AI-Native vs AI-Enabled: Why Investors Must Look Beyond AI Hype Distinguishing Structural AI Advantage from AI Adoption

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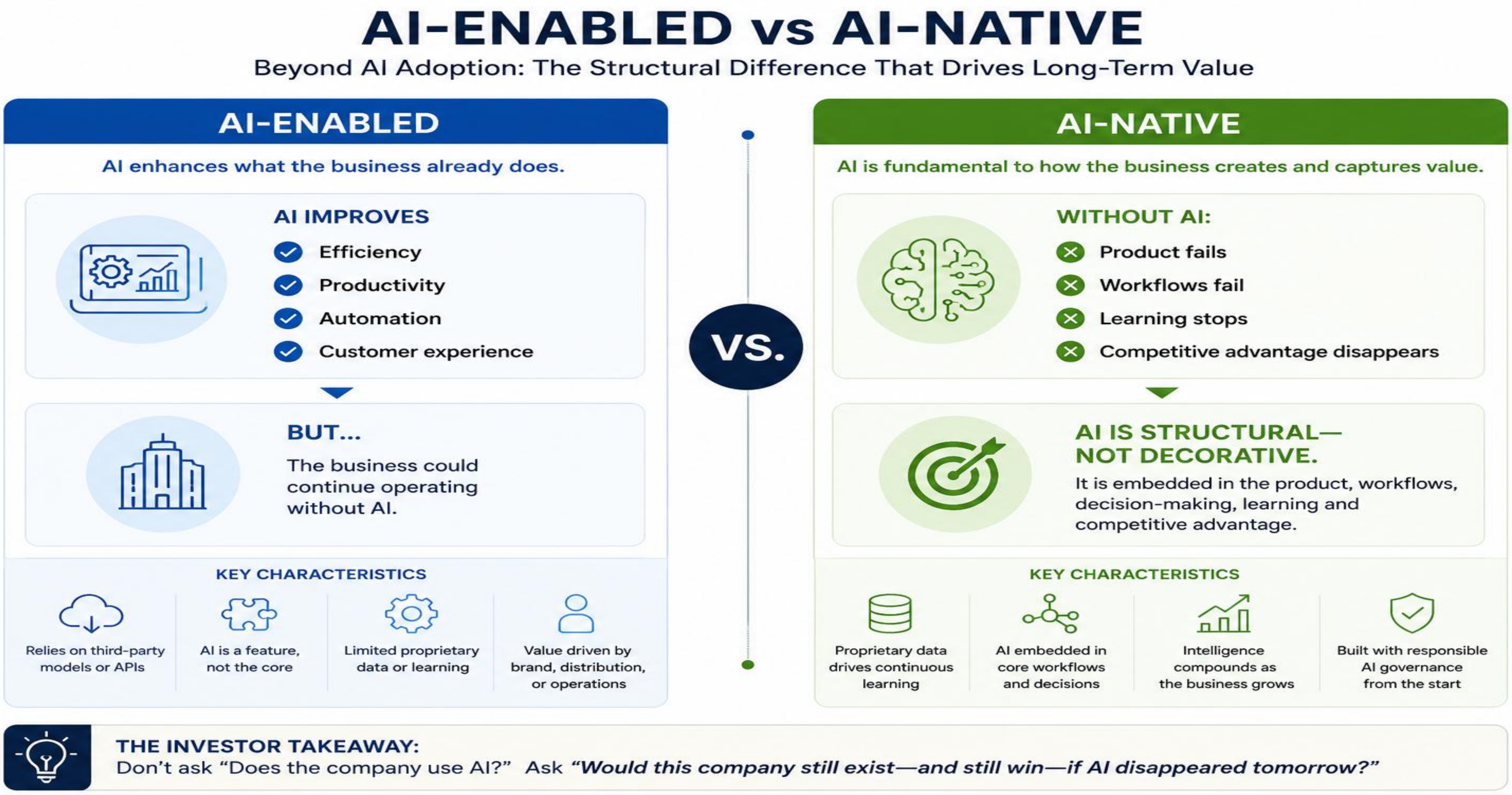
Based on 4IP Group Background Note No.18

The AI Investment Problem

- Today almost every startup claims to be:
  - AI-powered
  - AI-first
  - AI-native
  - AI-driven
- Yet these labels rarely tell investors:
  - ✓ where value comes from
  - ✓ what creates defensibility
  - ✓ whether AI is indispensable
- The real challenge is distinguishing **AI adoption** from **AI dependence**.

