Investing in AI: Insights into the Paradigm Shift to Industry and Work

Updated April 17, 2025. With current market volatility related to global trade policies creating uncertainty among investors, we remain committed to this theme and see select companies associated with AI trading at attractive valuations.

Artificial Intelligence (AI) continues to shape the direction of innovation and investment across industries. The first phase, which has dominated the last two years, has been on infrastructure—graphics processing units, computing systems, and the hardware that supports scalable AI development. This has created the strong foundation for the next phase of development and application.

It is projected that capital investments in AI will be between $2 and $3 Trillion over the next three years, a level that would be equivalent to three stimulus packages being injected into the U.S. economy over the next three years. This surge represents expectations for both the challenges and opportunities associated with adopting a new technology with such broad potential and impact.

Phase II: From Infrastructure to Application

AI is transitioning into its next phase: from infrastructure build-out to real-world application. The focus is increasingly on software and systems that can improve operational efficiency, reshape workflows, and drive product innovation. Agent-based AI—systems that can autonomously interpret environments, make decisions, and execute tasks—is a key area of progress. These agents are being used to create tailored business solutions and improve responsiveness in areas such as logistics, finance, and healthcare, among others.

As the volume and speed of code generation and model deployment accelerates, demand is rising for robust cloud infrastructure and scalable data systems. Data, once static, is now central to enterprise value creation, powering real-time systems that can reduce the need for human oversight.

AI and The Physical World

For decades, AI's potential in robotics was limited by hardware constraints. Recent breakthroughs in deep learning, reinforcement models, and sensor fusion have changed that. As a result, AI is moving into physical environments with machines that perceive, interact, and execute with incredible, near-human dexterity.

With a projected global labor shortage of 90 million jobs by 2030 and an annual labor market valued at approximately $40 Trillion (McKinsey.com), AI-driven humanoid robots could become a significant economic driver. If these intelligent machines replace just a fraction of the global workforce, the industry could generate more than $34 Trillion in annual revenue by 2040 (McKinsey.com). This transition could create new efficiencies, improve productivity, drive down costs, and create economic opportunities on a broad scale globally.

Conclusion

The question for business leaders is no longer “if” AI will impact their operations, but “how”, by how much and how quickly they can deploy it effectively. Companies that think strategically and act decisively by integrating AI into core decision-making and operations are positioning themselves to lead in an increasingly competitive landscape.

For investors, AI presents long-term opportunities. Exposure to companies developing or applying these technologies may enhance portfolio diversification—and growth. However, investing in emerging technologies carries risks. Valuations can appear disconnected from fundamentals, and volatility is to be expected. But that volatility is often the cost of entry for potential long-term upside in disruptive innovation.