



Source: Gettyimages

Creative destruction

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Comparisons between the AI boom and the dotcom era fall short, despite some similarities. We believe investors will continue to invest in the sector, but should diversify their exposure internationally and across the entire value chain. This includes taking advantage of opportunities in Asia, especially in China.

The current discussion about a possible bubble forming in the AI sector is likely to remind many investors of the dotcom era. However, a closer look reveals important differences that argue for an opportunity-oriented approach to the current market environment. While the AI sector is also characterized by euphoria and high valuations, its fundamental development differs from that of the dotcom bubble.

While the dotcom bubble was characterized by speculative excesses, loose monetary policy, and numerous unprofitable companies—pets.com comes to mind—the current AI rally is much more firmly underpinned by actual profits. Major US technology companies have shown robust profit growth for years. Another difference lies in financing: while the amounts invested are enormous, today they are primarily funded from generated cash flows. For example, leading US technology companies generated around USD 700 billion in operating cash flow over the past 12 months, which is currently sufficient to cover the high investment needs.

At the same time, there are risks: valuations are high, and the growing hype around these technologies increases the risk of disappointment. A large and rapidly growing user base—such as ChatGPT, which now has 800 million visitors per month—does not automatically make a company profitable. OpenAI, for instance, was able to significantly increase its revenue from USD 1 billion in 2023 to USD 13 billion in 2025, but according to the company, it requires USD 115 billion in financing over the next five years and will therefore remain dependent on a favorable liquidity environment.

The increasing interconnection of companies in the AI sector also needs to be critically monitored, as does the development of profitability and debt levels. If rapid technological progress were to stall, market euphoria could quickly fade and nervousness rise. Even relatively mundane problems could become challenges: for example, it is unclear whether enough energy can be produced to meet the rapidly rising electricity demand of AI data centers. As a recent Bain & Company study

showed, the demand for additional computing power with each new model update is growing more than twice as fast as the efficiency gains in the necessary computer chips. Bottlenecks and resource shortages are conceivable consequences. However, it is quite possible that further innovation will help overcome these challenges. The Chinese company DeepSeek recently demonstrated how clever algorithms can be used to develop innovative and lucrative applications even with leaner AI models.

In summary, while the AI sector does show some bubble-like characteristics, robust fundamentals, solid financing, and the macroeconomic environment continue to support an opportunity-oriented approach for investors. At the same time, investors should expect that not all companies will succeed with their investments and projects. High investment levels, increasing competition from Asia, and rapid development are likely to lead to corrections in the AI sector as well. Whether these will be as dramatic as some media suggest remains to be seen.

The economist Joseph Schumpeter once described “creative destruction” as a reliable engine for innovation and productivity growth. In line with this concept, the AI revolution will likely experience highs and lows, but it still offers investors the chance to participate in potentially one of the most exciting technological innovations of our time and benefit from rapidly expanding value chains. This also means that investors should consider how to diversify their portfolios and actively adapt to evolving opportunities. In addition to the US, companies in Asia should also be considered. In particular, many Chinese companies operate on par with leading US firms. They have good chances of becoming the next top performers, but are much more attractively valued than their US competitors.

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