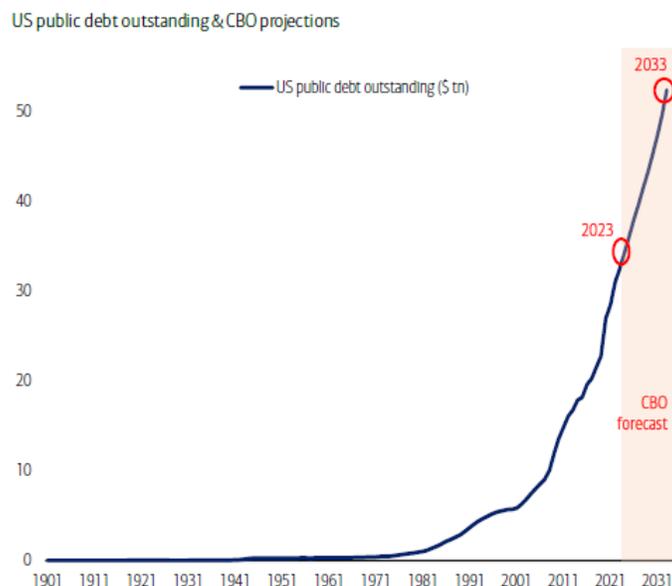


Exhibit 7. *US Public Debt Outstanding & CBO projections, November 2023, source Merrill.*

A Changing Macroeconomic Backdrop

At a high macroeconomic level, we believe the recent cycle of historically unprecedented and aggressive monetary policy action by the Fed and other central banks may slow down the economy considerably, or may even cause a mild recession. This can create a favorable backdrop for growth stocks, in our view, which typically tend to outperform during periods of an economic slowdown and declining interest rates.

Indeed, the current Fed model that measures the probability of a recession does remain at elevated levels, above those of even the Global Financial Crisis.

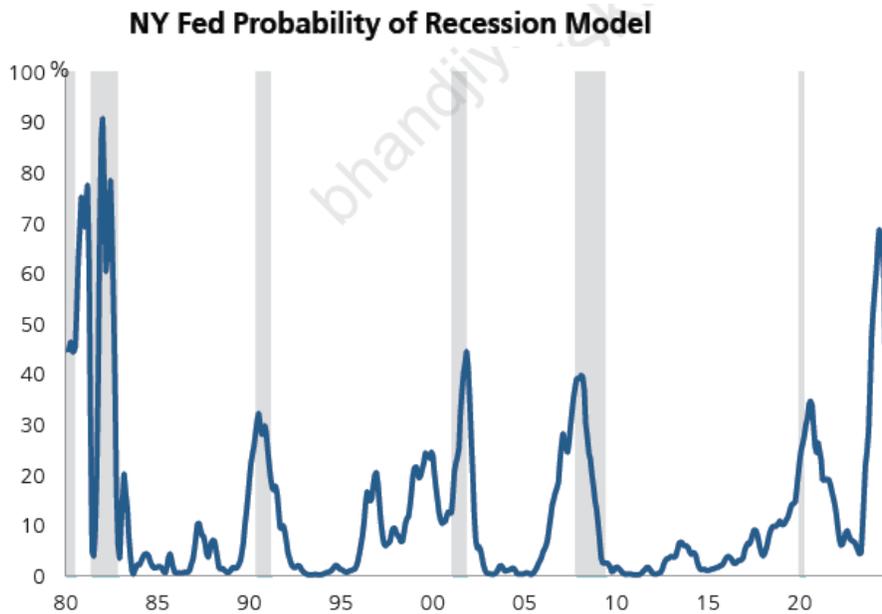


Exhibit 8. *New York Fed Probability of a Recession Model, December 2023, source Federal Reserve Bank of New York.*

Although there are some potential offsetting factors in favor of mild recessionary scenarios, we believe that given the elevated levels of government debt, bad demographics, aged infrastructure and the overall mature nature of the US economy, at best overall economic growth is likely to remain subdued and uninspiring for many years to come. This elevates the attractiveness of secular growth assets over that same period, in our view.

In that regard, it is important to note that despite 2023's performance, growth stocks still remain very attractive on a relative basis, in our view – given the preceding over 69% correction in high growth stocks from the peak of 2021 through their trough in early 2023. In particular, and taking into account expected earnings growth, on a forward P/E to growth ratio, growth is still trading at a substantial discount to value, almost one standard deviation below the mean.



Exhibit 9. 12m Forward PEG Ratio Premium (Discount) – Growth vs. Value, December 2023, source Goldman Sachs.

Moreover, and as noted in recent communications, we now also believe the macroeconomic environment is changing in a way favorable to our strategy, as, in our view, we may be entering a *disinflationary and yield-peaking phase*. This can create a strong tailwind for growth stocks.

Specifically, we are seeing strong evidence that the Fed's aggressively hawkish overall policy that began in 2022 may be slowing down the economy and is likely to reduce inflation in future years. This should also cap bond yields and benefit growth stocks. As seen below, as manufacturing PMIs drop, bond yields should be capped by slowing economic activity and eventually ease.

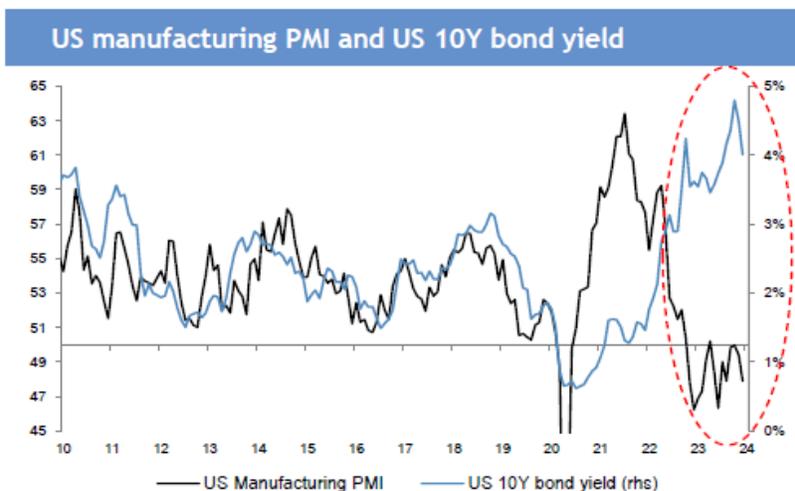


Exhibit 10. US Manufacturing PMI and 10-Year Treasury Yield, January 2024, source JP Morgan.

Moreover, manufacturing PMIs may have further and significant downside, as money supply, which is a leading indicator for PMIs, keeps moving down globally, recently reaching a record year-over-year decline in the US.

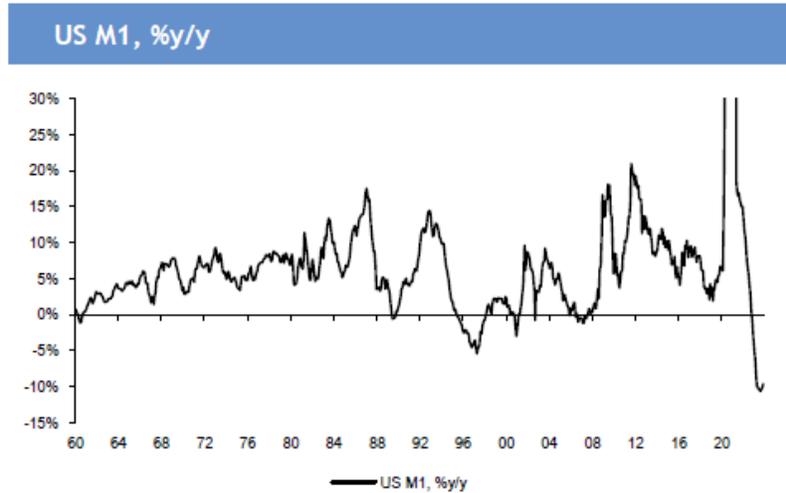


Exhibit 11. M1 Supply Growth is Negative, January 2024, source JP Morgan.

Indeed, we may not avoid a mild recession, as an inverted yield curve may indicate. Note that the yield curve first inverted in October of 2022 and the lead lag period is typically around 18 months.

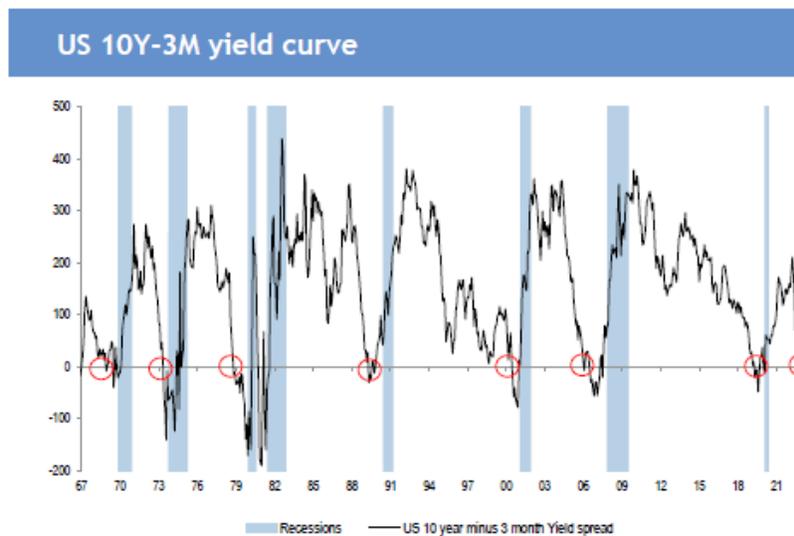


Exhibit 12. US 10Y – 3M Yield Curve and Recessions, January 2024, source JP Morgan.

The caveat often cited by the financial press is a durable labor market. However, unemployment is a lagging indicator, and the time between strong employment reports and the next recession can be quite short.

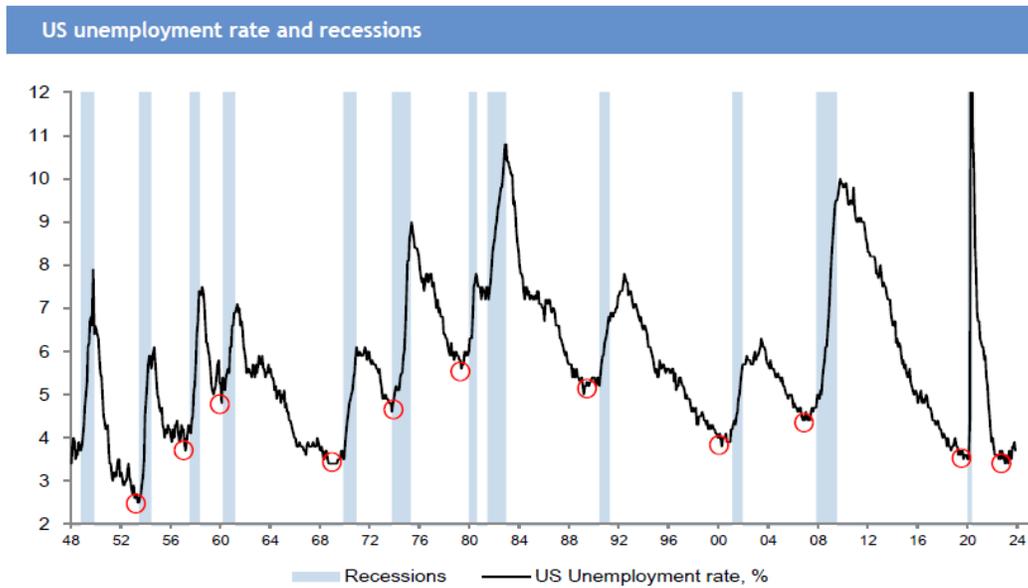


Exhibit 13. *US Unemployment Rate and Recessions, October 2023, source JP Morgan.*

On the other hand, and unlike the government sector, the corporate sector currently remains in a healthy financial state in aggregate. Specifically, despite rising interest rates, corporate interest costs have remained stable.

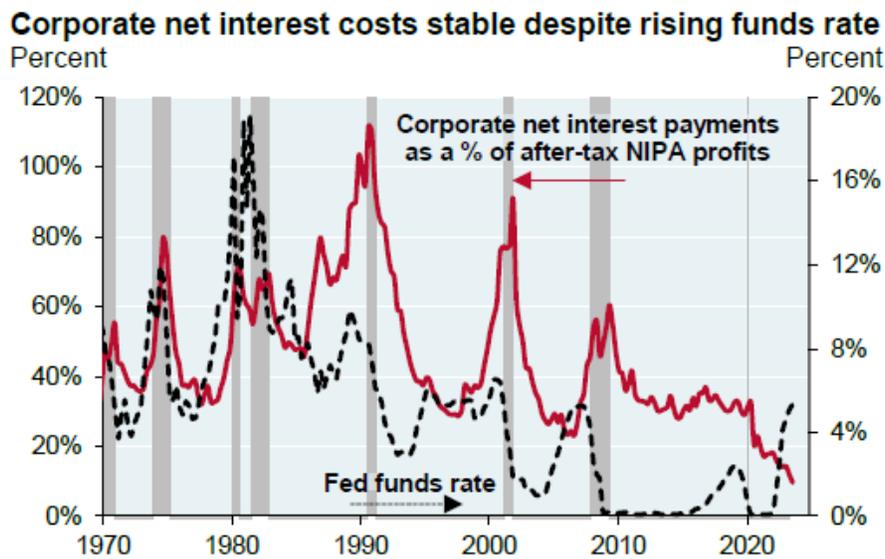


Exhibit 14. *Corporate Net Interest Costs Stable Despite Rising Funds Rate, December 2023, source JP Morgan.*

This is because the corporate sector largely termed-out debt maturities, increasing long-term fixed-rate debt to 75% of total vs. 44% back in 2007.

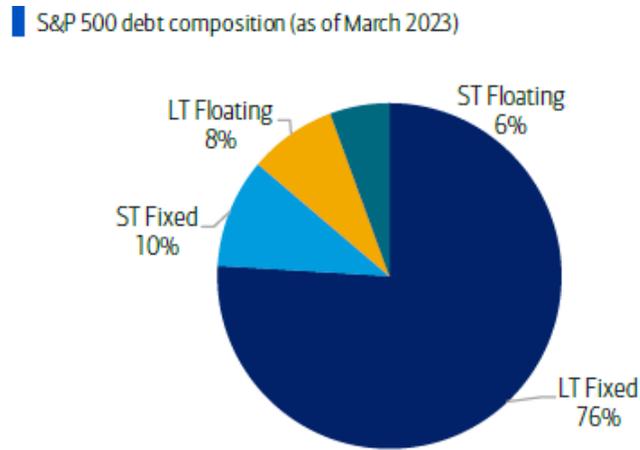


Exhibit 15. 75%+ of S&P 500 Index Debt is Long Term Fixed Today vs Just 44% Back in 2007, November 2023, source Merrill.

