ALICIA LEVINE

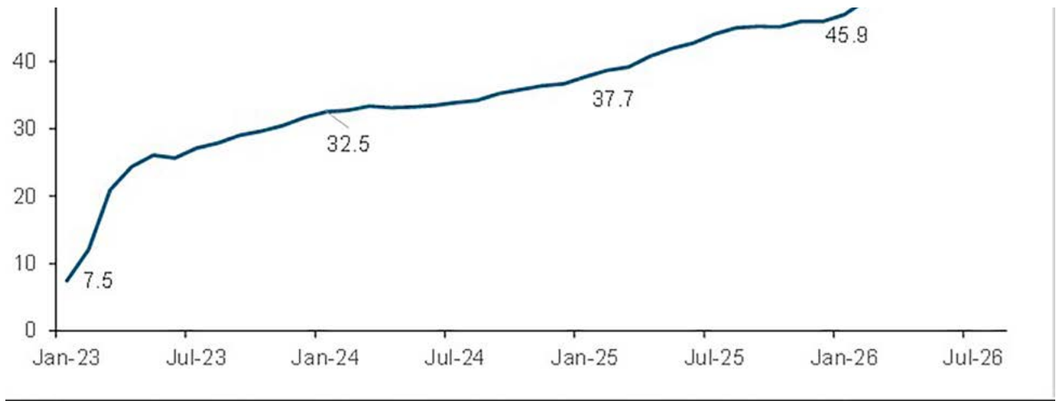


FINDING VALUE BEYOND THE AI BUILDOUT

ChatGPT's November 2022 debut marked the beginning of the AI era. Less than four years later, AI has become the fastest-adopted technology in history and could prove more consequential than any innovation before it. The opportunity is enormous, but so is the debate over whether today's enthusiasm has moved ahead of fundamentals, echoing the dot-com bubble.

At BNY Wealth, we are bullish on AI's long-term potential but the investment opportunity is already moving well beyond chips and cloud providers. We see the next phase unfolding across the full AI ecosystem: the power, infrastructure, software, cybersecurity, and companies using AI to drive productivity, lower costs, and create new products and services. The early focus on semiconductors and data centers was logical as they provide the computing power required to build and run AI. But as adoption accelerates, value is spreading to the companies enabling AI, and, increasingly, to the businesses using it across industries to improve how they operate and compete.

This pattern has played out before. When the internet, automobiles, and electricity were new, investors initially focused on the companies building them. Over time, each technology changed how people lived and worked, creating new products, services, and industries along the way. AI is moving in the same trajectory and at a faster pace.



Monthly data through August 31, 2026. *U.S. businesses. Source: Ramp Index and Bloomberg.

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AI Adoption is Increasing

AI is also becoming a national security imperative. AI can analyze intelligence from satellites, drones, and other sources to help governments identify threats and respond more quickly. It can also guide drones, weapons, improve missile defense, coordinate military responses, and conduct or prevent cyberattacks. The U.S. Department of Defense considers AI critical to military decision-making. As AI becomes key for defense, countries need reliable access to chips, data centers, and equipment needed to develop and use it. Depending on another country for this capability would be a risk to national security.

Finally, AI will also be a defining driver of economic competitiveness.

By raising productivity and advancing fields such as scientific research, manufacturing, drug development, and power generation, it can attract investment, create high-paying jobs, and support economic growth. A stronger economy provides more resources for military and diplomatic priorities.

Reflecting AI's growing role in economic growth and defense, the White House's 2025 AI Action Plan is focused on accelerating U.S. development and use of AI, training workers, and maintaining America's leadership in the technology.

The Broadening Opportunity

AI's expanding use and growing strategic importance are broadening the investment opportunity. BNY Wealth's 2026 The Intelligent Investor study shows strong investor interest: among 251 individuals with at least $10 million in investable assets, 89% invest in companies with meaningful AI exposure, 67% expect to increase their allocations over the next year, while only 3% expect to reduce them.

Meanwhile, concerns surrounding valuations, competition, and the possibility that enthusiasm has moved ahead of fundamentals have lingered.

That tension between optimism and caution suggests that the next phase of AI investing is less about finding a narrow group of winners. It will be about understanding the full AI ecosystem that drives and benefits from its growth.

