



Lucidate Research

Generative AI Opportunities



Exploring the Unmatched Investment Potential in Generative AI

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Generative artificial intelligence (AI) has emerged as the forefront of technological advancements, signaling an era of significant investment opportunities, as highlighted by Lucidate's Richard Walker. This innovation marks the dawn of a new epoch for investors eagerly awaiting the next technological leap.

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Richard Walker, Lucidate, February 2024

Despite a challenging year for tech stocks in 2023, Richard Walker of Lucidate Fundamental Equities, a tech investment specialist, identifies it as a pivotal year for innovation within the sector. Among these innovations, generative AI stands out as a key breakthrough.

"Technology thrives on innovation. From the internet boom of the 1990s, cloud computing in the 2000s, to the mobile revolution in 2010, the 2020s herald the age of generative AI," Walker notes. This represents the awaited technological advancement of the decade.

Understanding Generative AI

Generative AI refers to a type of artificial intelligence capable of creating content across various domains, including text, images, music, and complex code, without any apparent limit to its creativity.

Walker emphasizes the unparalleled content creation capabilities of generative AI, stating, "It not only generates content but does so with superhuman efficiency." This AI can produce imagery in any desired artistic style upon request within seconds.

Leading this revolutionary wave is ChatGPT, a model praised for its academic achievements and its potential to disrupt the ETF market. Additionally, Microsoft's generative AI model showcases the ability to mimic human voice with astounding accuracy, generating significant excitement around generative AI technologies since the iPhone's debut in 2007.

Initial Stages and Applications

Generative AI's potential is just beginning to unfold. According to Walker, the computational power behind these AI models is rapidly increasing, doubling every few months. "With the exponential growth in computational power, the capabilities of generative AI services are expected to reach unprecedented levels by 2025."

Walker views the technology's impact on global corporations as transformative, potentially leading to significant cost reductions and productivity enhancements. This shift could redefine the labor market, necessitating new skills to manage and advance AI technologies.

Investment Prospects in Generative AI

The demand for advanced computational power to process and train generative AI models is surging, particularly benefiting the semiconductor industry. Walker reports a notable increase in the value of key semiconductor companies, attributing it to the growing adoption of generative AI technologies.

This demand is expected to trigger an upgrade cycle across data center infrastructures, enhancing networking and data storage capabilities alongside semiconductor advancements.

Implications for the Tech Sector

Walker anticipates a substantial growth and value surge in the tech sector driven by generative AI, a development that the stock market has yet to fully recognize. This optimism contrasts with the recent downturn in tech investments, offering a hopeful outlook for the future of technology investment.

Generative AI stands as a landmark technological revolution, comparable to the advent of the internet, now poised to redefine the technological landscape.

Richard Walker Lucidate Technology Equity Research Team

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