

Artificial Intelligence at AXA IM

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Convictions: Strengthening Investment & Operational Efficiency



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GENERAL BELIEFS: Gen AI will become more **widespread in organizations**. Gen AI will rely on foundational models that consider a balance between size, versatility, performance, and carbon impact. The future of AI is in the **combination of Gen AI** (probabilistic by construction) **and deterministic AI** (expert systems, discriminative AI).

INVESTMENT PROCESS: automated decision-making using AI is suitable for the most efficient and liquid markets and for "passive" management strategies. An AI could almost automatically make tactical asset allocations for vanilla products. Conversely, on less efficient markets (Private Equity, OTC) an AI would have little added value in decision-making. Neural nets have historically failed in finance for α research.

The rapid integration of GPTs and similar technologies in our industry suggests that **people will more rely on information that** has been retrieved, summarized, and analyzed by AI. It will incrementally affect the decision-making processes.

OPERATIONAL EFFICIENCY: The gain in operational efficiency with AI is more evident through - for example - **automated** generation of **fund management comments**, **intelligent oversight on outsourced activities** (Middle & Back Office), **augmented tech developers** with so-called copilots, **augmented traders** with insights on over-the-counter deals etc.

HUMAN-IN-THE-LOOP: human-in-the-loop principle is critical, even for automated investment processes, to account for unforeseen events / "black swan" events. The risk of forgetting to include a human in critical processes is real, but there is also a systemic risk of humans not verifying the results of AI for routine tasks (AI will produce the "right" output many times, though the user might forget that it can be wrong). Including a human in the review process is straightforward, but ensuring they verify AI outputs is more challenging.



REGULATION & SOVEREIGNTY: Regulations will come into force in the coming months or years (e.g. Al Act in Europe). Although some **regulators' expectations are still uncertain**, we will have to comply with them. Furthermore, extending the use of Gen Al via models supplied by tech companies (e.g. Microsoft) runs the risk of **centralizing in a small number of entities the power to exploit gigantic quantities of data**.



Gen AI at AXA IM: Some advanced use cases

Content assessment for due diligence process

Deploy AI modules within the investment, ESG and Operational due diligence framework in order to receive "copilot" support in the assessment of the large number of funds and asset managers invested or advised.

Summarize financial & market information

Maximize and optimize Internal Credit Research Content Access to to facilitate the search for information and production of a synthetic note based on internal document management to facilitate decision-making.

RFP questions/answers matching

Virtual assistant for employees with Microsoft Copilot

A responsive Gen Al solution for RFP question/answer matching, shorten or lengthen texts, reword text to improve syntax and English/French, adapt a text given a specific.

Microsoft Copilot solution combined with Teams Premium to offer virtual assistant to employees on time consuming low value added tasks on office tools (excel, power point, word, teams, outlook).

Fund commentaries generation Al tool preparing the generation of fund management commentaries

Traditional AI at AXA IM: models already live



Models developed internally by competent dedicated and embedded teams since 2017

- Augmented PM: portfolio calibration, Investment universe enhancement with signals & sentiments, automation of FX hedging, identification of volatility risk or large moves on equities
- Optimization of Operations/Data: predicted fund valuations for optimized controls, documentation comparison for data integration

AXA IM has also developed its **own NLP-enabled** impact investing technique which scores parts of corporate documents to help assess how companies can **support the UN Sustainable Development Goal**.

Questions: how will AI be incorporated into bond markets ?

1. Do you believe AI will contribute to transform Fixed Income markets ?

- through more operational efficiency and productivity
- Risk management
- Alpha generation

2. Are you building proprietary AI products or using AI add-ons from existing providers (Bloomberg, Aladdin, Simcorp, Salesforce)?

3. Which case studies do you believe could be the most transformational in your activity?