

INVESTING IN AI



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Nearly 30 years ago, the world was faced with the arrival of the internet age, forcing people and companies to rapidly adapt to the new technology in both business and personal ways. It was at this time that many of today's leading global companies, specifically in the Magnificent Seven, were founded, tapping into the massive opportunities that the connectivity of the internet provided. However, as history tells us, a market bubble grew and burst in what is called 'the Dot-com bubble'.

At present, some commentators are identifying similar trends in AI's current evolution and the potential risk for a similar style bubble bursting. Considering the level of maturity of this type of innovation, investors must pay attention to the market and especially to the evolutions in the market.

High expectations often outpace real-world applications. Just like the internet, AI is experiencing a phase where financial expectations are significantly higher than actual technological implementation. Indeed, technological adoption is a gradual process. Take for example the mass-adoption of the internet, it took roughly 10-15 years to become truly transformative. It is not farfetched, in that case, to view AI in a similar vein and it will likely follow a similar trajectory of slow, incremental integration.

Investors and the public at large need to understand that structural implementation takes time, despite the promising capabilities that AI may be able to provide in the near future. Currently, less than 20% of US companies have truly integrated AI into their corporate processes, suggesting a long road ahead for widespread adoption.

As with the rise of the internet, not all current market leaders will survive long-term. Many companies that seemed promising during the 1990s and early 2000s ultimately failed to become the 'companies of the future'. Similarly, today's AI giants such as Open AI may not be the dominant players in a decade. Patience is crucial at this stage of the cycle. Investors and companies should focus on the medium to long-term potential rather than expecting immediate changes, allocating their investments accordingly and looking for long-term returns.

GEOGRAPHICAL SPLIT

Both the US and China are the leading markets in terms of actively competing in AI development. While the US released initial AI technologies such as ChatGPT in November 2022, China responded with the launch of DeepSeek-R1 model in January 2025 challenging the previous considered US hegemony in all things concerning generative-AI.

It would be impossible to ignore the ongoing US-China trade-war, with the US tariffs looking to, in part, halt Chinese competition in the AI space. Whether the Trump administration's designs on re-shoring manufacturing capabilities in the US succeeds is at this stage too early to call, but investors can look at tapping into this seismic shift with the effects to surely be felt for at least a decade.

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China seems to be focusing on energy efficiency as a key competitive advantage, and this is no surprise with the rise of investing in key infrastructure such as data centres.

For wholesale and HNWIs here in Europe, there are no clear 'homefield' advantages in the pure AI space, but the application of these technologies filters down into various subsectors: such as biotechnology, healthcare, and defence. Coupled with increasingly positive government policy, both the European Union and the UK are looking to attract talent and investment to turbo charge their AI plans.

FINAL THOUGHTS

AI represents a significant technological revolution, its impact will be gradual, and stakeholders should maintain realistic expectations about its immediate transformative potential.

The effects coming from a new regulatory framework must be evaluated. The European Union has already issued a specific act with reference to the use of AI, and it will be followed by other authorities for sure.



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