However, recently credit conditions have tightened considerably. This is likely to constrain economic growth going forward, and again highlights a potential uninspiring economic path in the future where growth assets become particularly valuable.

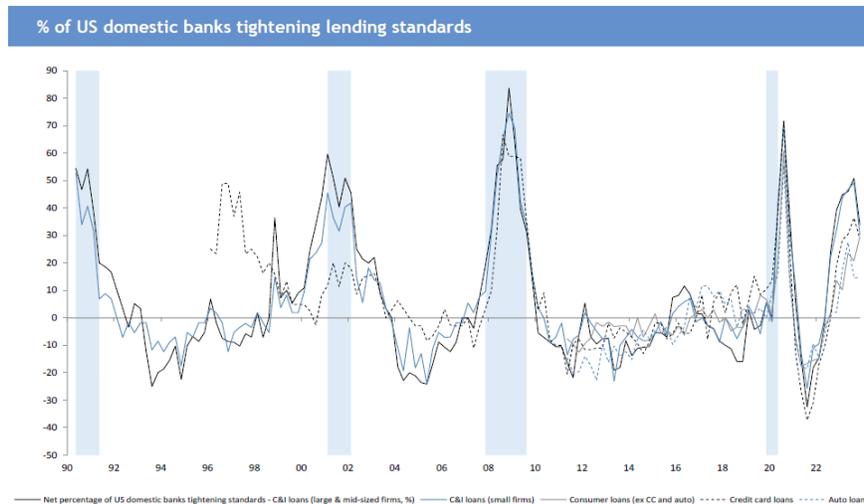


Exhibit 16. US Domestic Banks Lending Standards, January 2024, source UBS.

The picture for consumers is also mixed. On one hand, as US consumers largely locked-in mortgage rates below 4%, household interest costs have been manageable.

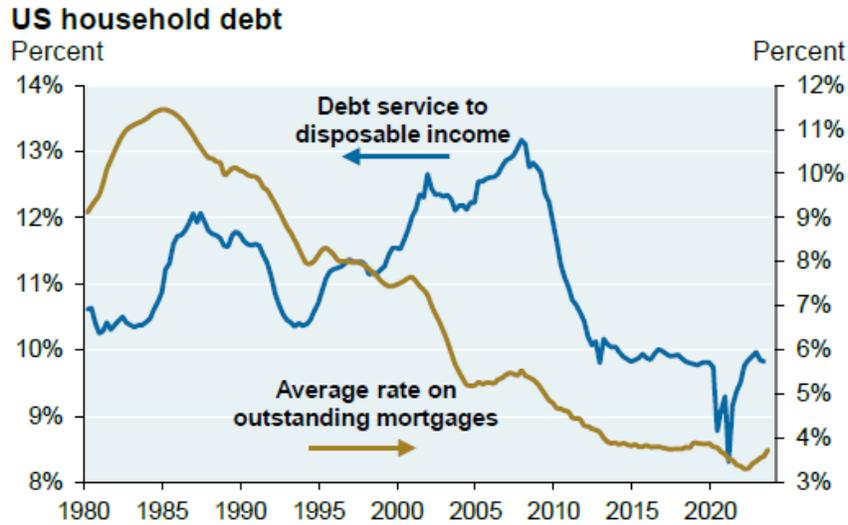


Exhibit 17. US Household Debt, January 2024, source JP Morgan.

On the other hand, credit delinquencies are rising.

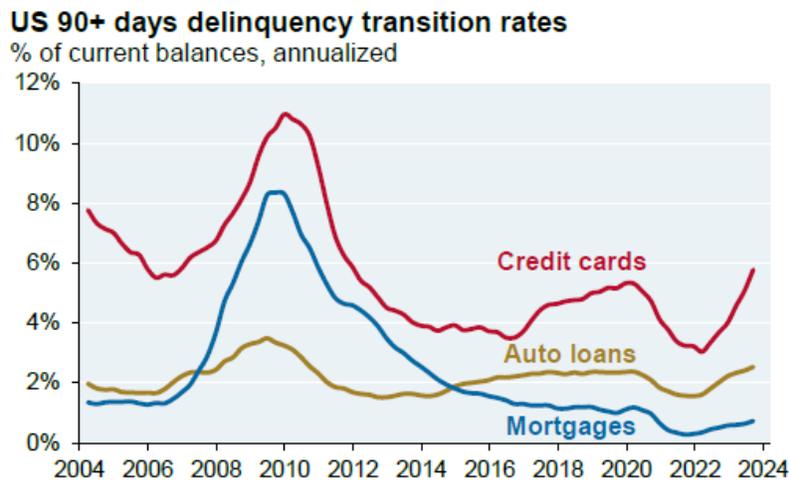


Exhibit 18. US 90+ Days Delinquency, January 2024, source JP Morgan.

And excess savings are being depleted.

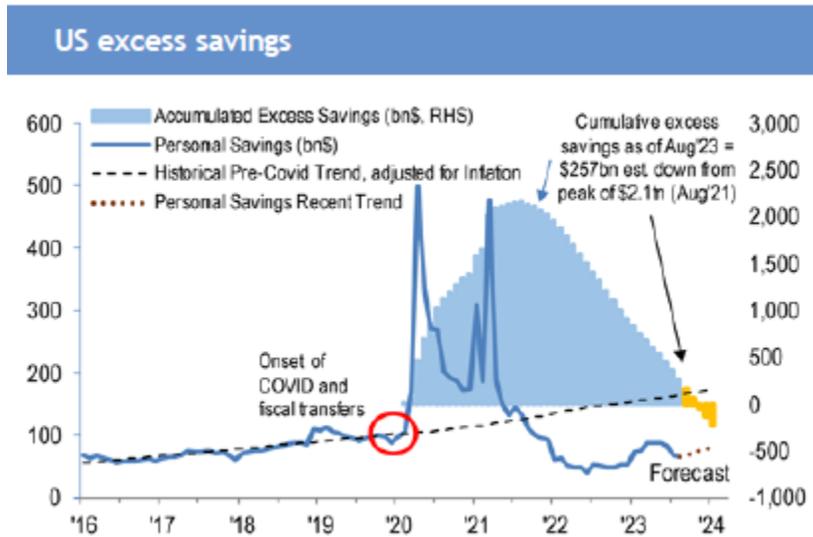


Exhibit 19. Household Wealth, January 2024, source UBS.

Unsurprisingly and given the above, there are now strong indications that inflation may be peaking. The 10-Year breakeven, which we believe is the market’s most robust estimate of future inflation embedded in the 10-Year Treasury Inflation Protected Note, was down in 2022, ending at just 2.30%, and remained around that low level (relative to nominal yields) throughout 2023, reflecting the market’s expectation that as the economy slows down, inflation will come down further.



Exhibit 20. 10-Year Treasury Breakeven, source Bloomberg.

Additionally, short-term, one-year forward inflation expectations were sharply down in 2023, almost completely unwinding the surge over the previous two years.

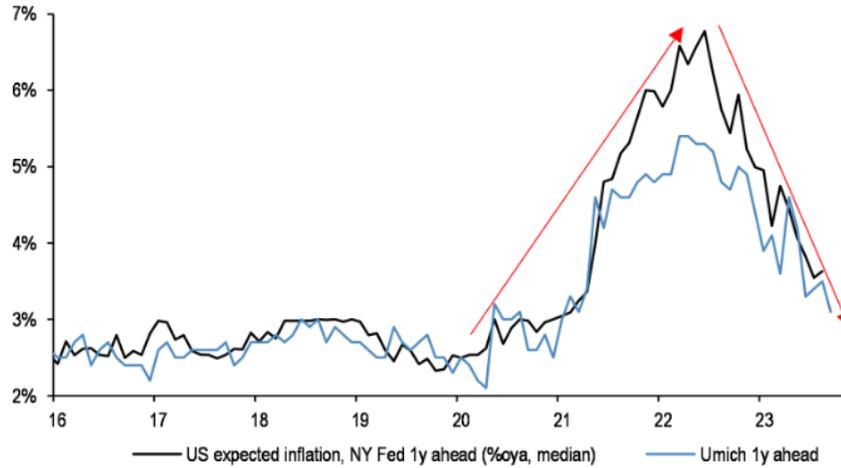


Exhibit 21. *US Consumer Expectations, Consumer Surveys, NY Fed and University of Michigan, September 2023, source JP Morgan.*

In particular, shelter (i.e., housing), which is the largest component of the CPI and accounted for 90% of inflation in August, is now expected to see a significant reduction over the next year.⁸

Forecast of year-over-year shelter inflation: Full model

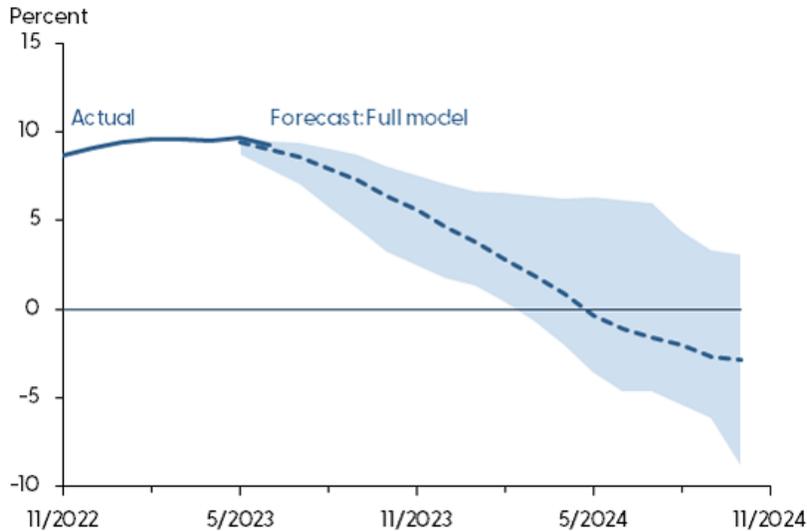


Exhibit 22. *Year-over-Year Shelter Inflation, August 2023, source Federal Reserve Bank of San Francisco.*

And globally, producer price inflation also dropped significantly in 2023, and, in fact, turned negative.

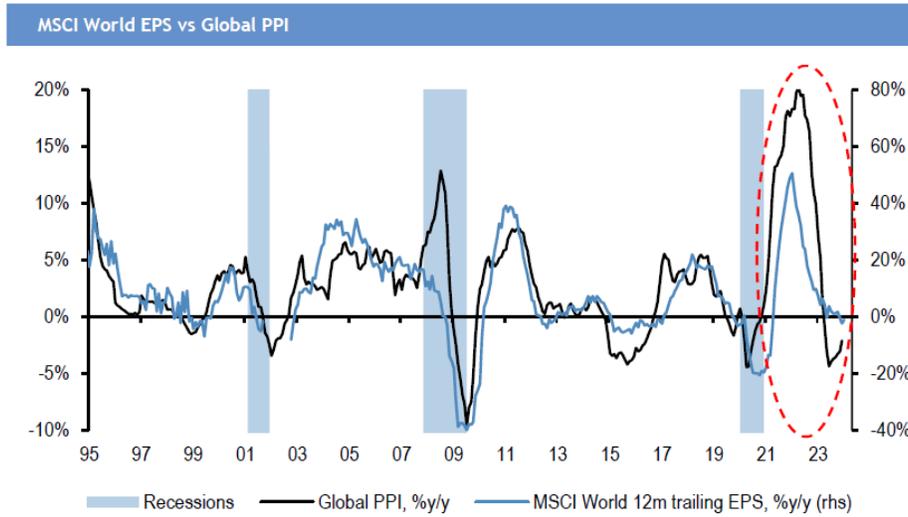


Exhibit 23. MSCI World EPS and Global PPI, January 2024, source JP Morgan.

Moreover, the percent of businesses planning to raise prices dropped precipitously in 2023.

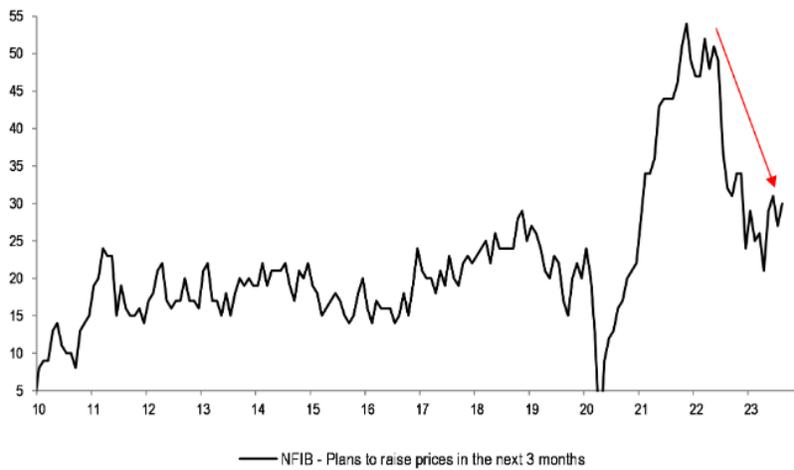


Exhibit 24. NFIB Survey – Plans to Raise Prices in the Next 3 Months, September 2023, source JP Morgan.

Unsurprisingly, the Fed Funds futures market is clearly indicating we are entering a yield-peaking phase, which can create a strong environment for growth equities, in our opinion. This new emerging market narrative is indeed the exact opposite of 2022.

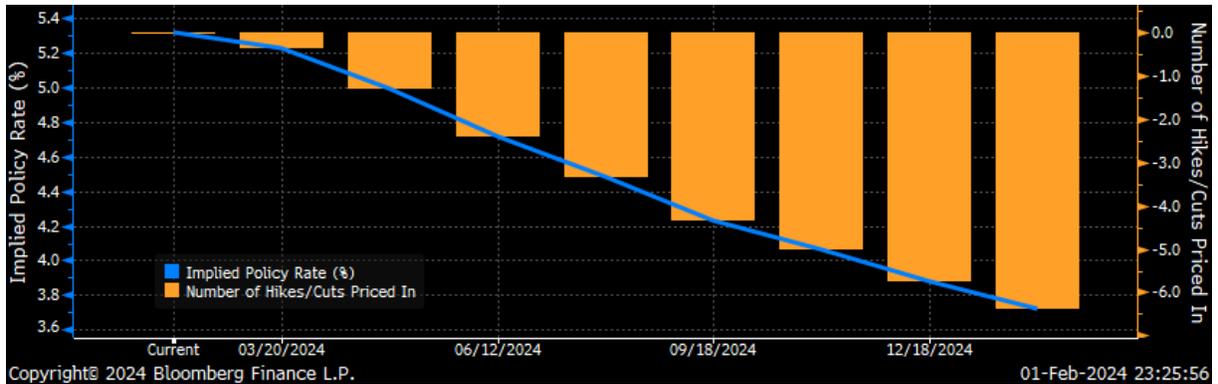


Exhibit 25. Market Expectation of Fed Funds Rate Cycle, source Bloomberg.

