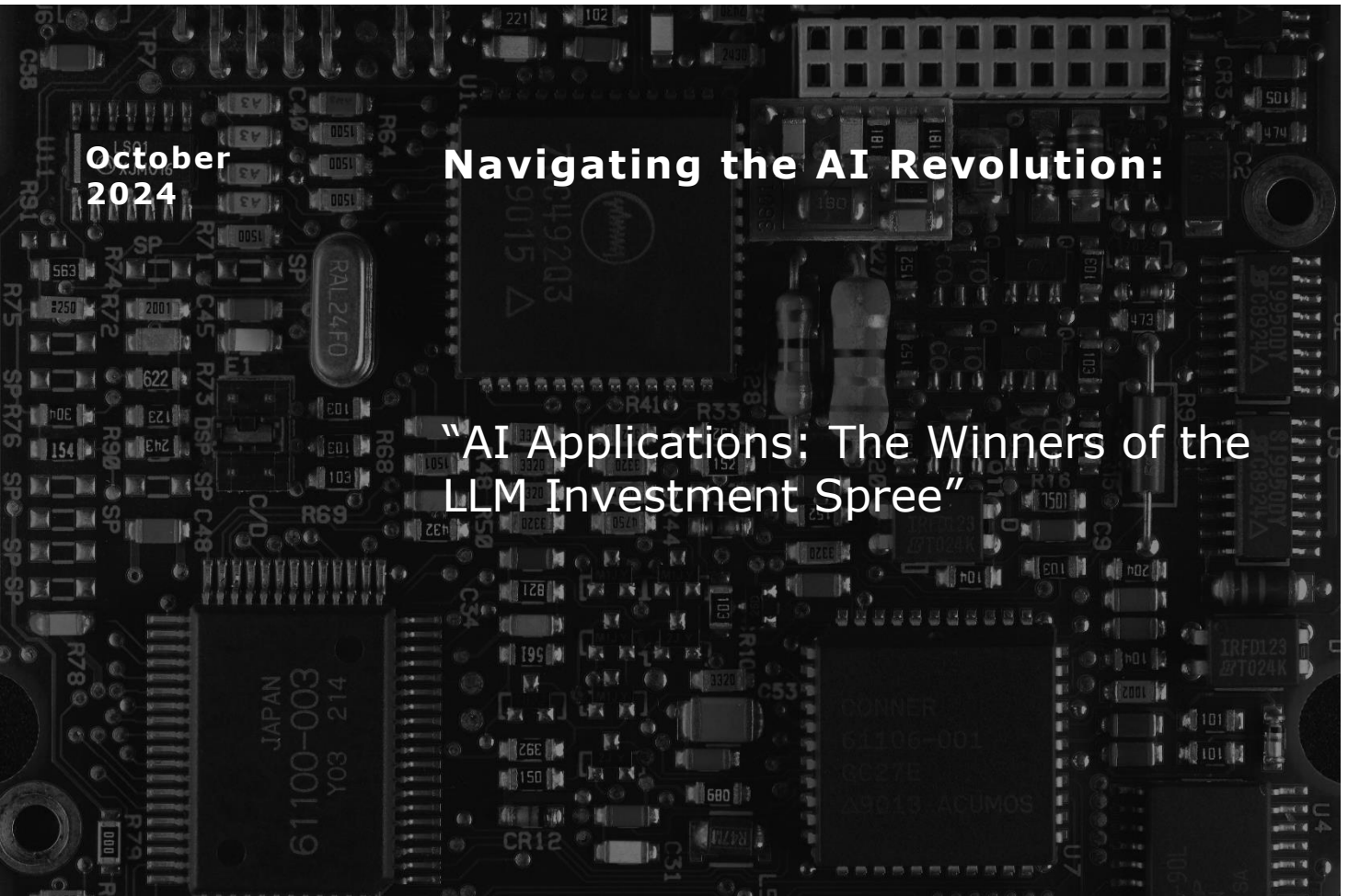


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## Navigating the AI Revolution:

“AI Applications: The Winners of the LLM Investment Spree”



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Maxime is a member of the investment team at Alpha Leonis Partners and an IC member of ALP's AI-Focused VC Fund. He spends the majority of his time on the direct investment activities of the Firm.

During his tenure with ALP he has invested in a multitude of companies actively deploying AI applications across different industries. Please reach out to him under [junak@alphaleonispartners.com](mailto:junak@alphaleonispartners.com) if you are working on AI related topics.



As we just celebrated the first close of our new AI-Focused Venture Capital Fund, we are reminded that we are rapidly approaching a future where the lines between human and artificial intelligence continue to blur, ushering in a transformative epoch.

It is crucial to recognize that not all AI is the same. The AI infrastructure that dominates today's headlines is driving what can only be described as an AI arms race. Large tech companies such as Microsoft and Nvidia have been allocating tens of billions of dollars to developers of large-language-models ("LLM") at awe-inducing valuations.

