Market Views: Which sectors face extinction in the AI revolution?

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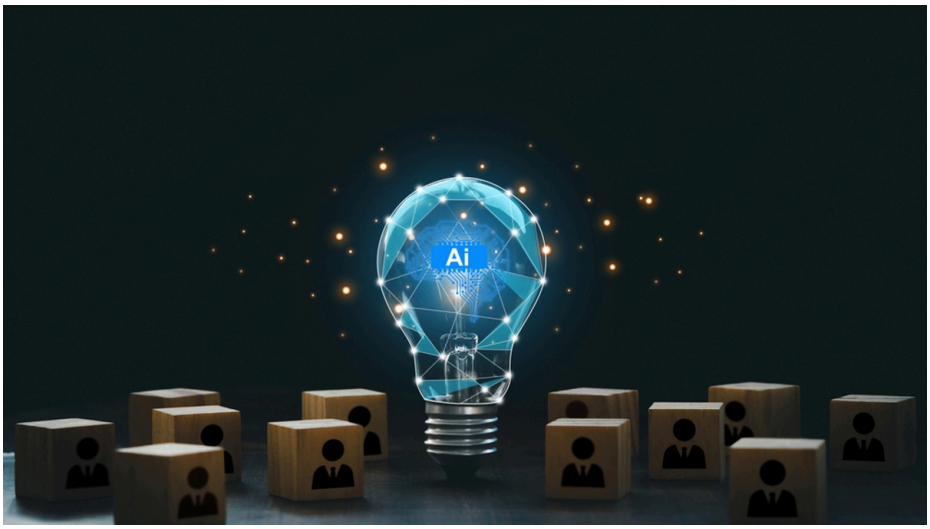
As artificial intelligence reshapes industries and markets, we asked investment professionals which sectors they believe face the greatest disruption risk and how investors should position their portfolios accordingly.



The transformative power of artificial intelligence is creating both winners and losers across global markets, with investors increasingly differentiating between companies poised to benefit from AI adoption and those facing potential obsolescence.

While Nvidia has soared to become the world's most valuable company at nearly $4.5 trillion and AI startups continue to attract massive funding, a parallel narrative of disruption is emerging. Investors are now actively fleeing stocks in sectors perceived to be vulnerable to AI-driven displacement.

A basket of 26 companies identified by Bank of America as most at risk from AI has underperformed the S&P 500 Index by approximately 22 percentage points since mid-May. Companies like website building platform Wix.com, photo provider Shutterstock and Adobe have seen significant share price declines as concerns surface that AI tools can replicate or replace their core services.

The pace of this disruption appears to be accelerating, with industry analysts noting that changes initially expected to unfold over five years now seem likely to materialise within two. Service-based businesses with high headcounts appear particularly vulnerable as AI capabilities expand.

In light of these developments, *AsianInvestor* asked fund managers and market

analysts which sectors they believe face the greatest AI disruption risk and how investors should navigate this rapidly evolving landscape.

The following responses have been edited for brevity and clarity.

David Chao, global market strategist, Asia Pacific
Invesco


David Chao

From an investment perspective, I believe investors should continue to overweight technology companies that have emerged as "AI hyperscalers", which possess global platforms, deep talent pools, as well as the expertise and resources to drive AI development through large-scale infrastructure investments.

A number of these companies have recently reported earnings, affirming substantial capital spending in the AI theme.

As AI-driven automation becomes more widespread and cost efficiencies are increasingly accessible, pricing power will determine which companies can retain the value of these gains.

The focus shouldn't solely be on which industries may be marginalised, but rather on how companies respond to the accelerating adoption of AI. Sectors such as manufacturing and transportation are clearly vulnerable—autonomous vehicles, for example, could displace driving jobs over the coming decades.

The key question is whether these industries can adapt. In manufacturing, for instance, the workforce will need to transition toward higher-skilled roles in areas like systems analysis and robotics programming.

While emerging technologies often raise concerns about job displacement, history shows they also tend to create new types of work and opportunities.

Whether AI will follow this pattern remains uncertain. However, from past tech booms, we observe that early advantages often erode over time due to competition.

That's why investors should look beyond the immediate disruption and focus on the adoption layer—the second-order effects of AI.

Steve Alain Lawrence, CIO,
Balfour Capital Group

The AI disruption curve has gone parabolic. What was once expected to unfold over five years is now compressing into less than two, creating a widening gap between structural winners and losers.