Additionally, and not to be underestimated, longer-term disinflationary forces such as (technological) Disruption, Debt and Demographics (sometimes referred to as the three “D”s) are likely to persist.

For example, with respect to Disruption, the effect of AI on annual productivity growth is expected to be very significant. AI is likely to create a productivity boost we have only seen a few times in the past 100 years, potentially adding a gain of 1.5% in output per year (see Exhibit 46). As for Debt, the recent economic turmoil has made the retirement crisis even worse. Half of private-sector employees do not even have an employer-sponsored retirement plan, and recently the US savings rate collapsed to the lowest level since the Global Financial Crisis.

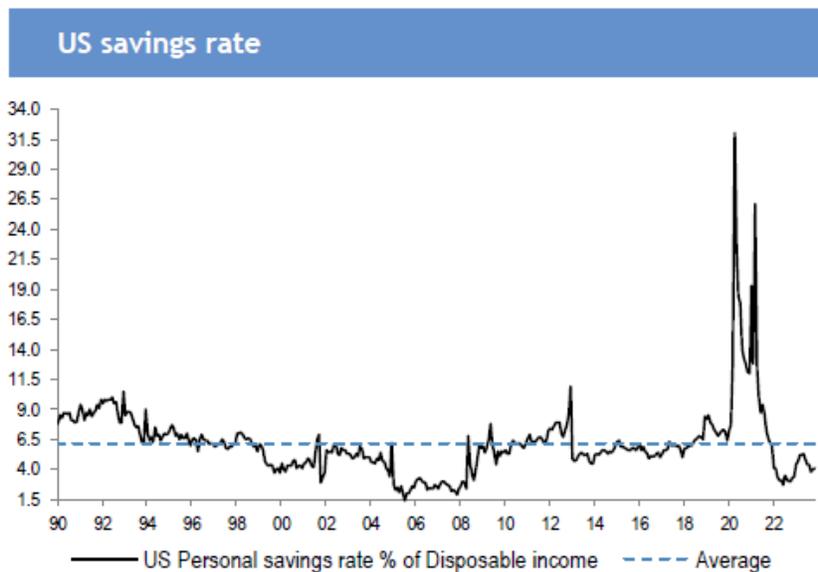


Exhibit 26. US Personal Savings Rate, January 2024, source JP Morgan.

And there is already a multi-trillion dollar retirement savings shortfall in US households, and it is likely to get worse.

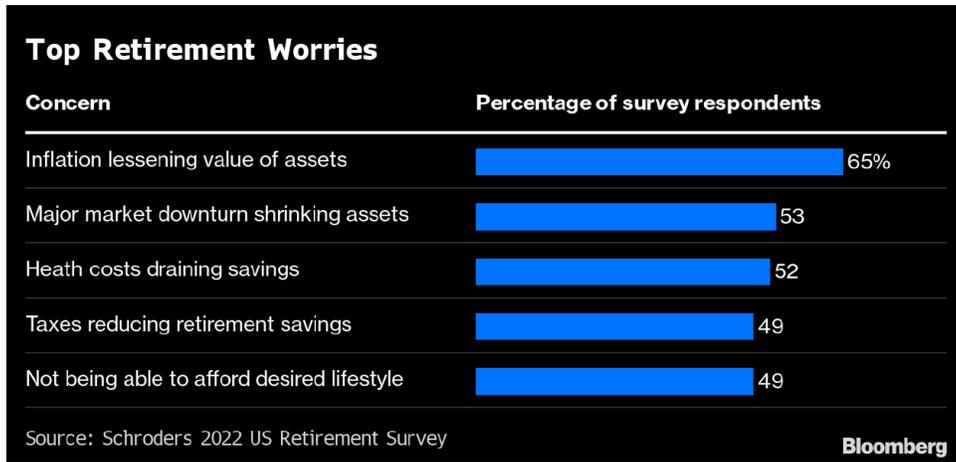


Exhibit 27. Top Retirement Worries, source Bloomberg.

Lastly, with respect to Demographics, as baby boomers retire, the number of people age 65 or above in the US is projected to increase to 21% of the population (73 million), up from 15% in 2016 (49 million).



Exhibit 28. Number of People 65 or Older, source Bloomberg.

Unsurprisingly, we recently saw the strongest productivity quarter in two decades, outside the Covid shock.

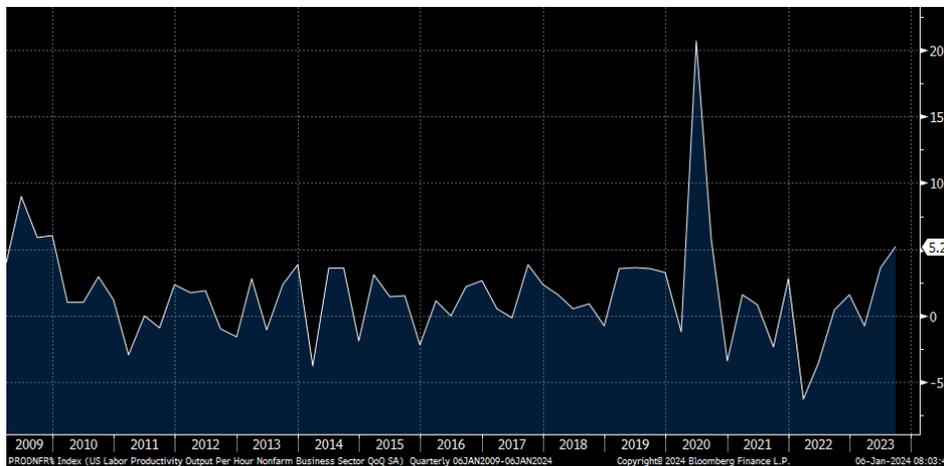


Exhibit 29. US Labor Productivity Output per Hour, QoQ, source Bloomberg.

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Broader Valuation Considerations

From a relative asset valuation perspective, we currently believe global equity valuations are fair relative to bonds (albeit elevated in the US, in our current view) and appear reasonable relative to their cost of capital, as both on a price-to-free-cash-flow basis and on a price-to-return-of-capital (dividends plus buybacks) basis (see Exhibits 31 and 33, respectively) the market has been trading below its long-term average. Meanwhile, global P/Es have been near their historical average while global bond yields sit below theirs.

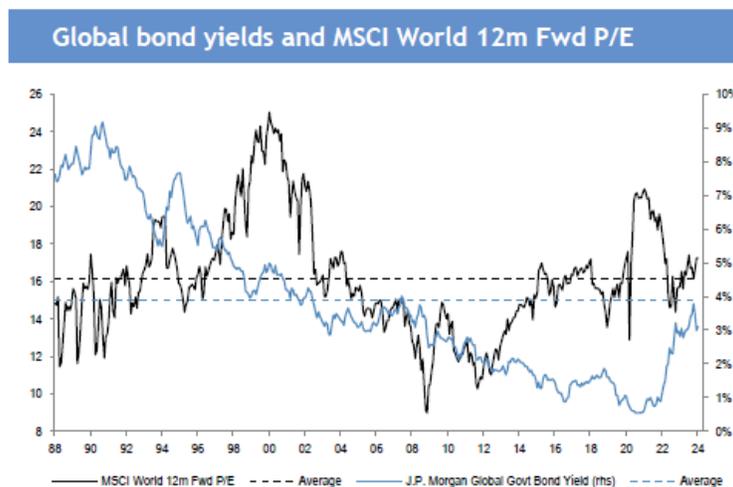


Exhibit 30. MSCI World Index P/E and Global Sovereign Bond Yields, January 2024, source JP Morgan.

Importantly for our own valuation framework, cash flow generation has been very strong, enabling cash flow valuations to remain below average historical levels.

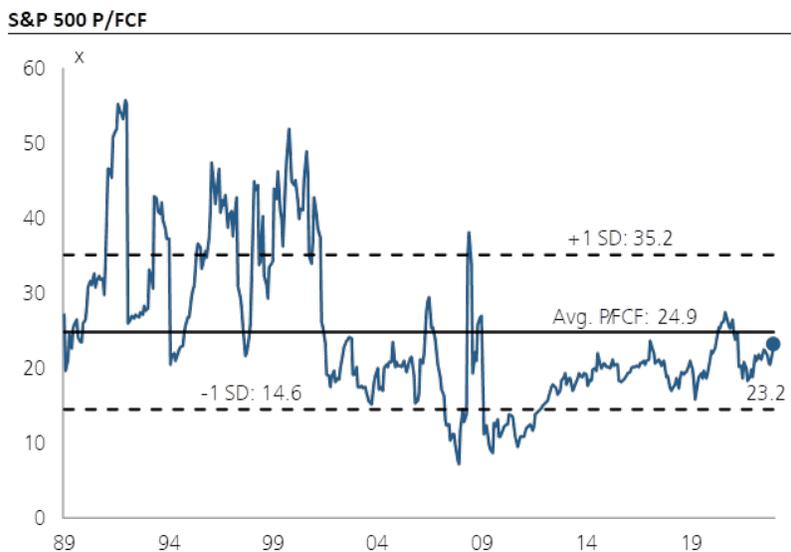


Exhibit 31. S&P 500 Index, Price/Free-Cash-Flow Ratio, December 2023, source UBS.

It is not surprising that although absolute P/Es remain somewhat elevated, P/FCF levels are still attractive. In particular, it is important to note that US companies have increasingly adopted asset-light models over the past decade. The result has been the almost doubling of free cash flow generation as a percentage of sales to above 10% in recent years.

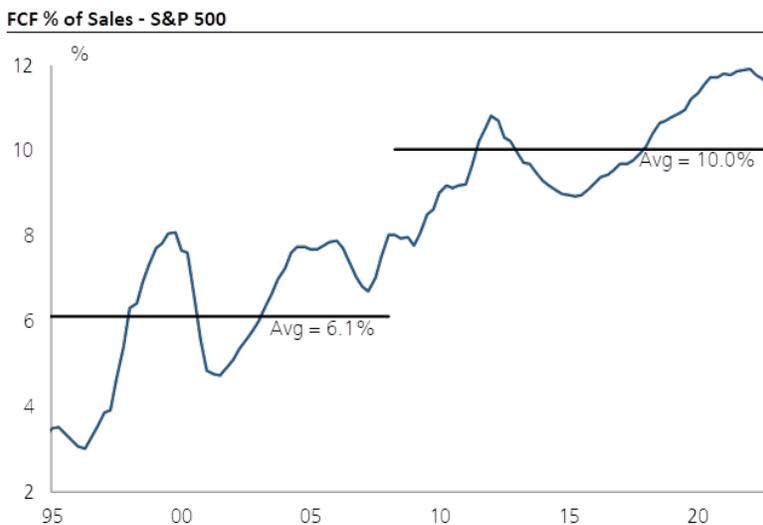


Exhibit 32. US Equities Free Cash Flow as a Percentage of Sales Since 1984, Russell 1000 Index (pre-1990) and S&P 500 Index (after 1990), December 2023, source UBS.

Furthermore, from a price to return on capital (dividends plus buybacks) standpoint, US equities have been trading below their historical average level.

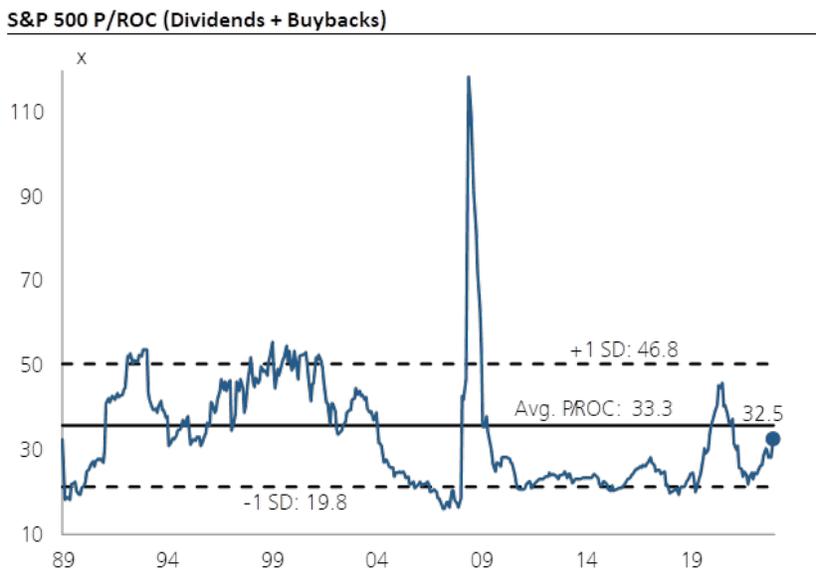


Exhibit 33. US Equities Price to Return of Capital Multiple Since 1984, Russell 1000 Index (pre-1990) and S&P 500 Index (after 1990), December 2023, source UBS.

Against this backdrop of potential rate-peaking and disinflation, we continue to favor high quality growth sectors such as technology and communication services, which we believe are supported by, one, superior fundamentals, e.g., high barriers to entry, stronger balance sheets, and higher returns on invested capital; two, strong secular growth trends; three, a broader scarcity of growth assets; and, four, supporting cash flow valuations relative to the underlying growth rates.

In particular, and as we have stated in previous investor communications, we consider technology to be not only a growth investment but also a defensive one due to its cost-cutting (high ROI) and productivity enhancing proposition to the end customer, superior balance sheet, strong cash flow conversion, low labor cost to sales, ongoing industry consolidation, and strong underlying secular innovation trends.

It is noteworthy that revenue growth for technology stocks has substantially exceeded that of the broader market in the last decade. We would also add that, importantly, this was just not the case during the tech bubble, when technology revenues (and earnings) underperformed, lagging price appreciation.

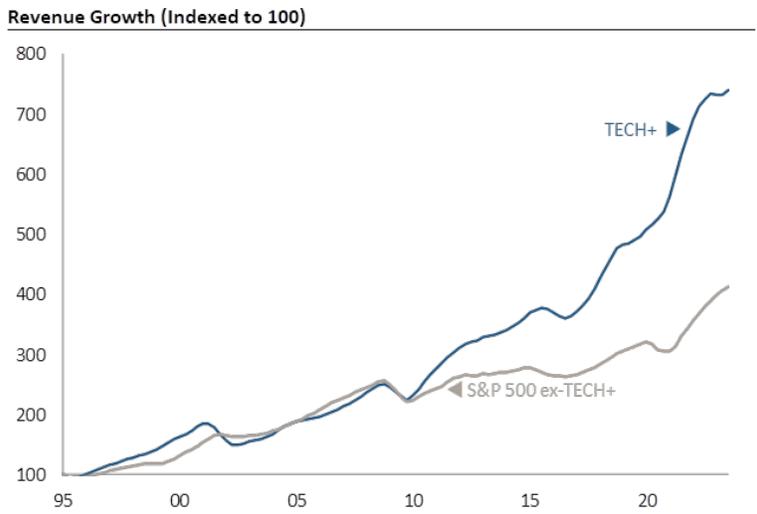


Exhibit 34. S&P 500 Index Technology Revenue Growth, December 2023, source UBS.

