



AI: Temporary trend or enduring opportunity—Part III

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In parts [one](#) and [two](#) of our artificial intelligence (AI) series, we focused on the dynamic landscape of AI, the sectors at the forefront of the shift, and the traits of companies best positioned for long-term success. As we consider the complexities of AI, it is essential to keep in mind the factors that could potentially change over time, impacting the AI related companies we have chosen to invest in within our investment strategies. In our third and final installment, we delve into some of the unknown variables that could alter our long-term outlook.

Key factors that could redefine long-term AI winners

Commercial success

As technological advancements enter the marketplace, volatility often arises. Fluctuations in stock prices typically result in increased valuations for companies perceived to benefit from the technology, while those seen as vulnerable may experience a decline in value. It is critical to understand the impact of the advances and which companies are most likely to earn commercial success, to generate growth and profits in order to sustain stock price appreciation. For AI companies to emerge as long-term investment winners, they must effectively monetize their innovative technologies. As technologies evolve, investors move from the initial knee jerk reactions and increasingly focus on which companies can turn their AI advancements into tangible revenue streams, highlighting the challenge of balancing innovation with profitability in a market that demands both. The hype surrounding AI cannot last indefinitely; it must translate into positive cash flows.

Effectiveness of AI applications largely hinges on the quality and accessibility of data, as well as the seamless integration with existing systems. Companies must ensure that their data is well-organized to maximize performance, as poor data quality can lead to subpar results and diminish user experience. As AI systems become more sophisticated, the demand for high-quality, diverse datasets will only increase. Organizations that invest in data governance and management will be better positioned to leverage AI effectively. This investment encompasses not only technical compatibility but also the capacity to demonstrate clear value propositions to businesses and consumers alike.

In addition to data management, there is a brand trust and marketing component to commercial success. The branding of AI technologies, particularly concerning privacy and data security, should influence consumer and enterprise adoption. Companies like Apple have built strong reputations around privacy, which may give them an edge in the virtual assistant market. As consumers become more aware of data privacy issues, brands that can effectively communicate their commitment to safeguarding user information are likely to foster greater loyalty, trust, and, most importantly, retention.

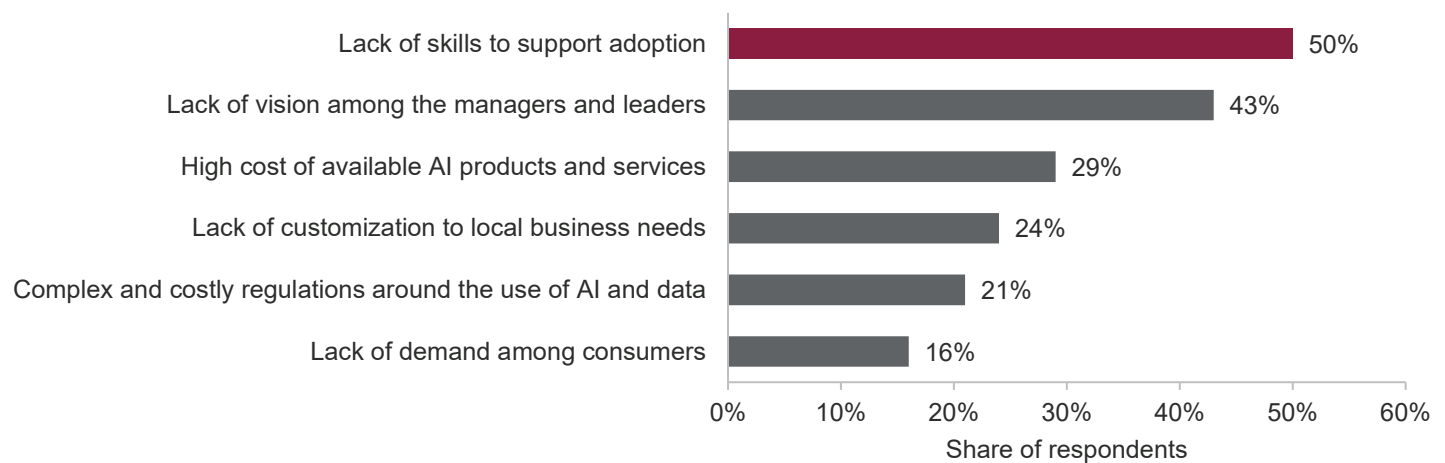
And of course, as consumers of AI become more discerning, their preferences will shape the direction of AI development and which companies succeed within the sector. The ability of virtual assistants, such as OpenAI's ChatGPT or Apple's Siri, to provide personalized, valuable information without overwhelming users with advertisements will become a key differentiator. Companies that prioritize user experience and trust are more likely to gain a competitive edge.

