# BEYOND THE BOOM: WHERE VALUE MAY EMERGE

**INVESTMENT INSIGHTS**
FROM OUR PARTNERS AT
BNY INVESTMENTS NEWTON

**Chris Hazelton**
Newton US large cap value
and income team

## KEY POINTS

1. Artificial intelligence (AI) investing has evolved through three waves — starting with infrastructure, expanding to energy systems and now entering widespread adoption across traditional industries.
2. The third wave may represent an opportunity, with AI driving transformation in sectors like retail, healthcare, finance and advertising.
3. Traditional companies are using AI to enhance customer engagement and streamline operations, often at more attractive valuations than early-stage tech firms.
4. Like the internet's evolution and post-dot-com boom, we believe AI is becoming a foundational layer for innovation, with value creation beyond the tech sector.

2023 wasn't just another year for technology, it was the year AI went mainstream. ChatGPT was the first large language model (LLM) to achieve widespread public adoption, launching a wave of consumer interest in AI. It was quickly followed by LLMs from major hyperscalers, which collectively accelerated the democratization of access to LLMs.

We believe this is the "third epoch of technology," a turning point comparable to the dawn of the internet or the rise of the smartphone. AI is racing from experimental novelty to everyday necessity, with its vast potential still unfolding.

The first two AI waves have primarily benefited large technology companies. The third wave appears to be reshaping traditional industries, poised to create potential value beyond the tech sector.

For investors, this opens opportunities to explore companies that are transforming their models, boosting efficiency and unlocking innovation — often with the potential for attractive valuations.

## AI's first movers: laying the foundation

To navigate this dynamic landscape, we utilized BNY Investments Newton's multidimensional research across fundamental, thematic, private market, investigative and quantitative to construct a comprehensive view of the investment landscape. Through this lens, we identified AI investment opportunities in three distinct waves, each representing a phase in AI's evolution and expansion into the broader economy.

The first wave of AI adoption centered on foundational hardware such as semiconductors, data centers and infrastructure required to power AI.

We see significant capital investment by large hyperscalers, all well-known technology companies, to expand capacity for AI workloads, with strong demand for graphics processing units, AI accelerators and integrated circuits. These companies scaled up data centers and the related infrastructure necessary to meet the surging demand for AI workloads and monetize related enterprise services.

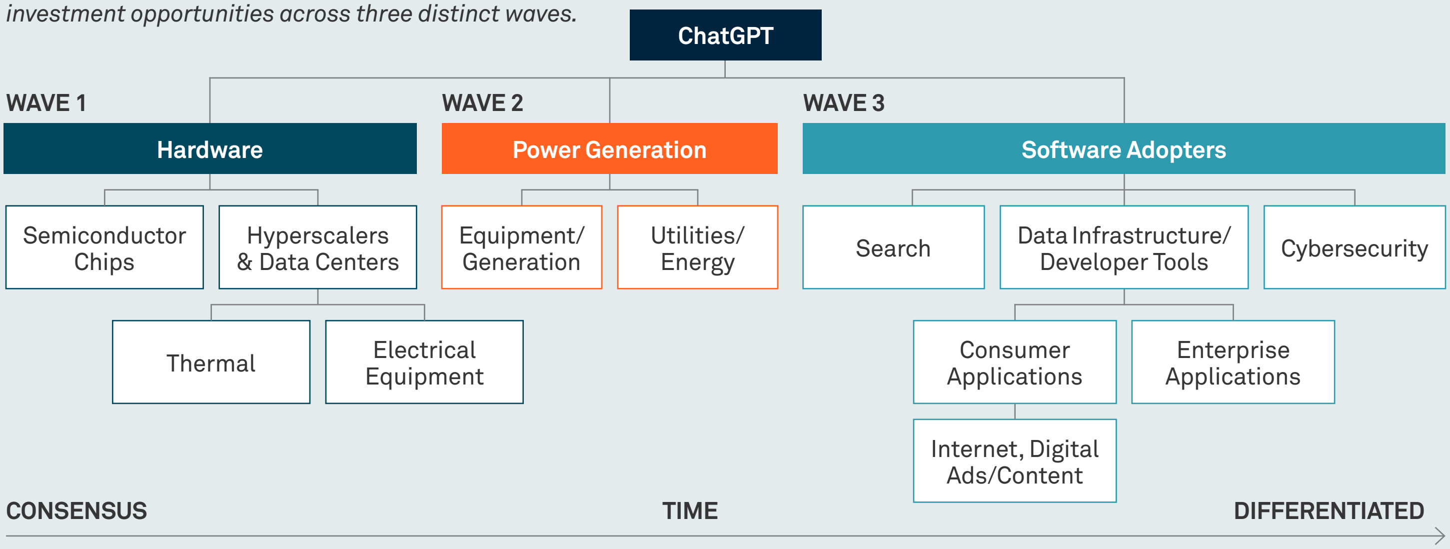
The second wave focused on power systems needed to meet AI's rapidly growing computational demands. U.S. data-center power usage is projected to rise from 2% of total consumption in 2020 to 7.5% by 2030, fueled by generative AI, onshoring and electrification.[1]

We believe this shift created compelling opportunities across energy, utilities and industrials — sectors traditionally seen as cyclical but now potentially essential to AI's scalability.