Lastly, during the last decade margins for technology stocks more than doubled the market level.

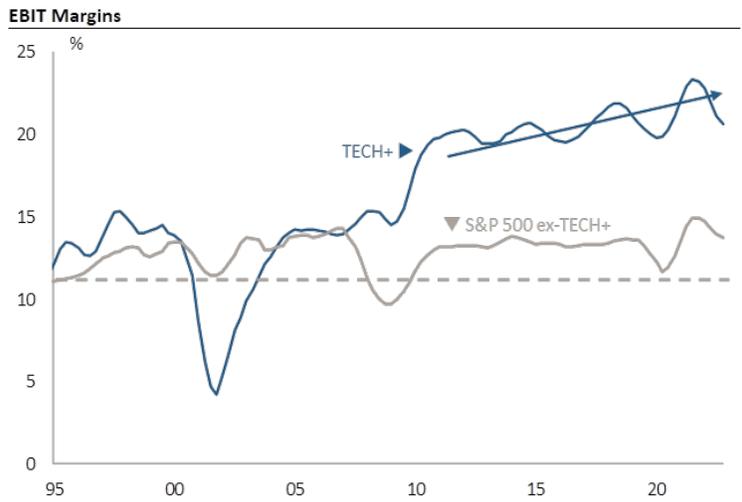


Exhibit 35. S&P 500 Index Technology EBIT Margins Growth, December 2023, source UBS.

In summary, we consider the current investment opportunity set to be attractive for high quality growth equities on a relative basis, particularly as the market may be entering a disinflationary and yield-peaking phase. We also reiterate the need to be highly selective in an environment of scarce secular growth opportunities.

Secular Opportunity for Technology

In recent communications, we have extensively detailed our outlook on the emerging wave of technological innovation and AI, which we expect to be wide in scope, transformative and highly disruptive. As the digital foundation of the global economy expands rapidly, it is enabling disruption in a matter of months. Businesses can now reach millions of users in the shortest time ever.

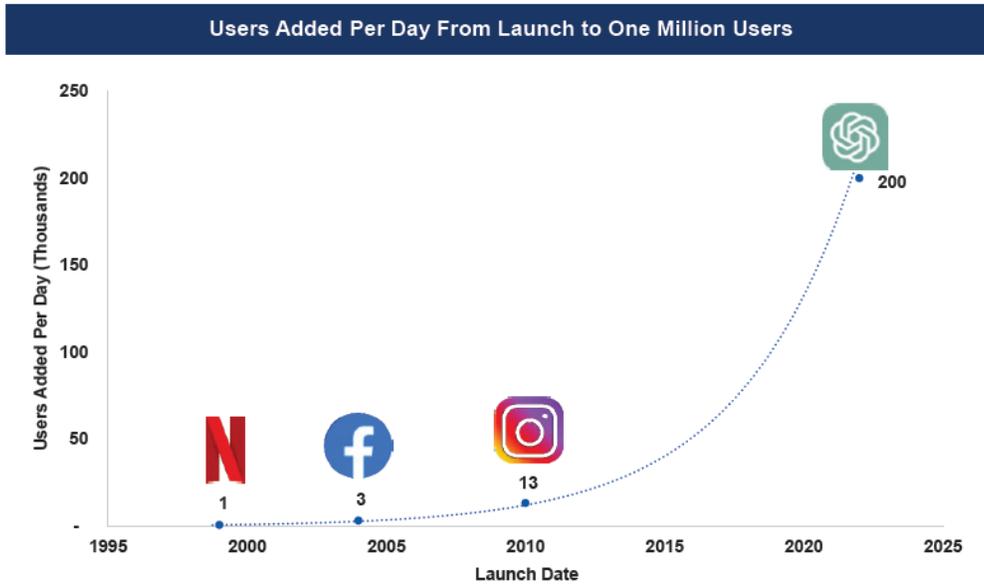


Exhibit 36. *Users Added per Day from Launch to One Million Users, source Morgan Stanley.*

We believe the investment implications of the upcoming wave of technological innovation are likely to be dramatic and generally favor long-short strategies that can benefit not only from long investments in companies that innovate but also from short investments in companies which will be trapped in an equally powerful cycle of technological obsolescence.



Exhibit 37. *AI is Fueling Global Industries, source Nvidia.*

This emerging historic and deeply transformative wave of innovation, the upcoming Fourth Industrial Revolution, is often described as a beautiful "fusion of technologies that is blurring the lines between the physical, digital and the biological", "a technological revolution that will fundamentally alter the way we live, work and relate to one another".⁹ It is exactly what Jen-Hsun Huang, visionary CEO of Nvidia, described as "one of the most important revolutions ever, whereas computer scientists used to specify every single instruction one line at a time, now algorithms write algorithms, software writes software, computers are learning by themselves, the era of [M]achine [L]earning", a historic time when "serendipity meets destiny".¹⁰

"We always overestimate the change that will occur in the next two years, and we underestimate the change that will occur in the next ten years" – Bill Gates

In 2020, AutoML Zero, developed by scientists at Alphabet, elevated the idea of automatic machine learning algorithms that are machine-created and can automatically improve themselves through Darwinian style evolution. This approach took machine learning innovation to a different level by un-constraining the hand-designed machine learning algorithm building and discovery process that biases searches in favor of human-designed algorithms that are inherently limiting in the number of options they consider – as "you cannot search for what you cannot discover".

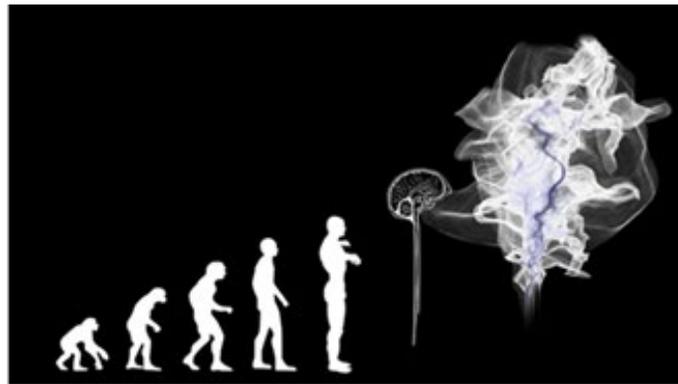


Exhibit 38. *AutoML-Zero: Evolving Machine Learning Algorithms from Scratch, source Bigthink.*

These recent algorithmic advances have brought us closer to the type of AI one sees in movies – human-level AI that rivals the efficacy of human models.

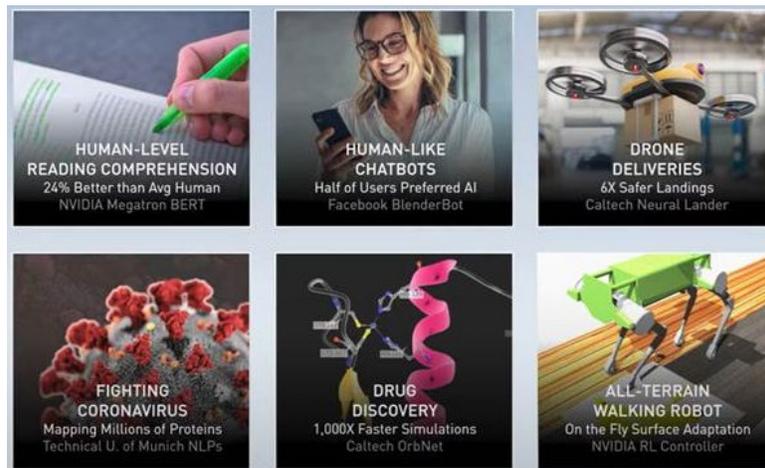


Exhibit 39. *Machines Rival Humans, source Nvidia.*

The origins of this new technological revolution can be traced a few years back. In our quarterly communications, we first extensively discussed the AI revolution in 2017, the year in which Alphabet introduced their Transformer architecture, which was then split into BERT (short for Bidirectional Encoder Representations from Transformers, a machine-learning framework for natural language processing) and the series of GPT models.

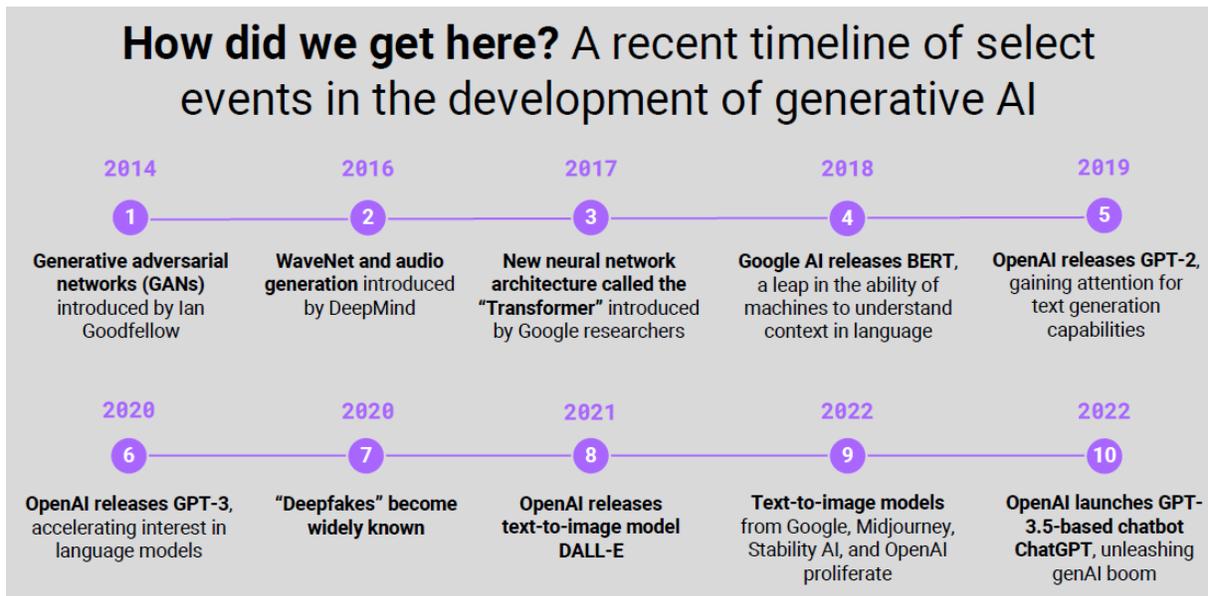


Exhibit 40. *The History of Generative AI, source CB Insights.*

Remarkably, it was only five years ago that the amount of data generated by machines surpassed the amount of data generated by humans, and that gap is now widening exponentially.



Exhibit 41. *Data Generation by Category (in Zetabytes), source Applied Materials.*

This data explosion began to feed new large and complex AI models that needed an advanced and powerful new compute platform.

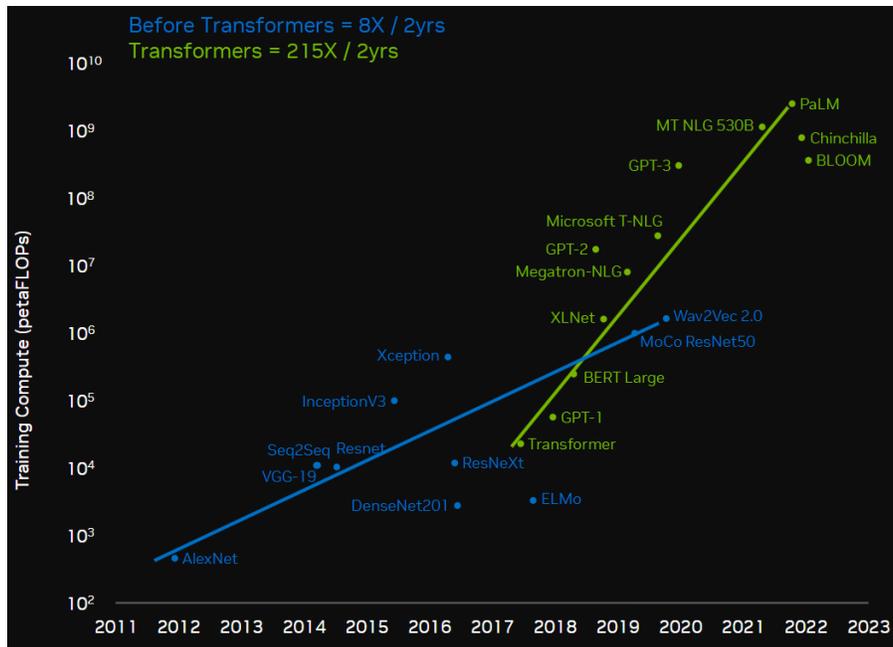


Exhibit 42. AI Training Computational Requirements, source Nvidia.

*"We're in a new digital world, in **an all-digital world**. The past is gone, it's not coming back. We need to rebuild our companies, our organizations, and ultimately we need to rebuild ourselves to be successful in this new digital future." Marc Benioff, Salesforce CEO*

This new big data era necessitated the creation of a powerful compute platform that could accommodate and handle AI models with tremendous complexity, between 2020 and 2022, ultimately leading to the tipping point for generative AI at the very end of 2022. This new powerful platform is now propelling another wave of IT-enabled productivity growth (which some are calling the Fifth Industrial Revolution).

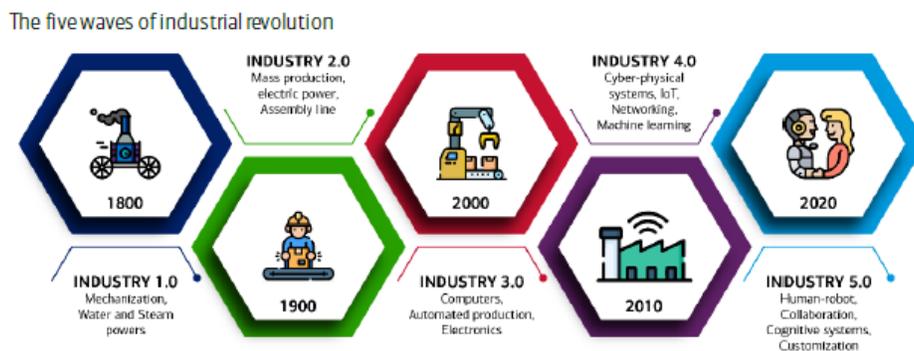


Exhibit 43. The Fifth Industrial Revolution Involves the Combination of Humans and Machines at Work, source Merrill.

The marriage of powerful transformer models and advanced compute hardware platforms indeed led to the recent generative AI breakthroughs, bringing modern AI to the mainstream.