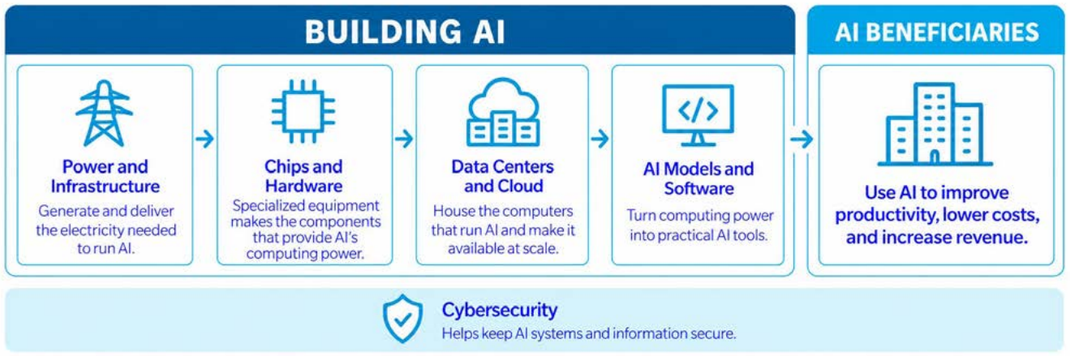
Building AI

The first layer of the AI opportunity lies in the companies building the technology and infrastructure behind it.

AI may feel simple to use, but making it possible requires a complex network of companies working behind the scenes. Together, they provide the technology, infrastructure, and services that make AI available and secure to use.

Artificial intelligence begins with AI models, which are the technology behind AI tools and applications. Creating and using these models requires enormous computing power, which is the ability to process large amounts of information quickly. This computing power comes from advanced computer chips, which require specialized factories and equipment because producing them is an extremely precise and complex process. Memory is needed to work with large amounts of information and advanced packaging connects their components. Networking technology allows multiple chips to work together as one larger computing system. Together, these technologies provide the computing power needed to run AI.

The AI Ecosystem



Source: BNY Wealth

The chips that power AI are installed in specialized computers that process information and run AI models. These computers are housed in data centers, which require land, buildings, high-speed internet connections, and certain equipment to operate.

Data centers consume an enormous amount of electricity. As such, grid infrastructure and electrical equipment, such as transmission lines, transformers, power management and cooling systems have been in high demand, creating a strain on a supply chain that has not increased capacity over the past fifteen years.

Looking ahead, the amount of electricity needed to run data centers is expected to grow significantly. The International Energy Agency estimates that global data-center electricity consumption could double between 2025 and 2030. Data centers also place greater demands on local electricity systems, reinforcing the need for additional power generation and infrastructure.

Meeting that demand will likely come from several power sources. Renewable energy is expected to provide most of the additional electricity because it can often be brought online quicker and cheaper than any other power source. Natural gas-fired plants increase reliability across the electric grid as renewable energy typically operates at utilization rates larger role as countries look for more ways to generate large amounts of clean and reliable electricity.

The scale of this investment is extraordinary which is why the world's largest and most profitable companies are driving it. Capital spending by cloud service providers is expected to rise from $250B in 2024 to $940B in 2026. These companies have become the gatekeepers of the technology as most organizations access AI through cloud service providers and software applications rather than build their own infrastructure.

More specifically, cloud service providers make AI available at scale to businesses over the internet. Software companies then build practical tools that help organizations use AI in their everyday operations, from analyzing information and automating tasks to helping people make decisions. They can also create new products and services built around AI.

As companies integrate AI into their operations, cybersecurity becomes critical to protecting their information, computers, and networks. AI can help detect and stop threats more quickly, but criminals can also use it to make attacks more effective and harder to detect.

The Role of Policy

Governments are also helping shape the development of AI infrastructure. The CHIPS Act was designed to encourage semiconductor manufacturing in the U.S. and reduce dependence on overseas supply chains. The Covid pandemic exposed the risks of relying on overseas semiconductor supply chains, as chip shortages disrupted the production of cars, industrial equipment, and many consumer electronics. Because computer chips are essential to AI, communications networks, defense systems, and products such as smartphones, computers, and vehicles, increasing domestic production has become a strategic priority.

Policy has also supported investment in data centers and other infrastructure needed to run AI. The OBBBA's 100% bonus depreciation provision encouraged companies to accelerate spending on these facilities and equipment. We believe this policy has been a major driver of the rapid investment growth from cloud service providers.

Policymakers have also taken steps to support power generation and the infrastructure needed to deliver electricity to them. The Department of Energy has used the Federal Power Act to prevent the retirement of fossil-fuel power plants, while the Environmental Protection Agency has reduced regulations to extend the lives of coal power plants and accelerate the development of natural gas power plants. Policymakers have also supported nuclear power by providing financing, land, and faster licensing for new reactors.

