

AI: probabilities, chatbots and businesses doing more

Statistical inference comes more naturally to humans than we might realise and understanding how we intuitively make decisions helps explain how artificial intelligence reasons - and why it can be a valuable tool for businesses looking to go beyond simple chatbots. Investors can use this insight to recognise where AI is creating meaningful, long-term value for businesses.

Chatbots, or general-purpose AI tools, are being used to answer questions, draft content, write code, and generate ideas by three quarters of people in the workplace. Research suggests employees have saved considerable time by delegating these burdensome tasks to their virtual assistants.

Competitive edge

Where AI can become seriously valuable for businesses, however, is when it is embedded into business operations to perform tasks beyond general-purpose assistance. When AI is integrated with proprietary company data and tailored to specific processes, it moves from being a convenience to a strategic differentiator.

Artificial intelligence is essentially a sophisticated prediction machine. When you ask AI a question, it predicts the answer based on training it has received. AI models today are trained on vast data sets and are therefore able to perform tasks with extreme accuracy by looking at historic information. To simplify how this works, imagine an AI designed to identify cars, bicycles and trains. To train the model, it would be shown labelled images of each of these transports. It then 'learns' this information by optimising the parameters

of its neural network. Now when presented with a new image of a vehicle, it should be able to correctly identify it.

Bayes in AI

AI optimisation is expectedly complex, but Bayesian statistics provides a helpful way to understand how it works. Think of AI training like giving it 'prior knowledge' or expectations that guide its future predictions. For example, imagine a normal dice: you'd expect each number to come up 1 in 6 times. But if the last 10 rolls were all ones, you'd probably suspect something's off. That new information changes your expectations - and this is the essence of Bayesian thinking.

Humans do this naturally, for example, we expect a bus to arrive based on how long we've usually waited, and we grab an umbrella if we see clouds, based on past rainy experiences. In the same way, AI models perform better when trained with high-quality, relevant data because this data shapes their 'prior expectations'. The better their training, the more accurate and useful their predictions will be.

Portfolio highlights

Companies that successfully integrate AI into their own operations can benefit from huge improvements in productivity and efficiency while unlocking value and competitive advantages. From battery efficiency and accounting forecasts to scam detection and interview scheduling, companies in the U Ethical Australian Equity portfolio are leveraging the power of AI to improve their business outcomes.

Fortescue, an iron ore miner aiming to electrify its fleet and cut emissions, has acquired Elysia, a battery intelligence software developed by the Williams F1 team. Elysia combines real-world battery data with AI to improve battery lifespan, performance, and safety. Its probabilistic models focus on real-world forecasts rather than lab-based assumptions. This upgrade helps Fortescue lower fuel costs, tap into growing demand for green metals, and potentially create new revenue by licensing the technology to others.

Xero is integrating AI into its accounting software to automate cash flow forecasting, trend analysis, and data entry by syncing documents like bills and receipts. It's also developing its own chatbot, Just Ask Xero (JAX), to handle queries, chase invoices, and answer financial questions. Aimed at small business owners, these tools save time and simplify accounting for its customers. By increasing functionality, Xero boosts its appeal, helping attract and retain customers while opening opportunities to sell additional services and grow profitability.

Telstra is investing \$700 million over seven years to embed AI across its operations. In partnership with Accenture, it's developing agentic workflows that solve complex tasks with minimal human input. It has also launched generative AI tools like Ask Telstra and One-Sentence Summary for customer support, and Scam Indicator, which alerts banks to suspicious activity in real time. These initiatives aim to boost efficiency and improve customer outcomes, supporting long-term margin growth.

Seek, a leading Asia-Pacific employment marketplace, is using AI to improve hiring matches and automate tasks like interview scheduling and reference checks. Its model draws on millions of past decisions and local market data to recommend high-fit candidates. To ensure fairness, Seek uses AI to detect fraudulent ads and enforce ethical guidelines. It scans all listings and flags high-risk accounts, reinforcing its reputation as a trusted partner and strengthening its market position.

A theme to watch

Whether it's in mining, finance, telecommunications or recruitment, AI has evolved well beyond chatbots to become a strategic enabler of smarter, data-driven business practices. Like human inference, AI depends on specific training and becomes more effective when shaped by the right inputs. Businesses that continue to tailor AI tools to their unique operational needs stand to unlock significant gains in efficiency, competitive advantage, and long-term growth.

Our stance on AI is open-minded and data driven. We're optimistic where it demonstrably improves operations, and we're actively backing companies that can translate that potential into sustained competitive advantage. Already we are enthused by the results, and we will update our probabilities as new information becomes available.

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