



(UBS)

VIDEO: AI through an industrial lens

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Artificial Intelligence has been a hot topic for investors over the last year, sparked by the launch of ChatGPT in late 2022. The focus has been primarily on technology companies—with many tech-related AI stocks appreciating significantly. But is AI more than just a tech story?

CIO recently launched a new "Artificial Intelligence" tactical theme, which builds upon the AI-related stocks from our "Made in America" tactical theme. See the [Tactical US Equity Themes: Monthly update](#) for more details.

CIO view:

- The launch of the OpenAI's generative AI tool ChatGPT in late-2022 helped amplify an artificial intelligence investment cycle that we believe will be a key driver of growth over the next decade. While AI-related infrastructure spending has surged, it's still in the early stages, and we expect it to further accelerate. AI adoption has been modest so far, with about 5% of companies using generative AI. But we expect monetization to rise and account for a larger portion of overall AI growth over the longer term.
- We forecast tech AI revenues to grow from USD 28bn in 2022 to USD 420bn in 2027—a fifteen-fold increase. We look for infrastructure spending, driven by emerging trends like GPU cloud and AI edge computing, to reach USD 195bn from USD 25.8bn. With broadening AI demand and rising monetization trends, we see solid growth for AI applications & models to USD 225bn from USD 2.2bn.
- We expect several companies along the AI value chain to benefit, including semiconductors, software, internet, data centers, industrials, and utilities.

Risks:

- The pace of AI adoption may be slower than expected due to economic conditions and potential costs and uncertainties of implementing a new technology.
- AI projects may not fully realize their promised value due to complexity and embedded frictions.
- Companies may not be ready to adopt AI due to "technical debt" (i.e., legacy IT architectures) and the costs of modernization.
- Finally, each company on our stock list has its own idiosyncratic risks which may impact future performance.

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