Message 1: Using AI does NOT make a company AI-Native



AI Adoption Continuum

- AI-adjacent

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- AI-assisted

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- AI-integrated

↓

- **AI-Native**
  - The transition is **not binary**
  - It is **a maturity journey.**
- Investors should evaluate **where a company sits** rather than accepting marketing claims.

Message 2: The Real Test

- Not
  - "Does the company use AI?"
- Instead ask:
- **Is AI embedded in**
  - ✓ value creation?
  - ✓ workflows?
  - ✓ decision-making?
  - ✓ continuous learning?
  - ✓ competitive advantage?
- If AI **disappears** tomorrow...
- **what remains?**
- That is the **investor's question**.

Message 3: Where does competitive advantage really come from?

- Not from:
  - ❌ ChatGPT
  - ❌ Claude
  - ❌ Gemini
  - ❌ Foundation models
- Those are increasingly **commodities**.
- **Real moats** come from:
  - ✓ proprietary data
  - ✓ proprietary workflows
  - ✓ customer trust
  - ✓ distribution
  - ✓ institutional knowledge
  - ✓ domain expertise
- **AI alone is rarely the moat.**

THE 4IP AI-NATIVE INVESTMENT FRAMEWORK

12 DIMENSIONS FOR DISTINGUISHING STRUCTURAL AI ADVANTAGE FROM AI HYPE

1 PROBLEM–SOLUTION FIT
A clear, important problem with a compelling solution where AI creates measurable, superior outcomes.

2 AI CENTRALITY
AI is essential to how the product, service or platform creates value. The business would not work in the same way without AI.

3 PROPRIETARY DATA
Access to unique, proprietary or difficult-to-replicate data that drives differentiation and model performance.

4 TECHNICAL ARCHITECTURE
A scalable, secure and well-designed architecture that supports reliability, privacy, performance and future innovation.

5 WORKFLOW INTEGRATION
AI is embedded in core workflows and user journeys, not added as a bolt-on feature.

6 LEARNING EFFECTS
The system improves over time through feedback loops, user interactions and data flywheels that compound value.

7 COMMERCIAL MODEL
A compelling go-to-market strategy and business model with strong unit economics and clear scalability.

8 DEFENSIBILITY
Sustainable competitive advantage derived from data, workflows, distribution, trust, IP, network effects or regulation—not easily replicated.

9 HUMAN CAPITAL
The right team with AI, domain and commercial expertise aligned to execute and adapt.

10 RESPONSIBLE AI
Ethical design, transparency, fairness, privacy, safety and robust governance embedded from the start.

11 IMPACT & SDGS
Clear, measurable positive impact aligned with SDGs and stakeholder value creation.

12 INVESTMENT READINESS
Strong governance, reporting, financial discipline and documentation to meet institutional investor due diligence.

HOW TO USE: Evaluate each dimension on a 1–5 scale (1 = early / weak, 5 = best-in-class). Look for balance across all 12 dimensions. AI-native strength emerges when multiple dimensions reinforce each other.

1 Early / Weak · 2 Developing · 3 Moderate · 4 Strong · 5 Best-in-Class

Investors Should Ask

Instead of asking

- "Which LLM do you use?"

Ask

- Why can't competitors copy you?
- What improves every time customers use your product?
- Which proprietary assets become stronger?
- What remains if AI models become free?

These questions reveal whether value resides in the model—or the business.

Message 4: AI-Native does NOT mean Human-Free

- The strongest AI-native companies combine
  - AI
  - Human judgement
  - Governance
  - Trust
- Human-centred AI produces
  - ✓ better adoption
  - ✓ lower risk
  - ✓ better explainability
  - ✓ stronger governance
  - ✓ higher investment quality
- Responsible AI is becoming an investment advantage—not merely a compliance requirement.

Why This Matters for Emerging Markets

Different Strengths. Different Advantages. Real Opportunities.