Bank of America's "high-risk" AI disruption basket — 26 companies spanning web-building platforms, creative software suites, and stock-image libraries — has

underperformed the S&P 500 by roughly 22 percentage points since mid-May, with several down more than 35% year-to-date. This is not temporary volatility but structural repricing.

Steve Alain Lawrence

The sectors most exposed over the next three years include low-code and no-code development, generic content marketplaces, and legacy design tools — all areas where generative AI is already delivering faster, cheaper, and higher-quality output than incumbent human workflows.

Businesses lacking proprietary data moats or defensible distribution — from templated web-creation platforms to commoditised image banks and single-function creative apps — face rapid marginalisation or outright obsolescence.

Capital is flowing instead toward the structural beneficiaries of AI's expansion. The core infrastructure layer is dominated by semiconductor leaders such as Nvidia, TSMC and AMD. Cloud hyperscalers including Microsoft, Amazon and Google are monetising AI workloads at scale, while enterprise software players like Salesforce, ServiceNow and Adobe embed AI directly into mission-critical workflows. Specialised, data-rich verticals in healthcare diagnostics, financial analytics and autonomous logistics retain high barriers to entry and durable pricing power.

The speed of adoption is collapsing traditional investment timelines. Over the next 24 months, sector rotation, market-share transfer and accelerated AI integration will define the competitive landscape — rewarding forward-positioned capital and punishing laggards.

Oliver Cox, portfolio manager of JPMorgan Pacific Technology Fund, JP Morgan Asset Management

Oliver Cox

Asia is emerging as a pivotal player in the rapid acceleration of AI adoption, offering significant investment opportunities. With world-leading companies in semiconductors, electronics, hardware, software and cloud technology, Asia is positioned as a leader in the tech revolution.

Asia's dominance in the tech hardware supply chain presents a multi-year growth opportunity driven by increasing AI demand. The region holds near-monopoly market shares in critical AI components like GPU chip production and high-bandwidth memory semiconductors, making it a compelling choice for investors. We focus on AI and semiconductor companies primarily in Taiwan and South Korea, where AI-related products and high-performance semiconductors are poised for long-term growth.

Domestic Asian markets offer significant potential for "AI enablers," providing productivity growth and margin expansion. These companies leverage AI to enhance personalised shopping experiences, optimise logistics and improve operational efficiency. In China, large-cap internet companies are benefiting from AI-driven expansion.

Asia's tech sector offers a similar growth outlook to US large-cap tech companies, yet many stocks trade at a 30-40% valuation discount, providing a compelling

investment opportunity for growth and diversification.

Investors should consider redeploying capital into Asian tech companies, which offer similar growth potential as US tech giants but at a significant valuation discount. The Asia tech ecosystem, with its technological leadership, high entry barriers and cost advantages, is set for robust multi-year growth. Our investment team strategically positions portfolios to capitalise on AI's influence, focusing on AI infrastructure, semiconductor demand and edge AI expansion, while maintaining valuation discipline and monitoring geopolitical developments.

Jamie Mills O'Brien, investment director of developed market equities, Aberdeen Investments

Jamie Mills O'Brien

We think the next stage of AI is far more about the adoption of these tools in vast swathes of the economy, while the rapid improvement in model scaling that we have seen so far likely starts to slow. There will be more 'aha' moments – similar to the arrival of ChatGPT - where we see these tools replace specific functions in large sectors such as banking and back-office software.

There are other areas of the economy that are particularly vulnerable, where tasks are less complex and, as such, at risk of automation. Staffing / recruitment companies, for example, fall into this bucket.

We have already seen enterprises talking about slowing hiring in some areas (rather than halting entirely). However, these are probabilistic models that are still making mistakes, and – as improvements slow – human input will continue to be needed for more complex tasks.

What that means is that we likely see the adoption of these tools in the vast majority of the economy that is running on tools such as excel and email, but humans will remain a ceiling as to what AI can do in practice and limits the risk of entire sectors or companies disappearing.

We are allocating capital in two broad based areas related to AI. The first is in areas of the economy which the market has written off as 'AI losers', and where multiples have overshot to the downside as a result, but where we view AI as neutral to potentially positive. We think software is one such area.

The second area is the hardware and infrastructure – the rapid scaling and adoption of AI will continue to require more compute, more networking, more storage and more sophisticated data processing. We are investing in high quality winners across all of these areas.

FUND MANAGERS **ASSET THEMES**

#ai **#disruption** **#technology**