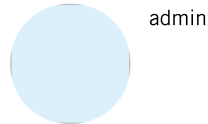




EQUITY

# Insights from the 2018 US Consumer Electronics Show

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admin

In January of this year, Franklin Equity Group's Jonathan Curtis and Robert Stevenson headed to Las Vegas for the Consumer Electronics Show (CES), the biggest technology trade show in the United States. Here, they report back on some of the event's highlights, including the battle of "smart speaker" platforms, the road ahead for autonomous cars, artificial intelligence and other tech trends.



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At past Consumer Electronic Shows (CES), we saw a range of products on display, from life-like robots to floating hoverboards. However, we don't attend CES just to see all the shiny new tech gadgets, toys and tools—many of which may never even make it into the hands of customers.

We go to CES to see how leading public and private technology companies are positioning themselves for what is next, and what products are likely to break into the mainstream. At this year's CES, we saw three key themes: smart speakers, autonomous driving and artificial intelligence (AI).

## The Battle of the Smart Speaker Platforms

Google invested heavily in CES this year to highlight its emerging Google Home smart speaker and home-assistant platform. The search giant is spending aggressively in this new category, which we believe is to ensure that it maintains its dominant search position against Amazon's Echo, Microsoft's Cortana and even Apple's Siri as search expands beyond the PC and mobile phone and into the home and beyond.

Amazon's Echo launched a few years before Google Home and is becoming the predominant way for customers to buy products via voice on Amazon, thus bypassing Google's search engine. Since search accounts for a majority of Google's revenue, if there's an emerging way to do high-value commerce searches, it has to be part of that space.

That said, while Google is later than Amazon to the home speaker market, we believe it has some advantages. First, a majority of the world's global smartphones run on Google's Android platform. As such, Google has a broad set of voice samples from which its AI technology is able to learn. Second, Google has been handling complicated search queries throughout its history. Given these factors and its willingness to invest, we believe Google is likely to maintain its dominant position in search as home speakers become a new search interface.

## The Road Ahead for Autonomous Cars

In the past, we would go to the annual Detroit Auto Show to judge whether an automobile manufacturer would be successful with a new model. We'd look at the design, the engine and kick the tires.

However, CES is now the must-attend event to gain insights into the evolution of the auto market. Buyers want cars with the latest infotainment systems and active safety features. And, CES is a showcase for suppliers to show off what kind of technologies they have in the autonomous driving space. These technologies garner quite a bit of attention because, as Apple CEO Tim Cook said in 2017, building a driverless car is the "mother of all AI projects."<sup>1</sup>

NVIDIA, the world's leading provider of graphics processing units (GPUs), received a lot of attention at this year's CES. It's our assessment that the chipmaker seems to be at the epicenter of a variety of key trends in technology, including AI, cryptocurrency, autonomous driving and e-sports.

Aptiv, a driverless vehicle technology company formerly part of Delphi Automotive, also made a splash at CES. Through a partnership with the ride-hailing service Lyft, Aptiv gave CES attendees a ride to select Las Vegas locations. We took one of those rides, and we were impressed. In early January, Aptiv said it would be ready to scale up its production of self-driving systems by 2019.

### **How We Keep up with Tech Trends**

While we enjoy seeing these emerging technologies at CES, it's only one of the many ways we keep up with the latest trends. We are part of a team of a dozen analysts and portfolio managers with expertise in specific areas such as autos, AI, robotics, industrial technology, internet, e-commerce, enterprise software, IT hardware, telecommunication services, gaming, semiconductors, semiconductor capital equipment and financial tech.

Our team is encouraged to go deep and stay in close contact with the companies in the particular sub-industries they cover. As Franklin Templeton's US headquarters are located in California's Silicon Valley, it offers us the benefit of being in close proximity to some of the largest publicly traded tech companies and hundreds of smaller private companies.

In addition, we maintain close ties to the local venture capital (VC) community, which helps us understand where up-and-coming enterprises are putting their money.

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### **What Are the Risks?**

All investments involve risks, including possible loss of principal. The technology industry can be significantly affected by obsolescence of existing technology, short product cycles, falling prices and profits, competition from new market entrants as well as general economic conditions.

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<sup>1</sup> Source: TechCrunch. June 13, 2017.