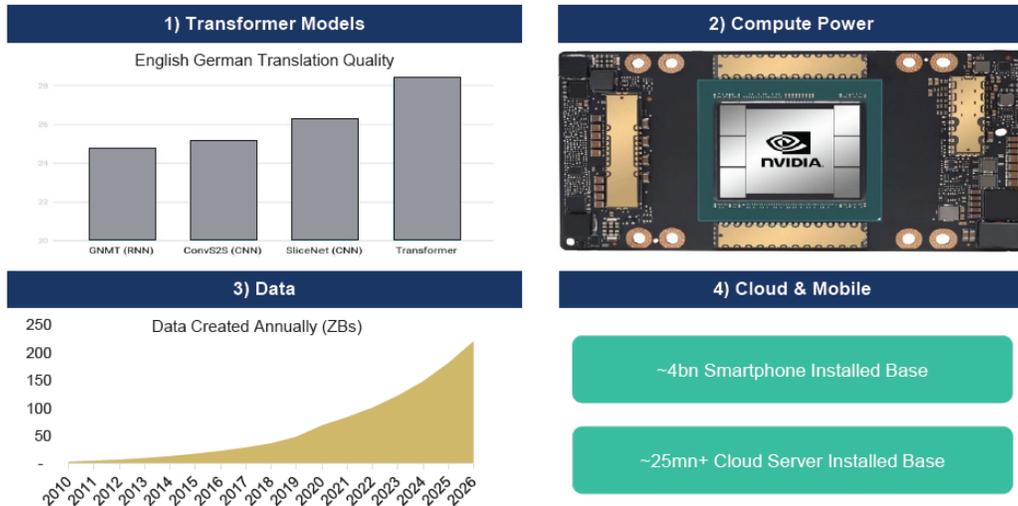


Exhibit 44. Four Key Factors That Led to The Current “AI Breakthroughs”, source Morgan Stanley.

This tectonic wave of innovation is likely to fuel strong GDP growth, as innovation and growth go hand in hand, and AI is likely to ultimately create more jobs than it destroys.

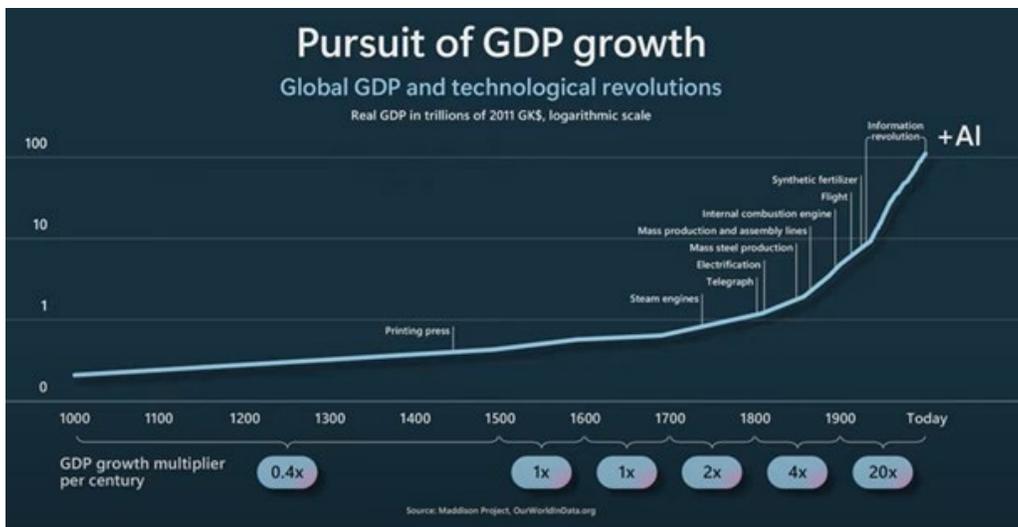


Exhibit 45. Global GDP and Technological Revolutions, source Microsoft.

This is because, one, the effect of AI on annual productivity growth is expected to be very significant. AI is likely to create a productivity boost we have only seen a few times in the past one hundred years, potentially adding a gain of 1.5% in output per year.

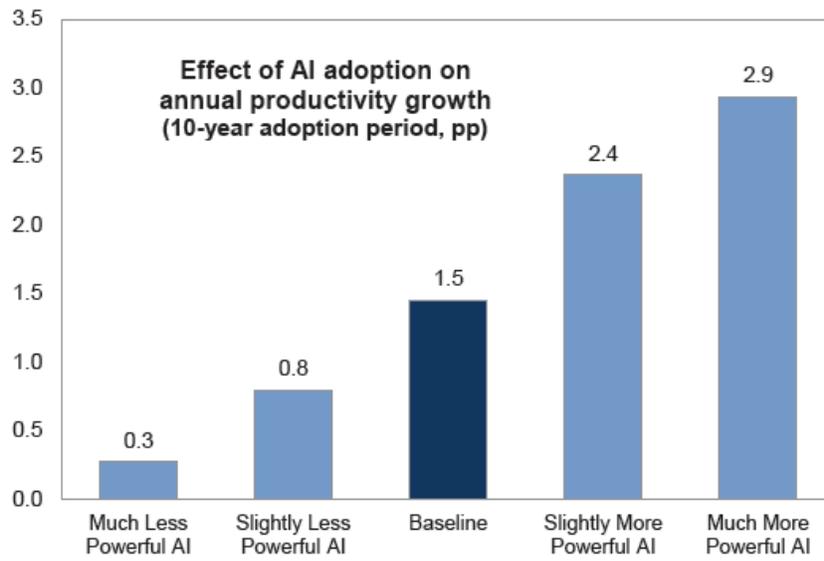


Exhibit 46. *Estimated Effect of AI Adoption on Productivity Growth, source Goldman Sachs.*

And two, productivity growth has been the main engine of GDP growth over the past thirty years.

Real GDP growth contribution of employment and productivity growth, 1972–2022, global GDP growth, CAGR, %

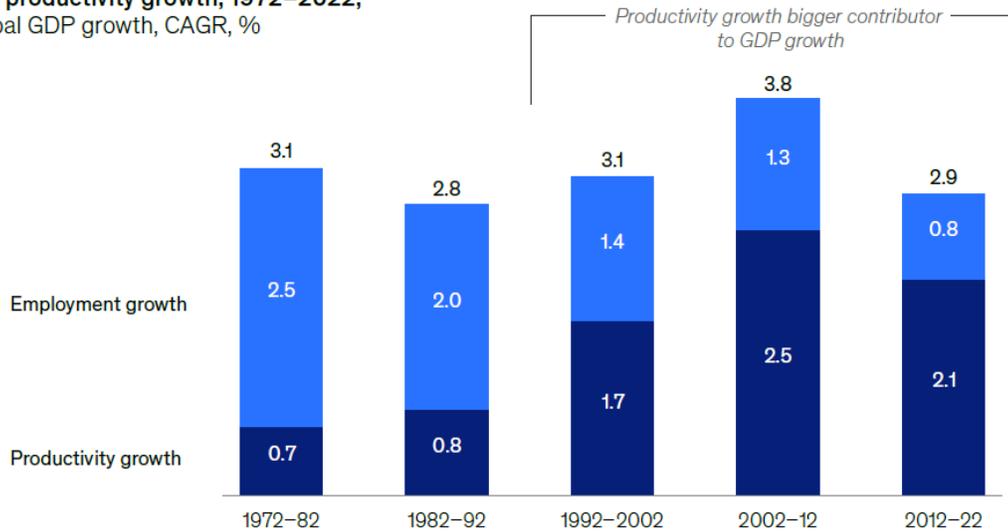


Exhibit 47. *Real GDP Growth Contribution of Employment, source McKinsey.*

AI is now being projected to be the biggest compute era ever, likely to far surpass the internet in value creation, in our view.

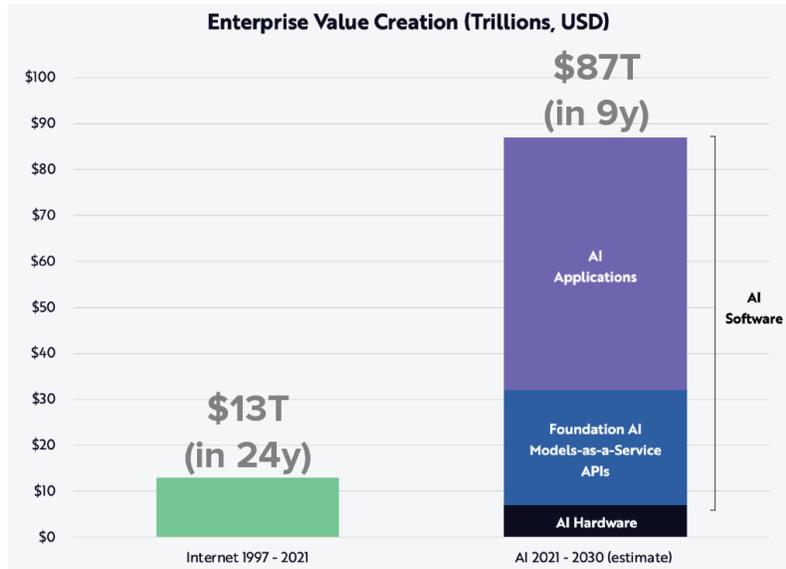


Exhibit 48. Enterprise Value Creation, AI Value = 6x Internet Value, source LifeArchitect.ai.

This cycle of AI disruption and associated value creation carries another important implication. There is going to be a small number of companies that generate the majority of added wealth. For example, according to Merrill, between 1990 and mid-2020, the global market generated approximately \$56 trillion of wealth. Yet, only 1.5% of companies accounted for all of this wealth creation, with an acceleration of this concentrated wealth creation in recent years, in our view.

Share of net wealth* generated by stocks between 1990 & mid-2020

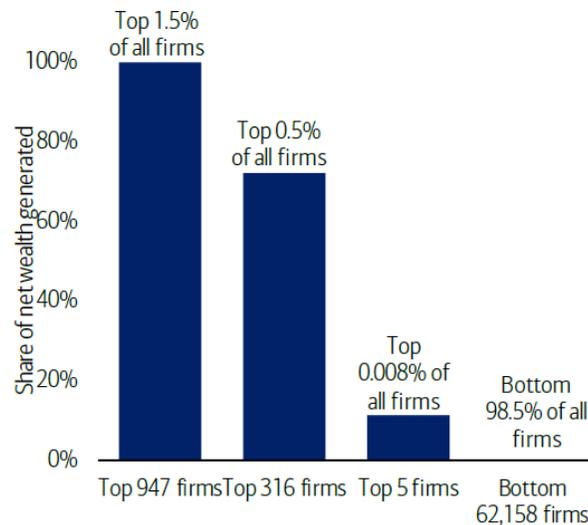


Exhibit 49. Share of Wealth Generated by Global Stocks, 1990 to mid-2020, source Merrill.

In this connection, Merrill has predicted that 50% of S&P 500 companies could be replaced in ten years, as the average tenure of an S&P 500 company has been forecast to contract from its high of nearly sixty-one years in 1958, to thirty years in the 1980s, to twenty-four years in 1976 to approximately twelve years by 2027, supporting our view of a highly favorable environment for stock picking and highlighting the need for investors to remain exceedingly selective.

Average company lifespan on S&P 500 Index (year, rolling 7 year average)

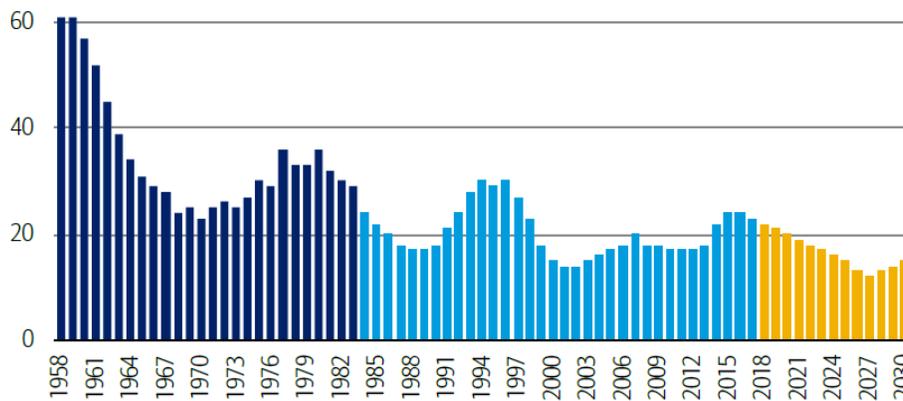


Exhibit 50. Average Lifespan of S&P 500 Index Companies on the Decline, September 2021, source Merrill.

There is a fundamental reason behind this disruption, namely, the costs of innovating are high. AI is expensive, and has become increasingly so as the cost of AI training soared as models scaled up. For a model the size of GPT3, a single training run can cost more than \$10 million, and trillion parameter models can have training costs upwards of \$50 million for a single training run.

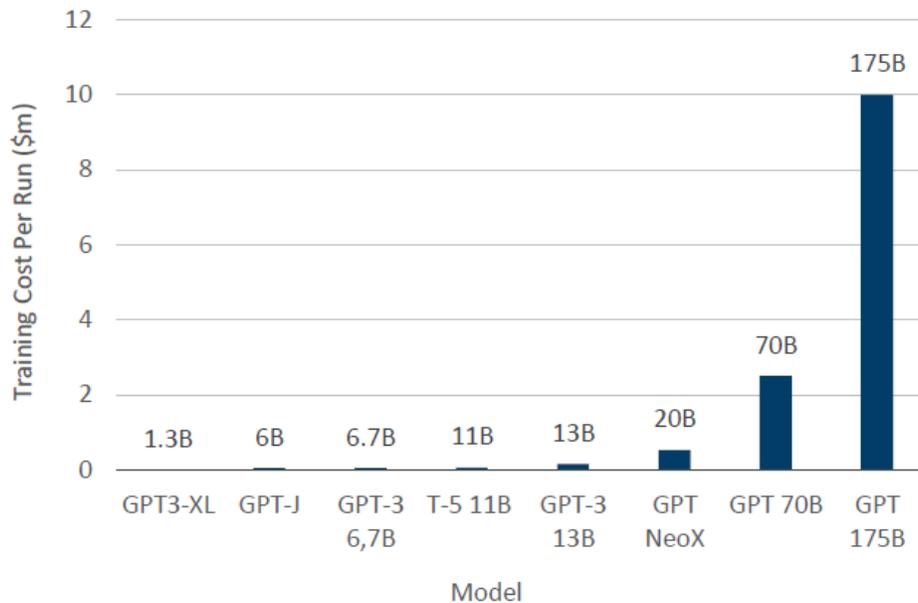


Exhibit 51. The Cost of AI Training is Soaring as Models Scale Up (Single-Run Costs), source Nvidia.

As a result, only a few global businesses will be able to offer outsourced AI/ML solutions on the cloud, having created powerful platforms that can provide enormous compute power in a decentralized and democratized way, ultimately seizing a significant share of the fast-growing enterprise cloud AI/ML market.



Exhibit 52. Global Enterprise Cloud AI/ML Market Projected to Grow at a CAGR of 36% to Reach \$111 Billion by 2030, source Merrill.

Consequently, we believe this pattern of disruption and concentration in wealth creation is likely to continue in the next decade. This, in our view, has the potential to favor our strategy, which seeks to fundamentally focus on high quality secular compounders with strong competitive positions.