Some of that activity is explained by the ensuing demand these LLMs produce for the cloud services, chips and infrastructure of the very tech companies that invested in them. Much of the dollars invested in LLMs eventually find their way back into the P/L of Big Tech, generating apparent growth and profitability that is celebrated by public market investors with seemingly ever-expanding valuation multiples. We view these developments with skepticism. Typically, these sorts of self-reinforcing dynamics prove unsustainable over the long-term and, as a by-product, generally produce investor disappointment.

In spite of these "round-trip" investments led by Big Tech, the massive current AI infrastructure build-up is generating very real advances in AI, diffusing technical knowledge and laying the foundation for required compute capabilities and hardware. These developments set the stage for AI-enabled application companies which are poised to benefit.

The pattern of initial expansive infrastructure build-up through massive capital expenditure and subsequent value generation by smart application developers can also be observed across major technological breakthroughs of the past.

For example, the electric industry revolution, was led by the construction of the electric grid (first wave of infrastructure development), eventually leading to regulation and low returns on capital for the developers of that infrastructure. Once electricity became ubiquitous, it enabled those who created applications using this infrastructure to accumulate vast fortunes. Companies like General Electric and the entire computer industry emerged from this foundation. Similar dynamics can be observed for the past creation of railroads, telecommunication networks and the internet.

Today, large language models (LLMs) represent the new AI infrastructure, forming the bedrock upon which future industries and AI applications will be built.

Just as past innovators capitalized on the electric grid, those who develop applications on this AI infrastructure are positioned to thrive. The race is on, and the winners will be those who recognize the foundational nature of AI infrastructure and strategically align with it to drive the next wave of innovation.

As AI applications evolve, we will see an acceleration in the automation of tasks, both mundane and complex. This shift is likely to redefine industries, from manufacturing and logistics to healthcare and finance. The integration of AI applications into these sectors will enhance efficiency, reduce costs, and create new opportunities for innovation which we intend to invest in.

This includes AI-driven products and services that meet emerging needs and create new business models. For example, in healthcare, AI applications are starting to revolutionize diagnostics, personalized medicine, and patient care. In finance, AI is transforming risk management, fraud detection, and trading strategies. The possibilities are vast and span the largest global markets today. Entrepreneurs and VC Funds that position themselves at the forefront of this revolution will be the ones that thrive.

For established businesses, the rise of AI applications will represent both a challenge and an opportunity. Companies that successfully integrate AI into their operations will gain a significant competitive advantage, leveraging these technologies to optimize processes, enhance customer experiences, and unlock new revenue streams. The exponential pace of AI development suggests that businesses must adapt quickly by partnering with innovators or risk obsolescence.

As AI becomes more integrated into the fabric of society, the demand for human capital with expertise in AI and related fields will skyrocket. We are already seeing the early ramifications of that development and believe that acquiring and retaining AI talent will prove a crucial long-term competitive advantage for early movers in the segment.

## On ALP

In this evolving economic landscape, Alpha Leonis Partners (ALP) has remained steadfast in its commitment to innovation. Since our inception, we have focused on software and AI-enabled companies, positioning ourselves to capitalize on the technological advancements that are reshaping industries. Drawing on our experience in the private equity innovation space, we have seen how transformative technology can be. This experience has guided us in orienting the dominant aspect of our strategy around software since our founding and in being early investors across AI technologies today.

We view software and artificial intelligence not as a mere vertical but as a horizontal enabler that spans across industries. This perspective empowers us to construct portfolios that are diverse in terms of sub-sector exposure. Such strategic diversity ensures that our clients benefit from the full spectrum of opportunities across a wide range of industries.

## On the ALP AI VC Fund

At ALP we aim to contribute towards the development of AI through our dedicated AI Venture Capital Fund.

Our AI-Focused VC Fund is designed to back entrepreneurs and VC Fund managers focused on developing and commercializing AI applications.

We believe these types of opportunities are the logical beneficiaries from the recent capital inflows dedicated to the expansion of AI infrastructure.

By working closely with a range of other high-quality VC sponsors, we are able to build a portfolio spanning over 250+ start-ups. Our companies work on AI technologies across a diversified set of industries and every major innovation hub in the United States.

In building a large and diversified portfolio, we are maximizing our chances of owning tomorrow's big winners of the AI innovation wave. We believe these companies will eventually exceed the current tech (application) giants like Google, Amazon or Meta in size and profitability.

We further focus our investment activity on pre-seed and seed stage firms. In doing so, we ensure larger ownership stakes in future winners and enhance our risk-return profile.

We anticipate that accessing successful AI companies at later stages will quickly become impossible as (i) AI application-focused companies will not require much capital and (ii) the potential for scale and market disruption that our portfolio companies represent becomes apparent to a wider audience.

We aim to provide potential LPs with the opportunity to participate in the upside of the AI revolution in a risk-mitigated manner and would welcome any inquiry you might have.

Respectfully,  
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