

Juno Unravels AI with Professor Deborah Nas

Is artificial intelligence a structural revolution for companies or primarily a source of stock market volatility? During two meetings titled “AI Unraveled,” Juno Investment Partners brought together participants in its two investment funds and other interested parties with technology expert and professor **Deborah Nas** to separate fact from fiction regarding AI and to clarify the implications for investors.

Nas placed current AI development in historical and economic perspective and emphasized that adoption often proceeds more slowly and less linearly than expected. *“Fixed organizational structures, legacy data systems, and human behavior are the biggest barriers,”* according to Nas. At the same time, she tempered expectations: productivity gains at the macroeconomic level are expected to remain limited to a few percent for the time being. Simultaneously, work is changing: certain tasks are disappearing and new ones are emerging, just as with previous technological changes.



A central theme was the unprecedented wave of investment in AI infrastructure. Hundreds of billions are being invested globally in chips, data centers, and computing power, partly financed by debt. This raises fundamental questions about who ultimately reaps the returns, especially since such investment cycles have historically often been accompanied by overcapacity, opaque financing structures, and disappointing returns.

The impact of AI on business models is not straightforward. Some companies strengthen their competitive position, for example through unique data or economies of scale, while other sectors face increasing price pressure, lower barriers to entry, and potential erosion of their very existence. Activities relying on standardized knowledge or repetitive processes are the most vulnerable in this regard.

According to Nas, investors are still struggling to properly interpret this dynamic. *“Companies are sometimes penalized even though their revenue model actually benefits from AI, while the importance of proprietary data is often underestimated.”*

According to **Lennart Smits**, co-founder of Juno, crucial links in AI development are indeed also found within specialized European companies. *“We invest in European (family-owned) businesses that are essential links for AI technology, from the Swiss company VAT in chip production to Pfisterer in Germany that provides electrification infrastructure.”*

The subsequent panel focused on the translation to investing: when does AI pose a threat and when does it actually strengthen the business model? **Rob Deneke**, Partner at Juno: *“Market reactions regarding AI are often simplistic, whereas it is precisely fundamental analysis that determines where long-term value lies.”*

According to Juno, these sentiment-driven price movements create significant opportunities. Smits: *“When price reactions become detached from economic reality, space opens up for investors who analyze companies, speak with management, and distinguish fiction from facts.”* With the series “AI Unraveled,” Juno aims to give participants better insight into this dynamic by involving experts and translating these insights into concrete investment implications.

The Hague, March 23, 2026

About Juno Investment Partners

Since 2007, **Juno Investment Partners** has been investing in a highly concentrated portfolio of European listed companies with predictable and stable earnings growth, often family-owned businesses.

We focus on companies with a high return on invested capital, strong margins, and highly predictable (free) cash flows. These are typically companies with a strong competitive position and clear added value for their clients, enabling them to continue creating value over the long term.

Based on these characteristics, we select a limited number of companies that we want to understand thoroughly. The portfolio consists of approximately fifteen companies. These are analyzed intensively, visited regularly, and monitored over several years. The investment horizon is long, typically well over five years. Our analysts and portfolio managers also invest in the funds themselves.

Juno offers three products. The **Juno Selection Fund** focuses on small and medium-sized companies. The **Juno Continuation Fund** focuses on medium-sized companies. In addition, Juno offers individual asset management via **managed accounts**, using the same investment approach. The Juno Selection Fund was launched in 2008 and invests in European companies with an initial market capitalization between €250 million and €4 billion. The fund was closed to new investments for a long time and has been accessible to existing participants again since April 2023.

The Juno Continuation Fund was launched on February 1, 2020, and invests in medium-sized companies with a market capitalization between €4 and €20 billion. Here, too, the emphasis is on companies that often have family or management as co-shareholders.

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