Additionally, we believe we are at the very beginning of this secular growth path for these compounders. It is important to note that the AI revolution is at its very early stages, as only in late 2022 did AI go mainstream with the introduction of ChatGPT.

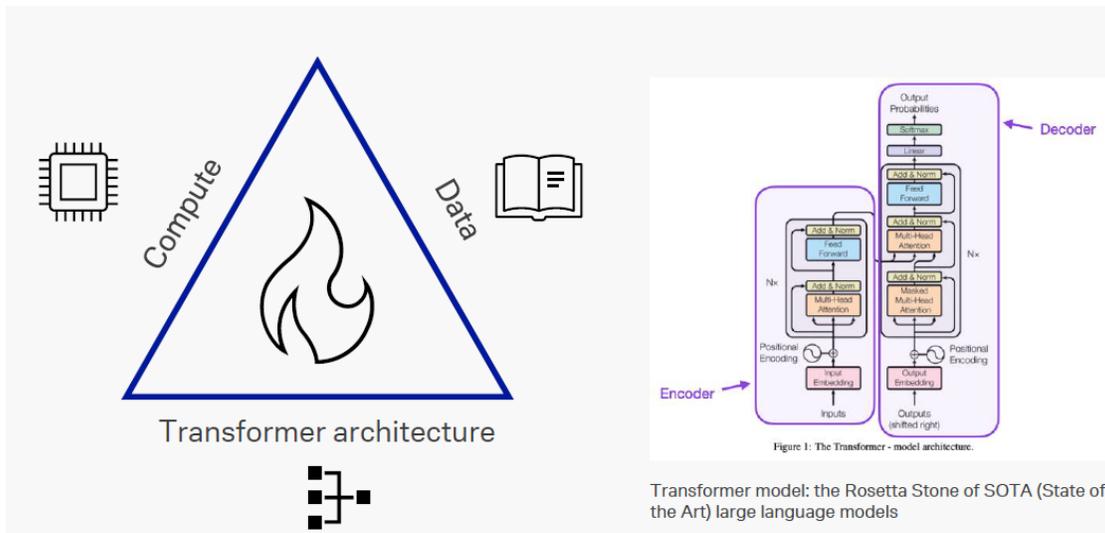


Exhibit 53. The Tipping Point for Generative AI: Massive Computing Power, Data and the Invention of the Transformer Model, source Deutsche Bank.

And there are a number of emerging technologies around conversational AI that can fuel tremendous growth in the next decade.

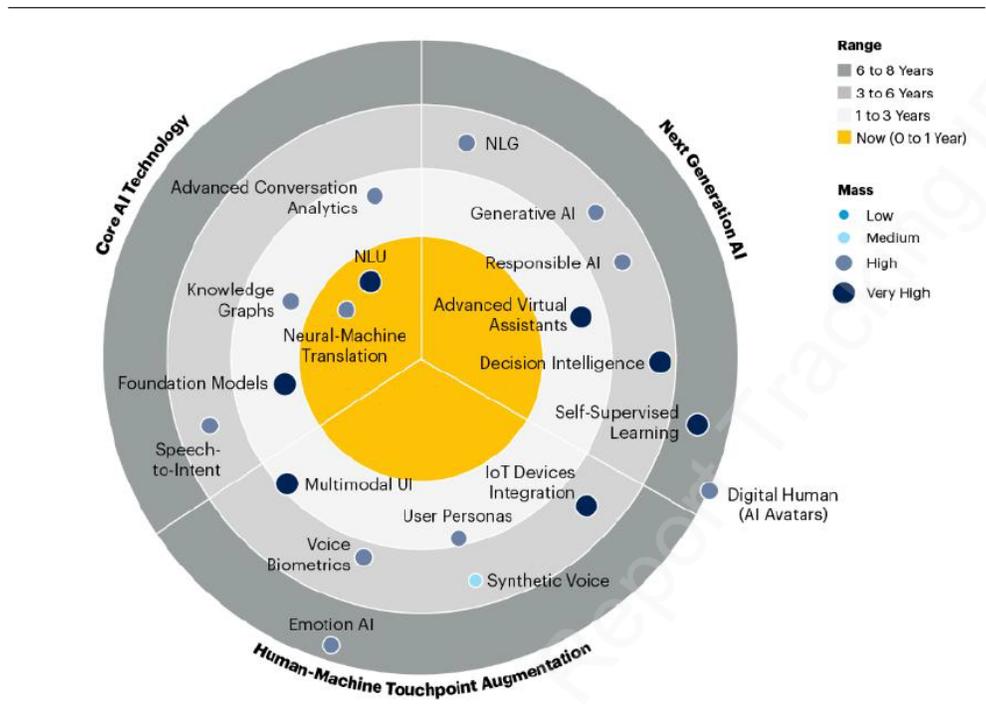


Exhibit 54. Emerging Technologies Around Conversational AI, source Credit Suisse.

As a result, while this new AI era is just beginning, it is already expected to be the biggest and most transformational era of computing.

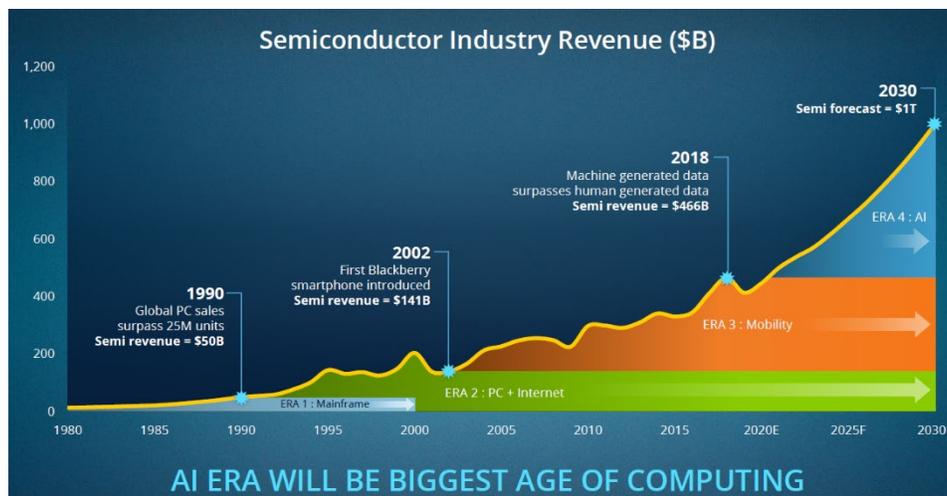


Exhibit 55. Semiconductor Industry Revenue, Billions, source Applied Materials.

Following significant advances in software and hardware in the last few years, and as AI has begun to handle models with tremendous complexity, AI algorithms are becoming more “human-like”. Additionally, next-level use cases require gigantic models. Advanced AI models are becoming massive and highly complex, and this is the only way to approach models of human intelligence.

Now a large language model can be over 1 trillion parameters. The growth in model complexity has been exponential.

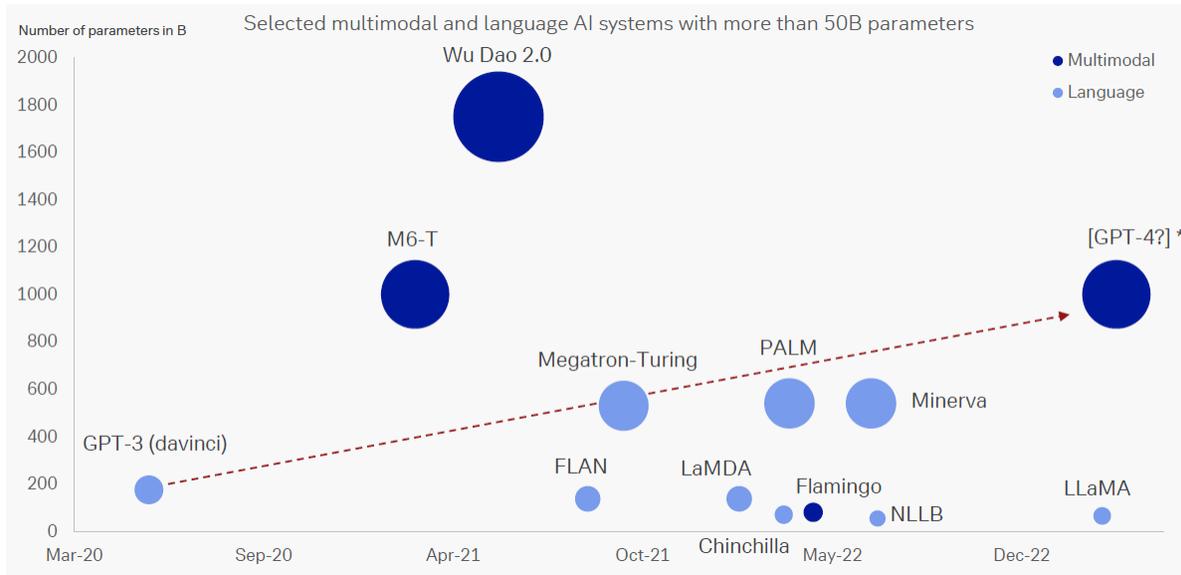


Exhibit 56. *The Number of Parameters in LLMs Has Surged, Surpassing 1 Trillion, source Deutsche Bank.*

One of the key moments that led to the current AI breakthrough was the 2021 introduction of OpenAI’s Generative Pre-Trained Transformer (“GPT-3”), one of the largest language models ever trained at 175 billion parameters, that received much attention and set the stage for the late 2022 inflection point of bringing AI mainstream. There was great hype around GPT-3 from the very beginning. As Jen-Hsun Huang described at GTC 2021:

*OpenAI’s GPT-3 is 175 billion parameters. That is 3,000 larger in just three years. The applications for GPT-3 are really incredible. Generate document summaries, email phase completion, GPT-3 can even generate Java script and HTML from plain English. Essentially telling AI to write code based on what you wanted to do.*¹¹

GPT-3 gave rise to the most important recent breakthrough in AI, namely generative AI, which builds models that allow computers to create new content.

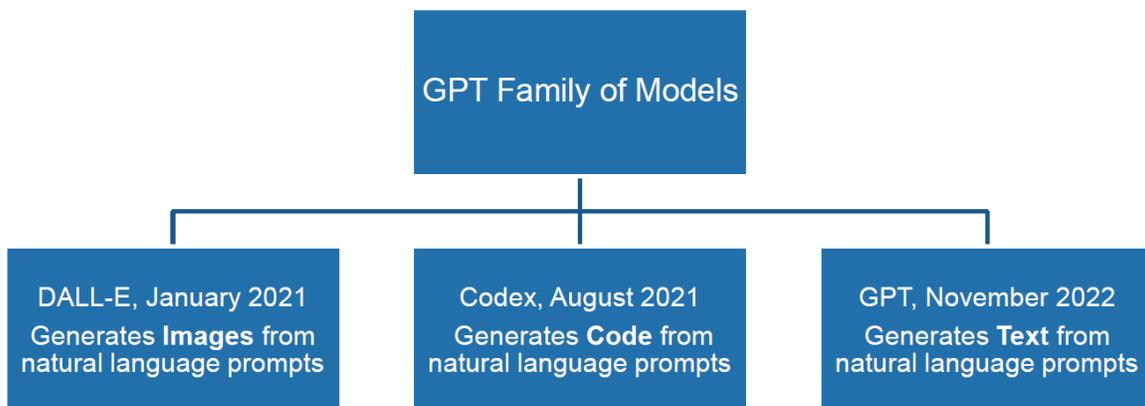


Exhibit 57. *OpenAI’s Contribution in Focus, source Microsoft.*

ChatGPT, released at the end of November 2022, quickly became one of the most viral technologies of the year. ChatGPT was created by OpenAI as a conversational AI or chatbot. It is a generative AI based on the large language model (LLM) called GPT-3.5, a fine-tuned, more intuitive version of GPT-3 refined through reinforcement learning from human feedback (RLHF). As noted above, GPT-3 is one of the largest language models ever trained at 175 billion parameters. ChatGPT is a smaller, more condensed version of GPT-3.5 and includes an additional layer of safety guardrails for users. It was trained the last few years on large amounts of data, 300 billion words or 570GB from the internet through 2021, including Wikipedia, social media and news articles.

The game changer for ChatGPT is its free-to-use, open source model, with a user-friendly UI, reminiscent of iMessage or WhatsApp. This makes it well suited for mass distribution and has enabled the widespread adoption and creative explosion on ChatGPT to date. In fact, ChatGPT reached its first one million users in five days, versus three months for Instagram and three and a half years for Netflix. Users write questions or prompts, and ChatGPT responds in an intelligent, uncannily human-like manner on any topic that the user wants and even writes poems, essays, songs, code, and witty jokes. In other words, it is a mass market, general purpose, sophisticated chatbot that can write like a human.

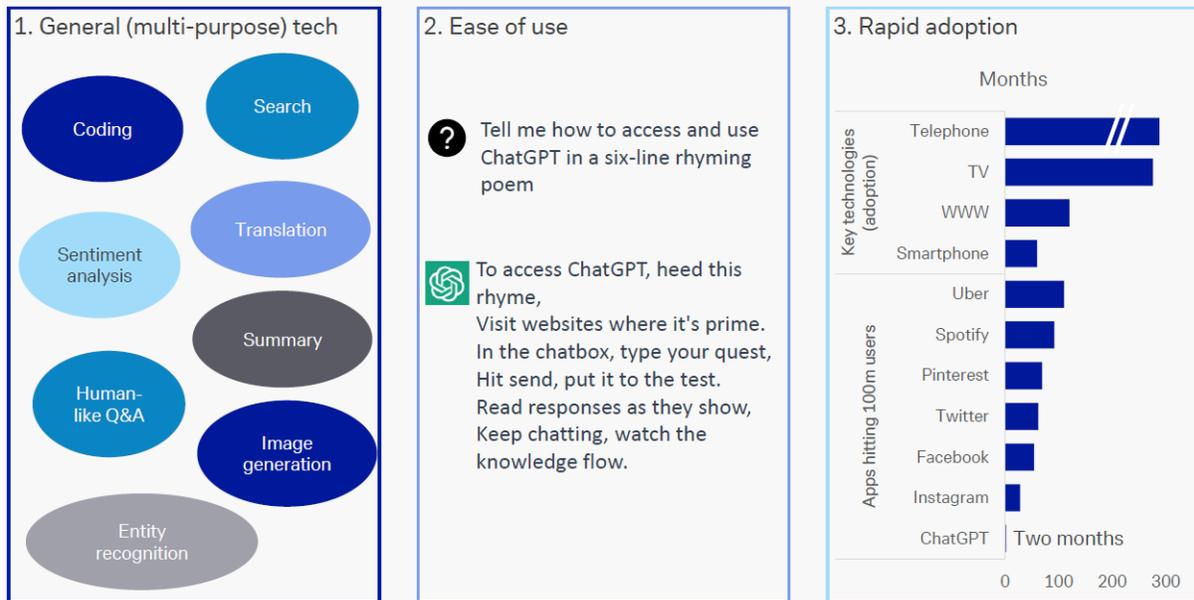


Exhibit 58. *What Is Special About Generative AI?*, source Deutsche Bank.