AI Beneficiaries

The investment opportunity is also expanding to the companies using AI, as adoption spreads across a growing number of industries.

McKinsey's 2026 State of AI report found that nearly nine in ten respondents said their organizations regularly use AI in at least one business function, while 44% said their organizations were scaling AI across business lines, up from 38% a year earlier.

AI agents can also do work for people with limited direction, extending AI's potential benefits further. Their use is growing quickly, with agents now processing more information than people.

Health Care

How AI is used

AI is helping healthcare companies discover new drugs and improve diagnoses. It also helps doctors analyze X-rays, scans, and other medical images and supports robotic surgery. Some healthcare companies use AI systems that continuously analyze research data and run experiments.

Potential benefits

Faster research to identify treatments, improve how new medicines are tested and developed, better patient outcomes, and helping address workforce shortages associated with an aging population.

Financial Services

How AI is used

Many financial institutions are using AI to help employees prepare for client meetings and automatically generate notes and follow-up materials.

AI also helps employees quickly find information across research, reports, and client documents. Financial institutions are also using AI to help software developers write code more efficiently.

Potential benefits

Some firms report that these tools can save roughly 30 minutes per client meeting, with reported efficiency gains of roughly 10% to 35% in writing code.

Legal

How AI is used

AI helps law firms review contracts, research cases, summarize documents, and prepare routine legal work. It can quickly search large volumes of information, flag potential risks, and help legal teams respond faster to regulatory and compliance requirements.

Potential benefits

Lower research and document-review costs, faster case preparation, improved consistency, better com-

pliance monitoring, and greater productivity across lawyers and support staff.

Technology

How AI is used

AI is changing how technology is built. Developers use it to write and test software, engineers use it to design chips and systems, and companies use it to strengthen cybersecurity, operate data centers, and improve the performance of complex infrastructure.

Potential benefits

Faster software development, lower operating costs, improved cybersecurity, better product design, more efficient infrastructure, and higher productivity across engineering and IT.

Internet

How AI is used

AI makes online experiences more personalized and efficient. Internet companies use it to improve search, recommend content and products, target advertising, detect fraud, moderate harmful content, and automate customer support across large digital platforms.

Potential benefits

Better personalization, stronger user engagement, more effective advertising, lower customer-service costs, improved fraud detection, and more efficient content discovery and moderation.

Consumer

How AI is used

Retailers and consumer brands are applying AI to customer service, inventory management, product development, and predicting what customers are likely to buy. AI is also helping companies manage supply chains more efficiently and respond more quickly to changes in customer demand.

Potential benefits

Lower costs, better product availability, less wasted inventory, and improved customer experiences.

Companies that interact with customers frequently may be best positioned to benefit as AI helps them better understand customer preferences and purchasing behavior.

Transportation and Logistics

How AI is used

Transportation and logistics companies are using AI to manage how goods move from suppliers to customers, choose faster and less costly delivery routes, and automate warehouse tasks such as moving, sorting, and tracking goods.

Autonomous vehicles are another emerging application, while AI-powered equipment is also being used in industries such as mining and agriculture.

Potential benefits

Improved safety, lower transportation costs, faster movement of goods, and helping labor shortages in areas such as trucking.

Manufacturing

How AI is used

Manufacturers are using AI to find defects in products, predict when equipment needs maintenance, plan production, and operate industrial robots.

Potential benefits

Prevent equipment failures, reduce production delays, and help factories produce more goods in less time.

Energy

How AI is used

Energy companies are using AI to analyze geological data to identify potential oil and gas deposits and improve production from existing wells. AI can also help develop new power-generation projects, including complex nuclear power plants, by improving plant designs and helping manage construction.

The energy industry is helping meet AI's growing electricity needs while also using AI to improve its own operations.

Potential benefits

Higher energy production, lower development costs, and more efficient construction of energy infrastructure.

Sources for how AI is used and potential benefits by industry is BNY Wealth using U.S. corporate earnings, transcripts, and public commentary.

Investing in AI

From Public to Private Solutions

AI exposure is spreading across investment solutions and asset classes. Public equities remain the most common approach, with 77% of respondents in the BNY Wealth survey saying it is their preference for where to invest. But investors are looking to spread their exposure. Thematic ETFs were cited by 49%, venture or private-equity funds by 43%, AI-related real estate or infrastructure by 39%, and direct startup investments by 28%. A third of respondents said they were already invested in AI startups, while another 32% want to start backing entrepreneurs.