### MAJOR WAVES OF AI

Identifying investment opportunities

*What started with OpenAI's ChatGPT has led to potential investment opportunities across three distinct waves.*



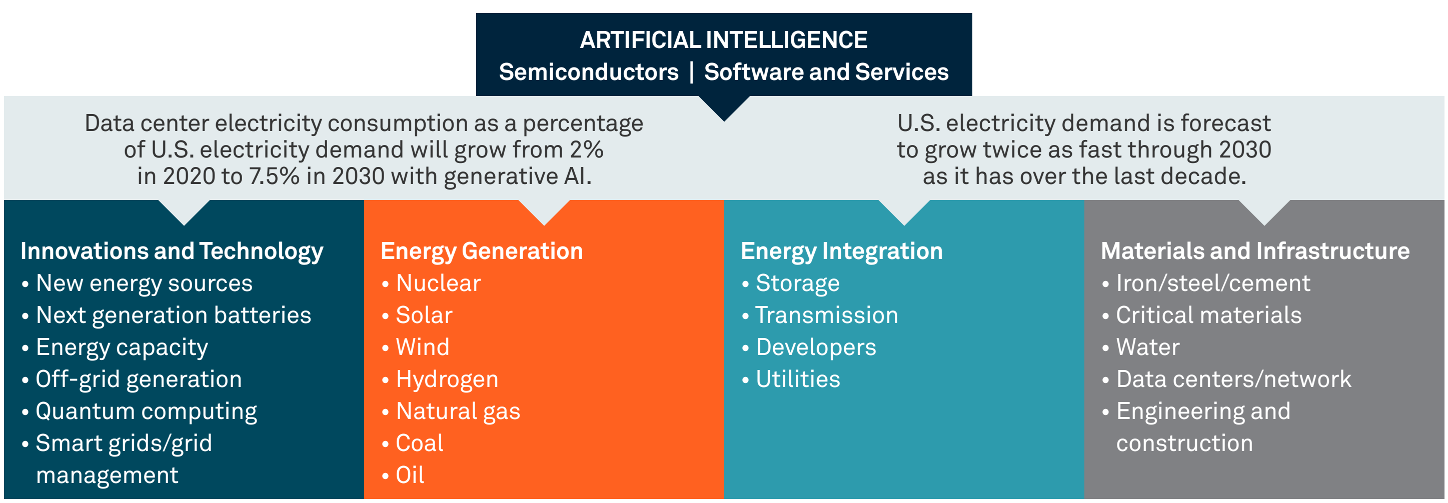

Source: BNY Investments Newton, 2025. ChatGPT is a large language model chatbot developed by OpenAI that can engage in human-like conversations and generate content. Chart is provided for illustrative purposes and is not indicative of the past or future performance of any product.

## Unlocking potential "value" in AI's third wave

We believe the third wave marks a shift from building AI infrastructure toward widespread adoption. In our view, this wave remains largely untapped despite representing a $2–3 trillion opportunity.[2] From enterprise applications to agents and consumer tools, this wave broadens the investment landscape beyond tech companies and appears to be permeating traditional industries such as retail, healthcare, finance and advertising.

### BEYOND AI: WHAT COMES AFTER SEMICONDUCTORS AND SOFTWARE?

Energy demand > energy supply > energy innovation + infrastructure




Source: BNY Investments Newton and U.S. Energy Information Administration (EIA), July 2025. Chart is provided for illustrative purposes and is not indicative of the past or future performance of any product.

In the third wave, we believe there are two broad categories of AI adoption for more traditional companies.

1. **Consumer:** Deployment of AI-powered agents, decision systems and customer experience platforms that are reshaping how businesses engage and compete.
2. **Enterprise:** The utilization of AI to automate the storage, organization and optimization of data, enhancing operational efficiencies.

This expansion may present a compelling opportunity to identify companies in legacy sectors that are embracing AI to drive transformation and value creation.

Much like the early days of the internet, we expect to see new businesses built on top of this technology. Whether it's a logistics firm using predictive analytics to optimize delivery routes or a healthcare provider deploying AI for diagnostics and patient engagement, potential value creation from the third wave of AI will come from companies outside the traditional tech sphere.

## From foundation to transformation

As we consider the trajectory of future AI winners and losers, parallels can be drawn to the value creation that followed the dot-com boom. Although tech-centric and hype-driven growth companies initially surged, many ultimately collapsed under the weight of unsustainable valuations.