Frontier Markets Rarely Compete Through

Largest Datasets
Massive data scale requires years of accumulation, infrastructure and capital.

Biggest Models
Frontier models are built by a few global players with access to compute, talent and capital.

Frontier Compute
Access to leading chips, cloud infrastructure and R&D ecosystems is limited.

Trying to win on scale, models or compute creates structural disadvantages.

VS.

Emerging Markets have their own unfair advantages

Instead, They Compete Through

Local Knowledge
Deep understanding of local contexts, languages, cultures and real problems.

Contextual Intelligence
AI solutions designed for local realities, behaviours and constraints.

Trusted Relationships
Strong community ties and institutional trust create distribution and data access advantages.

Multilingual Capability
Ability to operate across local languages and dialects that global models overlook.

Unique Workflows
Innovative processes built for local infrastructure, markets and user needs.

These strengths are hard to replicate and become powerful sources of defensibility.

THE OUTCOME

This creates opportunities for Africa and other emerging markets to build AI-native companies without owning frontier foundation models.

THE BIG IDEA: Emerging markets don’t need to build the biggest models.
They need to build the most relevant, trusted and context-aware AI.

Compete on Relevance.
Win on Impact.

What Founders Should Demonstrate

Don't pitch AI.

Demonstrate:

- ✓ customer problem
- ✓ proprietary learning
- ✓ workflow integration
- ✓ measurable outcomes
- ✓ scalable economics
- ✓ governance

Investors increasingly fund

- **evidence**

not

- **AI claims.**

MESSAGE 5: 4IP GROUP'S OWN TRANSFORMATION

From Traditional Advisory to an AI-First, Human-Centred Impact Finance Platform

PAST

Traditional Advisory Firm

- Relied on human expertise, networks and relationships
- Manual, document-heavy processes
- Siloed information and knowledge
- Limited scalability
- High time and coordination requirements

TODAY

AI-Enabled Advisory

- Using AI tools to improve efficiency and productivity
- AI assists in research, analysis and automation
- Processes remain largely manual
- Value delivered still dependent on people
- Opportunity to scale, but limited by legacy operating model

TOMORROW

AI-First Human-Centred Impact Finance Platform

Intelligence at the core. Humans at the centre. Impact at the purpose.

AI SUPPORTS
End-to-end workflows to create better decisions, faster, at scale

DEAL SOURCING
AI scans markets, identifies opportunities and flags risks early

DUE DILIGENCE
AI extracts, analyses and validates data faster and deeper

INVESTOR MATCHING
AI matches the right investors with the right opportunities

ESG ANALYSIS
AI enhances ESG and impact assessment with precision

PORTFOLIO MONITORING
AI monitors performance, risks and impact in real time

FUNDRAISING
AI streamlines data rooms, communications and investor reporting

KNOWLEDGE MANAGEMENT
AI organises knowledge, insights and institutional memory

HUMAN JUDGEMENT REMAINS ACCOUNTABLE.

- People set strategy and make investment decisions
- AI informs, analyses and recommends
- Accountability, ethics and fiduciary responsibility remain human

AI AUGMENTS— IT DOES NOT REPLACE.

- AI handles scale, complexity and repetition
- Humans bring context, wisdom and values
- Together we make better decisions and greater impact

BETTER DECISIONS. GREATER IMPACT. SUSTAINABLE VALUE.

A JOURNEY OF PROGRESSIVE TRANSFORMATION

From expertise dependent → To AI-enabled efficiency → To AI-powered intelligence → To human-centred, impact-driven platform → Delivering scalable impact finance

This journey illustrates how a professional services firm can progressively redesign its operating model around AI-supported, human-accountable workflows.

4IP GROUP
Investing in Impact. Enabled by Intelligence.

Five Takeaways

1: Using AI does not make a company AI-native.

2: AI must be **embedded in** value creation and learning.

3: Competitive advantage comes from

- data
- workflows
- trust
- domain expertise.

4: Responsible human oversight strengthens investability.

5: AI-native is an organisational transformation—not a software purchase.