Given the groundbreaking examples seen from AI in image recognition and now text with ChatGPT, many are considering other modalities for generative AI to expand into, which is also prompting furious debate about the role of AI and its impact on creative industries, people and jobs.

Marketing and sales	Operations	IT/engineering	Risk and legal	HR	Utility/employee optimization
Write marketing and sales copy including text, images, and videos (eg, to create social media content or technical sales content)	Create or improve customer support chatbots to resolve questions about products, including generating relevant cross-sell leads	Write code and documentation to accelerate and scale developments (eg, convert simple JavaScript expressions into Python)	Draft and review legal documents , including contracts and patent applications	Assist in creating interview questions for candidate assessment (eg, targeted to function, company philosophy, and industry)	Optimize communication of employees (eg, automate email responses and text translation or change tone or wording of text)
Create product user guides of industry-dependent offerings (eg, medicines or consumer products)	Identify production errors, anomalies, and defects from images to provide rationale for issues	Automatically generate or auto-complete data tables while providing contextual information	Summarize and highlight changes in large bodies of regulatory documents	Provide self-serve HR functions (eg, automate first-line interactions such as employee onboarding or automate Q&A or strategic advice on employment conditions, law, regulations, etc)	Create business presentations based on text prompts, including visualizations from text

Exhibit 59. *Generative AI Use Cases, source McKinsey.*

To highlight the dramatic advances of the last few years, in another breakthrough moment, researchers at Alphabet developed the world’s first trillion parameter model, T5-XXL, a language model with 1.6 trillion parameters. Also, on June 1, 2021, China announced Wu Dao 2.0 (“Wu Dao” means enlightenment), a model similar to GPT-3 only 10 times larger: 1.75 trillion parameters! Wu Dao, like the recently introduced Alphabet MUM model, is based on multi-modality, the ability to learn from text, audio, images and video.

Claimed by its own creators to be 10 times more powerful than GPT-3, Wu Dao can not only understand what people say but also create images, sing and paint and will learn code in the future. Hua Zhibing, Wu Dao’s virtual female child, is reportedly showing signs of relational reasoning and emotional interaction, providing hope that “the virtual girl will have a higher EQ and be able to communicate like a human”.¹² Although much of this still needs to be proven, we currently believe there is now a path towards using mega-models to conquer human cognition.



Exhibit 60. *Human Mind, source Getty.*

To visualize the incredible potential of next generation AI applications, it is instructive to look at the computational graph of a machine learning system – this is a representation of the model the system builds. AI startup Graphcore has published an amazing set of images of the computational graphs mapped to its machine learning system, which strikingly look much like a brain scan.¹³

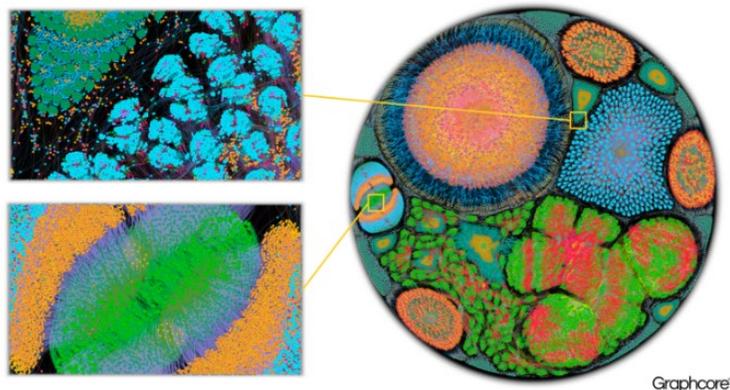


Exhibit 61. *Example of a Machine Learning Model Used in Data Analysis, source Graphcore.*

These breakthrough developments in image and speech recognition, conversational AI and AutoML –over just the last couple of years–, are now about to fundamentally change our relationship with machines and computers forever, as computers begin to learn our language and understand what we see and hear.

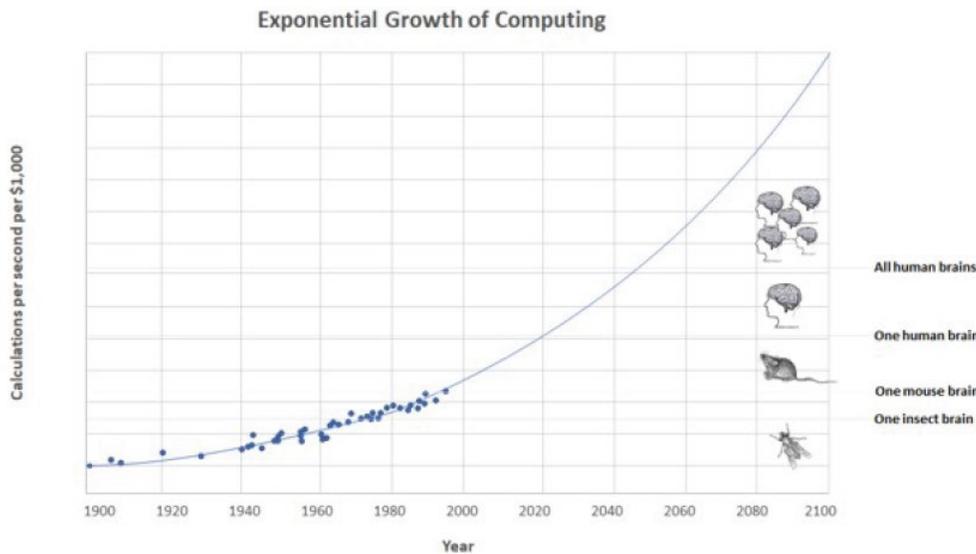


Exhibit 62. *Computing Power Roadmap, source Ray Kurzweil and Morgan Stanley.*

“As that happens the human-computer interface [will] no longer exist. We will become the interface. We will talk to computers and they will talk back. We [will] see information directly in our eyes. The new form factor is VR/AR.”¹⁴

As AI slowly becomes more intelligent than the human mind, advances in brain technologies could make the communication between machines and humans seamless. Ultimately, the distinction between the physical mind and the digital mind may not even exist.

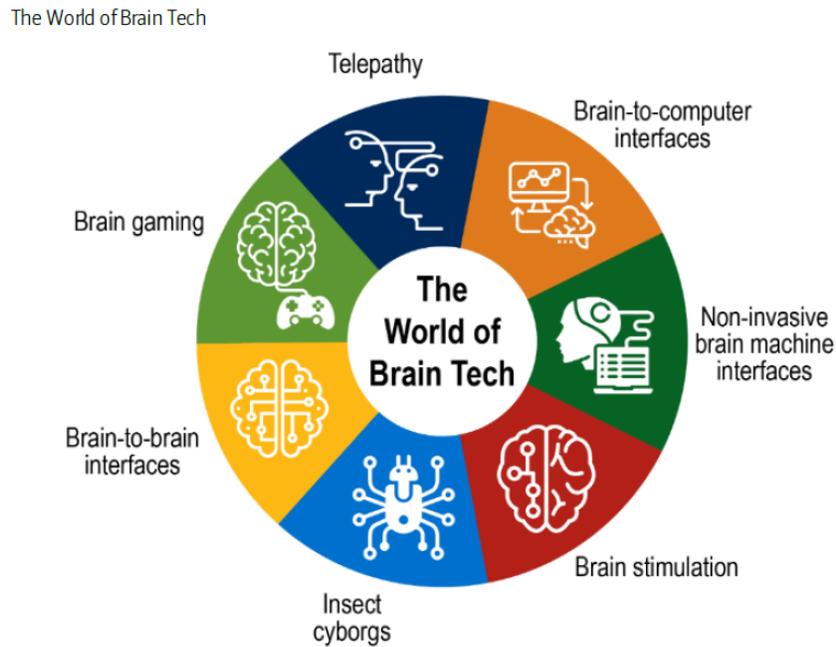


Exhibit 63. *Advances in Brain Technology, source Merrill.*

We are now also entering the era in which writing code becomes automated, moving rapidly to the stage where AI will write the majority of computer code. Essentially you tell AI what to do, and it will write the code.

In 2022, AI surpassed the average programmer (top 54th percentile) in competitive coding. AlphaCode writes competitive computer programs, generating code using a transformer model, similar to language translation tasks. This requires critical analysis, creative problem solving, using NLP, code and so on.

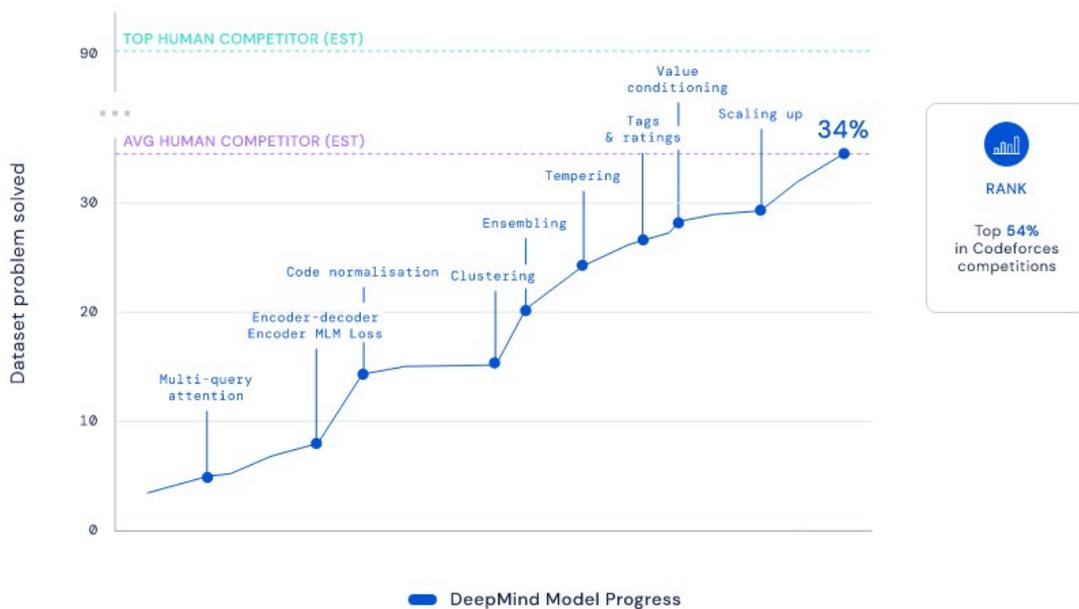


Exhibit 64. *DeepMind Model Progress, source Alphabet.*

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This advancement is already being monetized through GitHub Copilot and OpenAI Codex. For example, GitHub Copilot conducted a test in which roughly half of the developers were using Github Copilot and half were not – the group who used it was able to finish the task on average at less than half the time of the group who did not use it. The implications of Copilots broadly for knowledge economy participants can be significant, as, for example, the average PowerPoint customer uses approximately 10% of its capabilities, while a Copilot offering could unlock the rest.



Exhibit 65. *GitHub CoPilot Users Completed Task at Under Half the Time of Non-Users, source Evercore ISI.*

In summary, 2022 was a pivotal year in which AI went mainstream. In particular, generative AI hit a major inflection point in 2022, giving rise to Creative AI.

Creative AI uses AI to generate original content, including images, video, and speech. For example, AI imaging technology (through AI systems DALL-E 2 and Imagen) has been able to create original, realistic images from a text description. This will unlock faster, cheaper, more personalized content at scale.

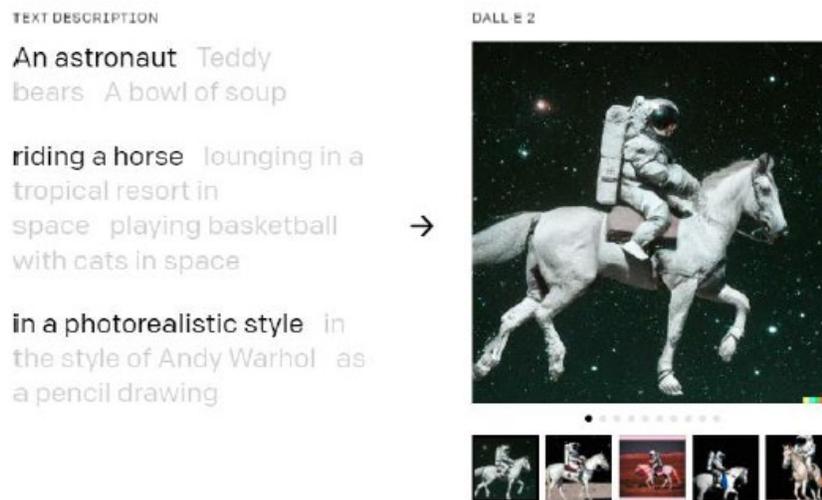


Exhibit 66. *OpenAI – DALL-E 2, source Credit Suisse.*

And another example, Tencent Music Entertainment has already created and released over 1,000 tracks containing vocals created by AI tech that mimics the human voice. One of these tracks, translated to “Today”, has already surpassed 100 million streams. HYBE, a Korean entertainment company, and record label behind Korean pop sensation BTS, acquired Supertone, which is an AI sound/music generator.

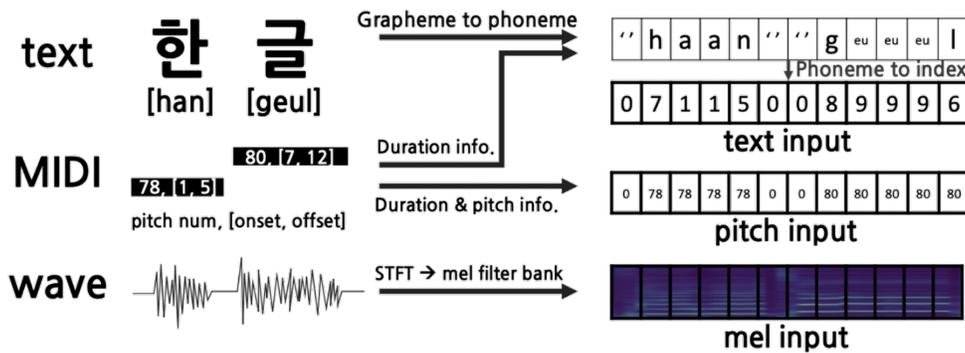


Exhibit 67. *Supertone’s Description of AI-enabled Song Creation, source Music Business Worldwide and Supertone AI.*

AI may be the greatest technological innovation of our time, and it is fundamentally redefining the boundaries of human intelligence, analysis, planning and creativity. For businesses this means fundamentally changing how the world’s largest industries operate.