While early innovation was concentrated in the tech sector, the internet ultimately became a foundational layer across industries — powering e-commerce in retail, enabling digital payments and mobile banking in finance, and reshaping how businesses operate at scale.

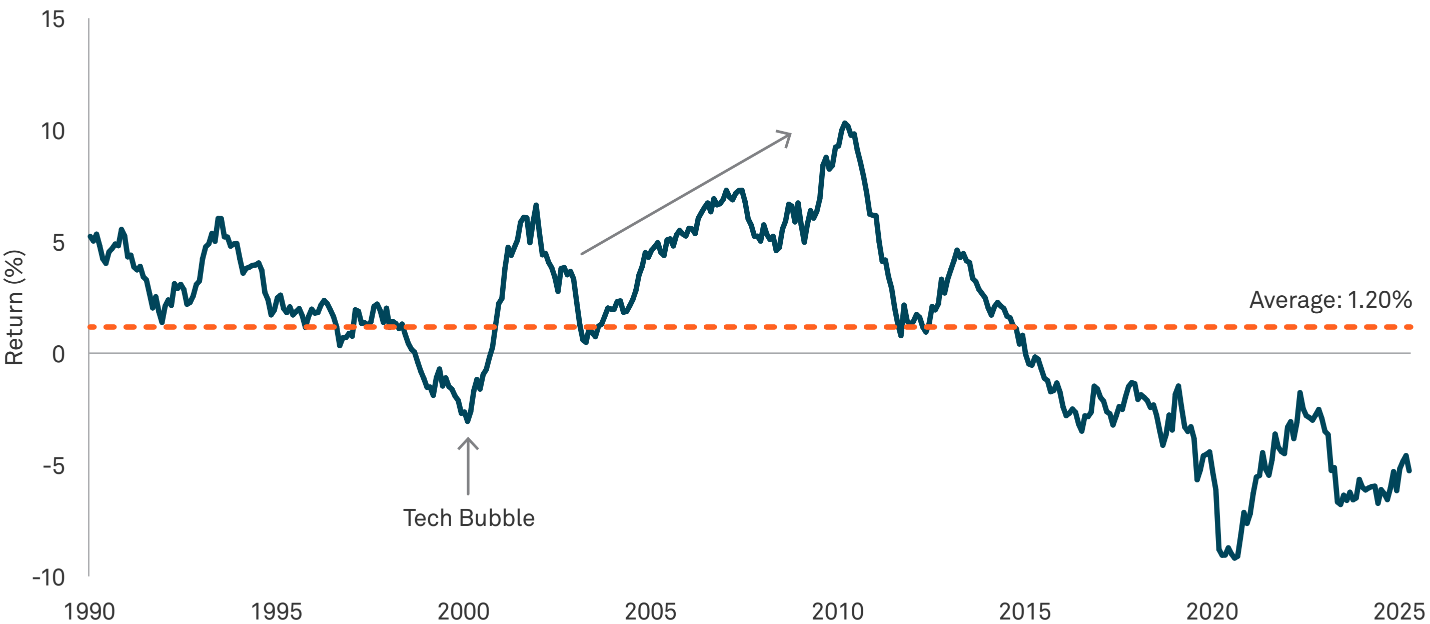
We see the third wave of AI paving a similar path. While hyperscalers and hardware led early stages, they now command elevated valuations. These high-profile names dominate headlines, but AI capabilities are increasingly being embedded into traditional industries, where a new generation of potential value creation is emerging from companies outside the traditional tech sphere. This shift may represent a compelling opportunity to explore the broader landscape. As industries adapt and leverage AI, they are transforming business models, unlocking efficiencies, driving productivity and potential new domains of value — often at what can be lower valuations.

## Identifying early winners across traditional industries

At BNY Investments Newton, we are positioned to identify and act on the opportunities emerging from the third wave of AI — especially as its influence expands into the broader economy. Our platform is designed to stay ahead of this curve by detecting early signals, identifying companies with what we believe have meaningful AI integration, and surfacing insights from private markets and deep research. We believe that this should enable us to identify differentiated winners and losers before the market prices them in.

**VALUE OUTPERFORMS GROWTH AFTER THE TECH BUBBLE**

Value/growth 10-year rolling relative return




**Past performance is not necessarily indicative of future results.** Source: Alliance Bernstein, as of April 30, 2025. Performance calculated in U.S. dollars. Empirical Research Partners Analysis. Largest 1,500 U.S. stocks; capitalization-weighted data. Shows the relative return of the cheapest quintile of stocks vs. most expensive on a price-to-book basis. Chart is provided for illustrative purposes and is not indicative of the past or future performance of any product.

[1] Source: U.S. Energy Information Administration (EIA).
[2] Source: BNY Investments Newton estimates: Implications of DeepSeek discussion and off-site, 2025.

---



MARK-800403-2025-09-08
BKR-BTBVALEMGHO-0925

BNY | INVESTMENTS