Final Thought

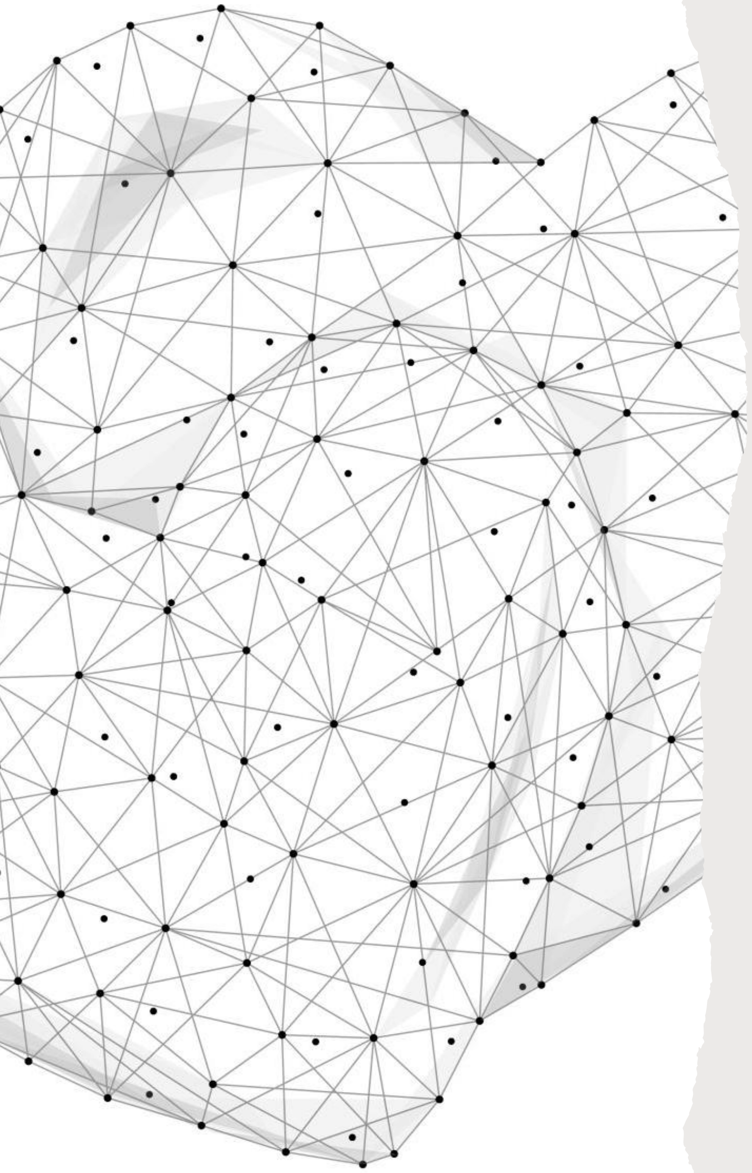
AI-native status is not a valuation premium by itself.

The premium arises only when AI creates

- proprietary learning
- superior workflows
- defensible economics
- trusted governance
- measurable customer outcomes.

That is where **sustainable enterprise value** is created.

Discussion Questions?



Invisible Heart Ventures II (IHV2)

Building an India–Africa AI & Impact Innovation Corridor
A Frontier Systems Transformation Fund

INVISIBLE HEART VENTURES II (IHV2)

A Frontier Systems Transformation Fund

MISSION

Invest in AI-enabled and AI-native companies that solve **large-scale development challenges** while generating **attractive commercial returns.**

Create Impact | Generate Financial Returns | Leverage AI for Scale | Build Inclusive Prosperity

GEOGRAPHIC FOCUS

INDIA
(25–33%)
A major source of AI innovation, digital infrastructure and talent.

EASTERN AFRICA
(including Kenya, Tanzania, Uganda, **Ethiopia**)
High-growth markets with significant development needs.

ZAMBIA
(Strategic Hub in Africa)
Gateway to the Copperbelt and wider region.

CREATING AN INDIA–AFRICA INNOVATION CORRIDOR
Flow of capital, talent, technology and markets in both directions.

INVESTMENT FOCUS

AI at the Core
Intelligence embedded in products, workflows and decisions.