The grid shows the following AI applications and their impact:

- Contact Center AI:** 500M Calls / Day
- Meeting Transcription:** 3B Meeting Minutes / Day
- Public Safety:** > 1B Smart City Cameras Deployed
- Retail Asset Protection:** \$94.5B Inventory Loss / Year
- Medical Imaging:** 10M Diagnostic Scans / Day
- Industrial Inspection:** 32M Vision Sensors Installed by 2025
- Transportation:** 10T Miles / Year
- Credit Card Fraud:** 1.28B Credit Transactions / Day
- Product Recommendations:** 1B E-Commerce Visitors / Day

Exhibit 68. *AI Is the Greatest Technology Force of Our Time, source Nvidia.*

"AI is quite possibly the most important – and best – thing our civilization has ever created, certainly on par with electricity and microchips, and probably beyond those." Marc Andreessen, General Partner of Andreessen Horowitz

Although AI is attracting most of the media headline attention, the underlying foundational components of this upcoming Fourth Industrial Revolution, such as 5G and IoT applications, are equally important.

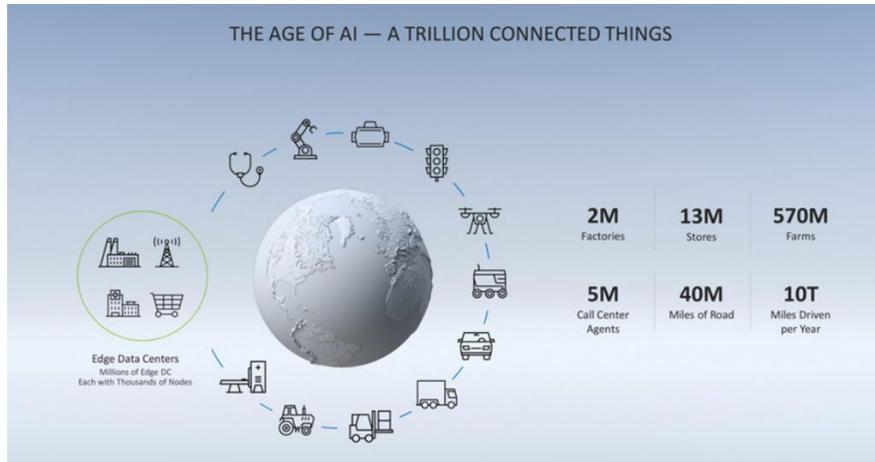


Exhibit 69. *The Age of AI, a Trillion Connected Objects, source Nvidia.*

Looking at this essential foundational layer, it is important to recognize that we are at the early and beginning stages of this technological revolution. Even 5G, a critical infrastructure platform underneath the compute and application layers, will take years to deploy fully – as 5G is not a single innovation, but rather a set of advances in spectrum usage.

What is 5G?

5G is not a single innovation, but rather a set of advancements in spectrum usage

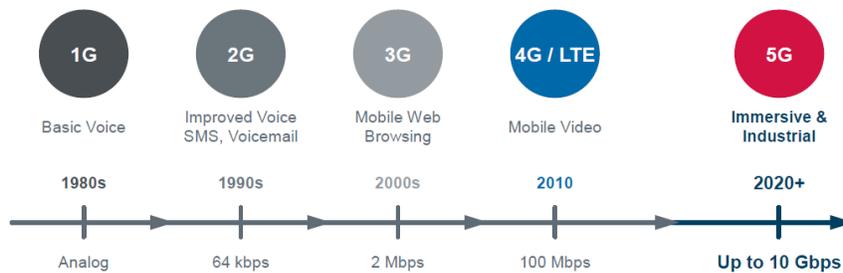


Exhibit 70. *What is 5G, source American Tower.*

Indeed, the network evolution towards 5G is just beginning. This creates an exciting, multi-year, secular investment cycle that is largely independent, and can at times be countercyclical to the economic cycle (e.g., currently in China).

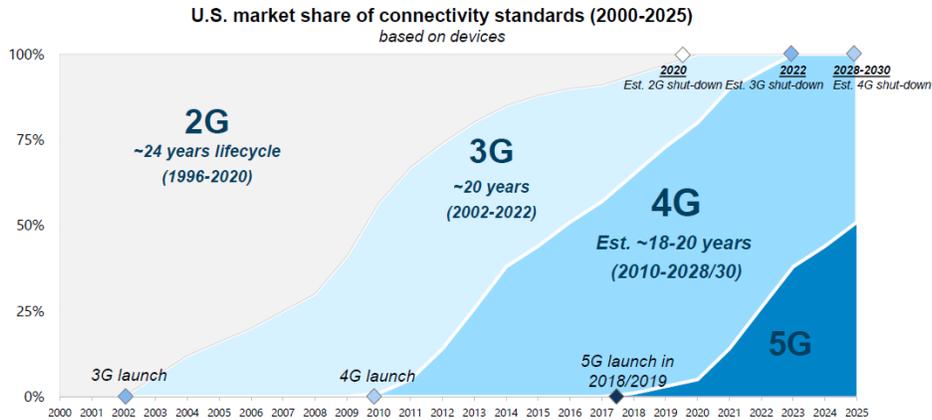


Exhibit 71. *The Evolution Towards 5G, source American Tower.*

This is a multi-year growth trajectory. By 2026, 5G networks are projected to carry more than half of data traffic globally.

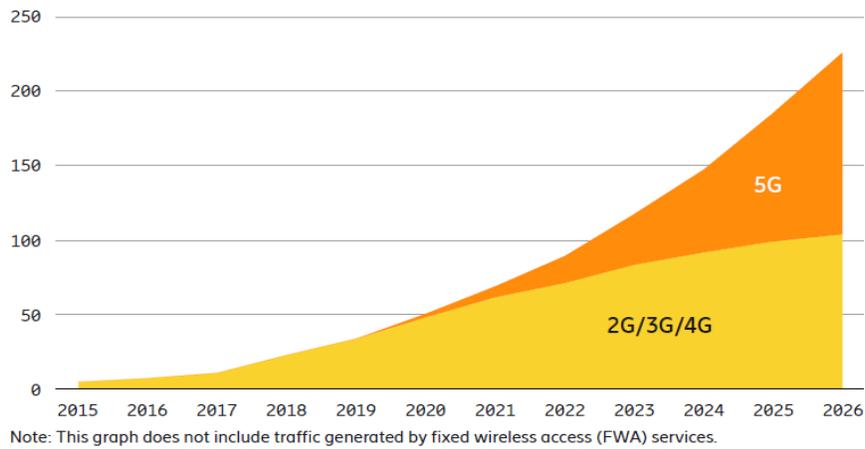


Exhibit 72. *Global Mobile Data Traffic (EB per month), source Ericsson.*

It is important to note that these critical physical-layer components of the upcoming Fourth Industrial Revolution, such as 5G and IoT, are of significant size and rapidly growing. By 2030, the size of the US IoT market, for example, is expected to grow fifteen-fold relative to 2019.

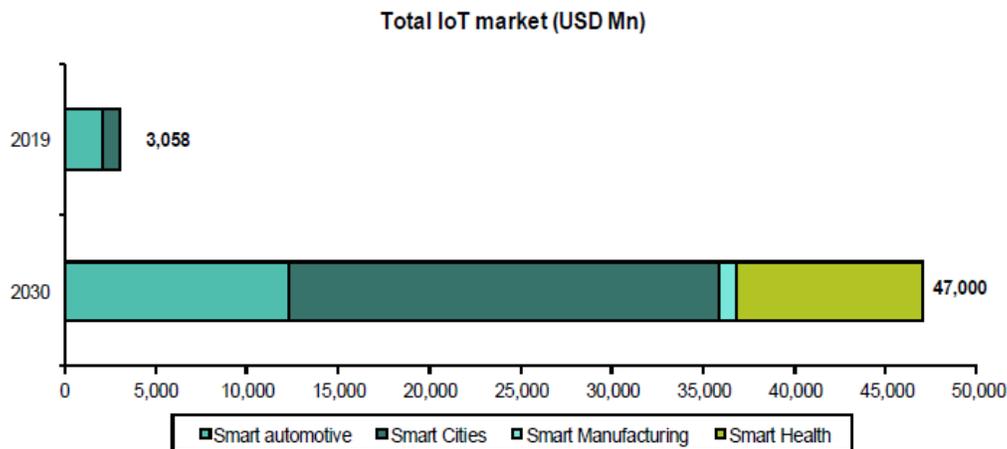


Exhibit 73. *Estimated US IoT Market Growth, July 2020, source Bernstein.*

Importantly, global carriers, which are now aggressively building 5G networks, have a strong economic incentive to support and promote advanced commercial applications. Smart city projects, another important application, can allow carriers in the US to increase revenues almost twenty-four times by 2030.

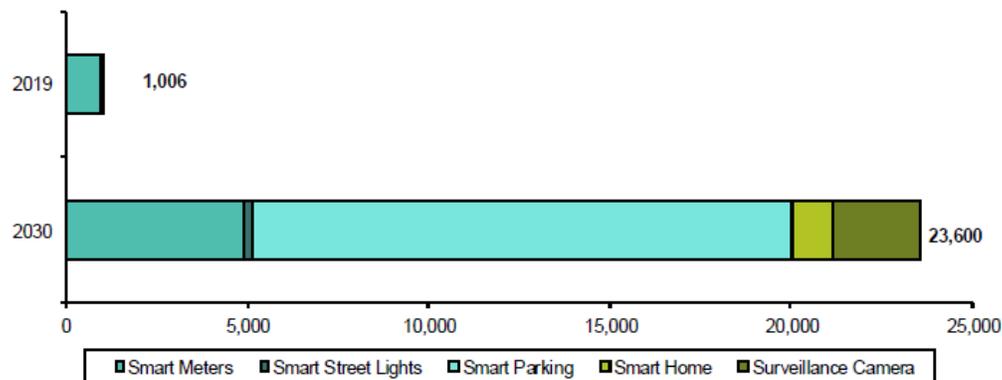


Exhibit 74. *Estimated Smart City Revenue Contribution, Millions, July 2020, source Bernstein.*

5G can also transform another huge end market, namely logistics, from driverless long-haul transportation, to last-mile delivery robots, to smart delivery boxes, to IoT-5G-assisted sorting centers and fully automated warehouses. In China, companies like Alibaba and JD Logistics are already building intelligent 5G-enabled logistics parks.



Exhibit 75. *JD Logistics using 5G in Warehousing and Last-Mile Logistics, source Bernstein.*

Our most recently published quarterly letter provides an in-depth analysis of this broad-based wave of technological innovation, which is about to redefine the way we work, live and interact.

In closing, we remain the largest investors in the strategy and have our interests aligned with those of our limited partners.

Sincerely,

Alkeon Capital Management Investment Team

¹ Alkeon Growth Partners, LP (AGP) is one of the original feeder funds into Alkeon Growth Master Fund, Ltd. You may be invested in a different feeder fund that also feeds into that master fund. Performance data presented above is on a fund level and reflects AGP performance, net of actual fees and expenses. AGP commenced operations in January 2003, and investors in AGP are generally subject to a 20% incentive allocation and management fees ranging from 1.25% to 2% depending on the series of interests they hold in AGP. Certain AGP investors (such as Alkeon affiliates) have been or are entitled to management fee and/or performance allocation waivers and have at times constituted, and may constitute in the future, a significant portion of AGP's assets. Therefore, AGP's fund-level returns generally are higher than the performance shown herein for the Alkeon Growth Strategy ("AGS"), whose investors have not received such waivers. In addition, the historical fund-level performance for AGP incorporates various fee classes, some of which are subject to lower fees than the highest fee classes currently offered. Therefore, investors in AGP likely would have experienced lower returns than those shown herein if they were subject to the current highest fee classes during all time periods.

² Performance data is from another investment vehicle which is managed substantially pari-passu to AGP and follows substantially the same investment strategy (the "Alkeon Growth Strategy" or "AGS") as AGP and other Alkeon-managed vehicles using the Alkeon Growth Strategy. The other investment vehicle's performance represents the longest track record available for the Alkeon Growth Strategy with an inception date of January 5, 1998 (MSCI data is as of January 1, 1998) and reflects the deduction of the vehicle's actual fees and expenses during the period shown, including the deduction of a 20% incentive fee and a 1% management fee charged to investors prior to March 1, 2004, a 1.5% management fee charged to new investors beginning March 1, 2004 and a 1.75% management fee charged to all investors beginning July 1, 2011. The performance shown above for AGS would have been lower had AGS been subject to the highest management fee share class available to AGP investors. Takis Sparaggis, Alkeon's Chief Investment Officer and the primary portfolio manager of the other investment vehicle, was employed by CIBC Oppenheimer Corp. from January 1998 through June 1999, and by CIBC World Markets Corp. from June 1999 through December 2001, and was the portfolio manager of the other investment vehicle at all times during that period. Effective January 1, 2002, Mr. Sparaggis formed Alkeon, which has continued managing the other investment vehicle's portfolio since that time. While AGP is managed substantially pari-passu using the Alkeon Growth Strategy, performance may vary between AGP, the other investment vehicle and other Alkeon-managed funds using the Alkeon Growth Strategy. Performance results for AGS reflect the returns of the fund as a whole (rather than the returns of a particular investor), and reflect the fund's advisory fees, incentive fees and expenses and include the reinvestment of dividends and income. Unless otherwise indicated, index returns are presented on a price return basis only – dividends, reinvestment and income are excluded. The indices are unmanaged and investors cannot invest directly into them. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Please see Important Notes at the end of this letter, including "Comparisons to Indices". Past performance is no guarantee of future results.

³ Alkeon Growth Partner, LP's exposure estimates are obtained from the Morgan Stanley Performance Measurement (MSPM) System. Unless otherwise indicated, market value exposure is shown. Please see Important Notes at the end of this letter, including "Gross and Net Exposure". Number of positions is calculated on an issuer basis.

⁴ Performance against the market measured by the largest 750 stocks in the U.S. by market capitalization as well as any S&P 500 stocks not already included. "Big Growers" are the top 75 high growth profile stocks as ranked by Empirical Research.

⁵ SaaS and High Growth Internet constituents defined by Morgan Stanley and JP Morgan, respectively.

⁶ Exclusive of the premium paid for related options. References herein to top five portfolio investments are to the portfolio's top five long positions by issuer (measured by "dollars-at-risk") as of January 31, 2024.

⁷ Data from Fund inception (January 2003) through the most recent month end. "Dollars-at-risk" exposure represents the market value exposure to an issuer, i.e., the cash equity market value plus the market value of the premium paid for any direct options exposure to the issuer.

⁸ <https://edition.cnn.com/2023/08/10/homes/forecast-shelter-inflation/index.html>.

⁹ Klaus Schwab, Founder and Executive Chairman, World Economic Forum, 2016.

¹⁰ Jen-Hsun Huang, Keynote Speech, GTC 2017.

¹¹ GTC 2021 Nvidia Keynote.

¹² <http://en.people.cn/n3/2021/0607/c90000-9858374.html>.

¹³ <https://www.graphcore.ai/blog/what-does-machine-learning-look-like>.

¹⁴ Bernstein, April 2017.

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