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# Cloud Nine

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**The AI revolution is likely only just beginning. We see opportunities not only in the US, but also in Asia. Investors should diversify their portfolios across the entire AI value chain to better position themselves for the growing adoption of AI.**

After the publication of its quarterly results, the share price of the US technology company Oracle jumped by 36 percent—the largest price increase ever for a company of this size in the S&P 500. What was the reason for the euphoria? It was probably less about the results themselves, as the published figures roughly matched market expectations. The enthusiasm was much more likely due to the projected development in the cloud infrastructure business. Oracle's management outlined a path for revenues to rise from USD 10.2 billion in fiscal year 2025 to USD 144 billion in fiscal year 2030. Mathematically, this corresponds to an average annual growth rate of almost 70 percent. Whether this will actually happen remains to be seen. Without expressing an opinion on individual securities, we nevertheless draw three conclusions from these results:

First, we are still at the beginning of the transformation regarding artificial intelligence (AI). The next phase of growth will likely be driven by broader AI adoption at the consumer, corporate, and public sector levels, as well as by agent-based AIs and increasing computing power.

Second, AI computing capacity remains extremely scarce, despite significant growth in recent years. This points to further growth and continued high profitability for companies providing such services.

Third, these results also confirm that investors should broadly diversify their AI exposure. We see AI as an investment on three levels: The first is the enabling layer, which includes companies that provide computing power, networks, storage capacity, electricity, and cooling systems. On the second, the intelligence layer, we see providers of AI models, databases, and cloud infrastructures. The third layer relates to application, meaning increasingly specialized AI services and uses. As AI adoption progresses, investors should diversify their portfolios across these three layers so that their investments can benefit from the expanding range of opportunities.

While in many places the focus remains on the US as the leading location for artificial intelligence, new opportunities are also emerging in Asia. Many regions, including mainland China, Japan, Taiwan, and Korea, are investing heavily in research, infrastructure, and development to better harness the potential of AI for society and the economy. Mainland China has significantly intensified its efforts in recent years and is working to develop its own AI models and applications. As a result, China is not only catching up, but in certain areas is already among the global leaders. There are many indications that Asia will play an increasingly important role—as a place for innovation, but also for the marketing and distribution of AI products along the entire value chain. Anyone considering the opportunities of AI today should therefore look not only to the West, but also to the East.

The expected further weakening of the US dollar is also likely to underscore the attractiveness of equities in the coming months. With this week's rate cut, the US Federal Reserve has initiated a new cycle; we do not expect any further rate cuts from the European Central Bank, the Swiss National Bank, or many Asian central banks for the time being. For investors, this means, on the one hand, that hedging currency risks is likely to become more affordable. And if more investors hedge against a weaker dollar, this could indeed have a negative impact on the currency. On the other hand, lower interest rates are a positive for future US equity performance. While this may not be quite as perfect as being on cloud nine, recent years have impressively shown that investing in US equities is worthwhile even when the dollar weakens. And we do not believe that this will change in the foreseeable future.

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