Private AI investment has also expanded sharply, rising 127.5% in 2025 or 60% of total corporate AI investment. At the same time, funding remained concentrated among a relatively small number of companies and countries.

Finding AI Value

Investor optimism about AI is high. In BNY Wealth's survey, 86% of respondents said AI will improve portfolio resilience, 85% said it will help identify future investment opportunities, and 78% expect AI-driven strategies to outperform traditional approaches.

Investor interest also spans sectors. 52% of respondents expressed interest in AI software platforms, 47% in infrastructure, 42% in semiconductors, 41% in cybersecurity, 34% in healthcare AI, and 33% in both fintech and robotics.

Investors are paying closer attention to the companies providing the infrastructure needed to enable AI to work. 68% of survey respondents expressed interest in data centers and real estate investment trusts, 63% in semiconductor manufacturing, 61% in cloud platforms, and 52% in energy and cooling systems.

The survey reinforces our view that the AI opportunity extends across the full ecosystem—from the companies building the technology to those using it to create value.67% ultra-high net worth investors in BNY Wealth's survey anticipate increasing their AI allocation in the next year. Most are optimistic long-term with 41% extremely optimistic about AI as an investment theme in the next five years while 45% are somewhat optimistic.

Risks

AI's investment potential is significant, but so are the risks. 60% of investors said its benefits may be overstated. Their leading concerns were high valuations, excessive hype, competition, cybersecurity, regulation, and geopolitics.

Using AI does not guarantee profits. Companies may spend heavily without generating enough revenue or savings. Benefits may take years to appear, competitors may offer similar products, and customers may choose cheaper options. Investors must identify which companies can turn AI into lasting revenue, savings, and profits.

Building enough infrastructure to meet AI demand will be difficult. Supply-chain bottlenecks or power and construction delays can slow projects and raise costs. Chipmakers are capital intensive and face rapidly changing technology and cyclical demand, making their sales and profits difficult to predict.

Data centers face growing public resistance over utility bills, water use, pollution, noise, traffic, and land use. Local opposition can delay or block projects. Developers are looking to address these concerns, but doing so can raise costs.

History suggests the job market adapts alongside tech innovation better than feared as new roles and industries emerge while current ones change or are replaced. While AI's effect on the job market so far is mixed, public resistance may grow especially in a "no hire, no fire" environment if it becomes clearer more layoffs are AI-driven.

Energy projects face risks beyond AI demand. Changes in fuel prices, regulation, construction costs, or access to the grid can determine whether power plants and the infrastructure that delivers electricity to drive AI's computing power can be built on time and profitably.

Private AI investments carry additional risks. They can be difficult to sell and value, investors may need to hold them for years, and the companies may struggle to raise the money needed to grow.

Conclusion

History shows that the impact of transformative technologies often proves broader and more powerful than initially imagined. While the path to progress is rarely smooth, we are bullish about AI's long-term potential.

AI can lower barriers to entrepreneurship by giving individuals and small businesses tools that once required large teams, specialized skills, and significant funding. Making it easier and cheaper to turn ideas into products and businesses can increase innovation, create new opportunities, and move society forward. This creates even more investment opportunities.

When the internet emerged, few could have imagined the future it would create—from online shopping and streaming entertainment to ordering a ride from a phone. The same may be true of AI, with many of its most valuable uses and businesses still ahead.

That makes the opportunity enormous, but benefiting from it will not be easy. Progress will be uneven, and not every company or investment will succeed. For investors, that means staying diversified, taking a disciplined long-term view, and focusing on businesses that can deliver durable gains to productivity, growth, and profits. Headlines may capture attention, but they will not determine the winners - results will.

This article is for informational purposes only and does not constitute investment advice. AI adoption and related productivity benefits are not guaranteed and may vary significantly by company, industry, and use case.

Alicia Levine is Chief Investment Officer at BNY Wealth, where she oversees investment strategy and asset allocation across approximately $350 billion in client assets. She also leads the firm's Investment Strategy Committee and serves as a prominent voice on market trends, investment outlook, economic policy, equities and portfolio positioning. Alicia joined BNY in 2016 and has held several senior investment leadership roles, including most recently Head of Investment Strategy and Equities at BNY Wealth and prior to that, Chief Strategist at BNY Investments.

Earlier in her career, she served as Director of Communications at Angelo, Gordon & Co. She also serves on the Investment Committee of the National Academy of Design. Alicia earned a bachelor's degree from Brown University and both a master's degree and Ph.D. from the University of Chicago.

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