The workforce implications of AI

While AI has the potential to enhance productivity and efficiency, it may also lead to significant changes in employment patterns, with longer-term impacts on the human workforce that could pose risks to a company's sustainable growth. We are already seeing roles that involve repetitive tasks, such as call centers and entry-level software engineering, becoming vulnerable to automation. This shift could lead to significant job losses over time, especially in regions that are heavily reliant on these sectors, and may result in societal backlash or reputational risks for companies. While we recognize this as a risk, history would suggest that while there may be short term disruptions, typically the technology advancements are overwhelmingly positive for the economy and markets.

So while some jobs may be displaced, AI is also expected to create new opportunities centered on managing and interpreting AI systems. As organizations increasingly rely on AI for decision-making, the demand for professionals who can bridge the gap between technology and business strategy will become paramount. The need for skilled professionals in AI-related fields is anticipated to rise, creating opportunities for those willing to upskill or reskill. Despite this potential, a shortage of skilled workers is expected to be one of the main barriers to effectively adopting AI technologies quickly (Exhibit 1).

Exhibit 1: Main obstacles to artificial intelligence (AI) adoption in global business in 2025



Source: Statista as of January 2025.

Companies will need to address workforce readiness by investing in training and development to prepare employees for AI-driven roles. These investments, while essential, may weigh on short-term profitability and could deter investors focused on near term returns. Furthermore, without a sufficient talent pool, companies may struggle to scale operations, sustain innovation and maintain their competitive edge—all of which are critical to long-term investment attractiveness.

Government and geopolitical intervention

As AI continues to advance, so too will the regulatory landscape. Governments may impose restrictions due to data protection, misinformation management, or monopoly prevention, for example, that could hinder the growth of AI markets, impacting stock prices and investment strategies. The potential for increased regulation around data usage, algorithmic transparency, and ethical considerations presents both challenges and opportunities, and navigating this landscape will require agility and foresight.

Simultaneously, geopolitical factors are increasingly influencing the AI landscape. Countries are recognizing the strategic importance of AI, leading to accelerated investments in technology and infrastructure and are competing to establish themselves as leaders in AI research and development with significant funding flowing into domestic initiatives. However, restrictions on technology transfer, particularly between the US and China, could limit market growth and affect stock valuations.

Recent measures by the Biden and Trump administrations to restrict the sale of advanced semiconductor technologies to certain countries is just one example of the geopolitical complexities surrounding AI. These actions aim to curb the capabilities of potential adversaries while fostering domestic innovation. As governments navigate these tensions, the implications for AI investment will potentially reshape the competitive landscape.

Keeping one (human) eye open

At CIBC Private Wealth, we approach the long-term viability of AI with measured optimism, understanding that while the potential for transformation is immense, many factors beyond our control could profoundly impact the success of even today's AI frontrunners. Much like the early days of the internet—when initial excitement often outpaced the development of sustainable business models—the current surge in AI popularity carries the risk of overpromising and underdelivering. To avoid a "race to the bottom" scenario, reminiscent of Netscape's fate, companies must build robust ecosystems that balance innovation and profitability, navigate regulatory and geopolitical complexities, and earn the trust of both consumers and investors.

As investors, we are committed to continuously refining our thesis based on incremental data points, ensuring we remain in tune with how AI is influencing the companies we are invested in, as well as those with untapped long-term potential. While AI can enhance our ability to process information and make data-driven decisions, it is the human element of discernment—our capacity to interpret nuance, adapt to change, and think critically—that will ultimately guide us toward the most promising opportunities. In a world increasingly shaped by algorithms, successful investing will always require a human touch. By keeping one (human) eye open, we can navigate the unknown variables of this evolving space, capitalizing on its transformative potential while thoughtfully mitigating its risks.

For more information on investment opportunities and challenges within the artificial intelligence space, please contact a member of your CIBC Private Wealth team.

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