- AI-Enabled Enterprise Platforms
- AI-Native Technology Companies
- ClimateTech
- FinTech
- HealthTech
- AgriTech & Food Systems
- SME Digital Infrastructure
- Supply Chain & Trade Platforms

Strong focus on scalable, impact-driven businesses with technology at the core.

WHY INDIA?

World-class AI talent
Deep pool of AI researchers, engineers and data talent.

Globally competitive entrepreneurs
High ambition, innovation and execution capability.

Scalable digital public infrastructure
Aadhaar, UPI, ONDC, Account Aggregator and other DPI building blocks enable rapid innovation at scale.

Rapidly maturing impact ecosystem
Increasing capital, accelerators, impact investors and enablers.

Solutions that can scale across emerging markets
Affordable, adaptable and built for real-world contexts.

KEY MESSAGE

IHV2 views **India** not only as an investment destination but also as a **source of scalable innovations for Africa.**

INNOVATION CORRIDOR
Co-creating Solutions. Sharing Growth. Scaling Impact.

Commercial Returns at Market Rates | Measurable Impact Aligned with SDGs | Responsible AI & Strong Governance | Inclusive Growth and Job Creation | Building Resilient Future Economies

WHY AI MATTERS TO IHV2

We invest where AI drives real value, strong businesses and meaningful impact

MOST INVESTMENT FUNDS ASK

"Is this an AI company?"

IHV2 ASKS

IHV2 ASKS

"Does AI fundamentally improve the company's ability to create value?"

WE EVALUATE COMPANIES ACROSS FOUR DIMENSIONS

AI

- Embedded in customer workflows
- Improves continuously through learning
- Creates proprietary intelligence
- Strengthens scalability

AI creates the engine of differentiation.

BUSINESS

- Solves an important problem
- Commercial traction
- Sustainable economics
- Strong management

Strong businesess create enduring value.

GOVERNANCE

- Responsible AI
- Human oversight
- Explainability
- Cybersecurity

Trust and governance protect value and build confidence.

IMPACT

- Measurable outcomes
- SDG alignment
- Inclusion
- Responsible innovation

Impact ensures our investments create real-world change.

AI ALONE IS NEVER THE INVESTMENT THESIS.

It must strengthen commercial performance and impact.

AI + Commercial Performance + Impact = Sustainable Value Creation

What We Look For in Indian AI Founders

Building Scalable AI Companies for India, Africa and Beyond

4IP GROUP
Invisible Heart Ventures II

IHV2 is particularly interested in founders building companies that can scale across both **India** and **Africa.**

Key Areas of Interest

AI for Financial Inclusion

Expanding access to finance for individuals and SMEs

- SME finance
- Embedded finance
- Digital lending
- Investment infrastructure

AI for Climate & Agriculture

Building resilient and sustainable food systems

- Climate resilience
- Precision agriculture
- Food systems
- Carbon & biodiversity

AI for Healthcare

Improving access, quality and affordability of care

- Diagnostics
- Clinical workflows
- Digital health

AI Infrastructure

Powering the next generation of intelligent enterprises

- Enterprise automation
- Compliance
- Knowledge management
- AI agents
- Workflow platforms

Beyond Capital

IHV2 aims to provide founders with a full **partnership platform** for growth:

- Strategic fundraising support
- AI-enabled due diligence
- Investor matchmaking
- ESG & impact measurement
- International partnerships
- Access to African growth markets

Our Goal

To back exceptional Indian AI entrepreneurs building scalable, responsible and inclusive companies that deliver **strong financial returns and measurable impact** across India, Africa and other emerging markets.

Backing the next generation of AI innovation for a more inclusive, resilient and sustainable future.

Invisible Heart Ventures II
Investing in Intelligent Impact

Closing message

The future of AI investing may not be built within a single market—but through innovation corridors connecting ecosystems such as India and Africa, where AI, entrepreneurship and impact reinforce one another.

"**At 4IP Group**, we are not simply evaluating AI-native companies—we are building an AI-native investment platform ourselves.

Invisible Heart Ventures II is our practical application of the framework I have presented today.

Our ambition is to partner with founders who are creating AI businesses capable of scaling not only across India, but across emerging markets, particularly through the India–Africa innovation corridor."