

# CIO View Special

## 10 themes for the year ahead

December 15, 2025  
Marketing material



## Artificial Intelligence: too big for a one-pager

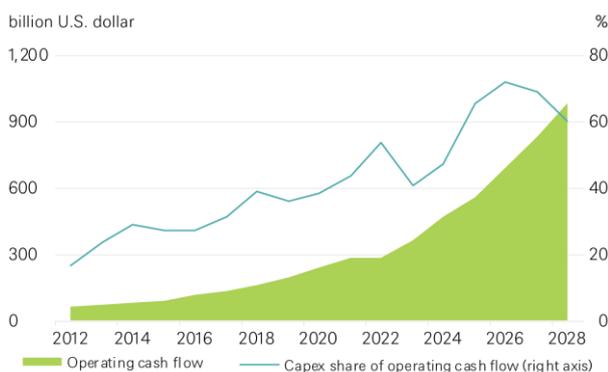
Surging investment, rapid innovation, and rising volatility – why AI is reshaping winners and losers, and how active selection may be key in what we think could be a boom, not a bubble.

In each of our 10 Themes our thinking is distilled into a crisp one-pager. AI was an exception. The topic is too dynamic and consequential for one page, and we wrote a full CIO Special to do it justice. Here, however, is our one-page summary.

AI remains a powerful driver for markets. But in 2025, exponential adoption, innovation and surging investment not only captured imaginations but also introduced greater volatility. Our S&P 500 target of 7,500 points for year-end 2026 is built on the expectation that there will be double-digit earnings growth, with AI playing a key role, especially for U.S. equities. But the litmus test for sustainable business models still lies ahead.

Hyperscalers like Microsoft, Alphabet, Meta, and Amazon have repeatedly revised their capex plans upwards and can afford to do so given their historic strong cash flow generation. Their capex as a share of operating cash flow is still manageable. However, these investments are transforming tech giants from asset-light innovators into capital-intensive infrastructure providers, raising important questions about how markets will value them in future.

### Operating cash flow & capex share of the hyperscalers\*



\*Amazon, Google, Microsoft, Meta, Oracle: consensus estimates for 2025 to 2028. Sources: Bloomberg Finance L.P.; DWS Investment GmbH; as of 11/21/2025

productivity as did railways or fiber-optic networks. But the risk of overcapacity, stranded assets, and financial stress is real, especially if demand fails to keep pace or if energy constraints bite harder than expected. Investors must weigh both the promise and the pitfalls of this new era.

Hardware manufacturers and data center suppliers belonged to the early winners of AI, and we believe some of them, such as Asian chip suppliers or European and U.S. companies that are building electricity infrastructure, might remain in a solid position. We also seek out companies applying AI to real-world problems in industry, healthcare, and education. In this broadening AI investment universe, the need for active, tactical selection could be even more important. When innovation shortens product cycles and volatility remains high, buy-and-hold strategies might look increasingly risky.

The path forward is far from clear. AI is opening up many unresolved questions. Will energy demand become the ultimate bottleneck for AI expansion? Can China leapfrog the West with cheaper electricity, looser regulation, and a massive engineering workforce? Will the U.S. market's concentration in a handful of tech giants prove a strength or a vulnerability? And are today's large language models the final word, or just a steppingstone to something even more transformative? Measuring the true productivity gains from AI also remains a challenge as headline-grabbing breakthroughs often take time to turn into business models. Some innovations will succeed. Other will never become central or will be overtaken and become obsolete. Uncertainty is the only certainty.

Is AI a bubble or a boom? In our view it might be a boom but with pockets of excess. Comparisons to the dotcom era are tempting but imperfect. Today's gains are likely to be more profit-driven than valuation-driven. The profits, investments, and innovations are real, and the market's growing selectivity may be a sign of maturity. The AI train is expected to maintain its rapid pace, and the best way to enjoy the ride seems for us to stay curious, regularly challenge your own AI convictions and remain well diversified.

The hope remains that Large Language Models and data centers provide a similar infrastructure that could drive years of

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## Glossary

**Artificial intelligence** is the theory and development of computer systems able to perform tasks normally requiring human intelligence

**Capital expenditure (Capex)** are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

The **S&P 500** is an index that includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

**Hyperscalers** are large cloud service providers, which can provide services such as computing and storage at enterprise scale.

**Operating Cash Flow** is an accounting term that measures the amount of cash generated by a company through its usual business activities.

**Stranded assets** are assets that are no longer being used in their originally intended purpose and therefore have to be written down, devaluated or converted to liabilities.

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