Allianz Global Investors

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In the room with AI's architects

The Morgan Stanley TMT Conference in San Francisco offered a high-intensity snapshot of the technology landscape at a key inflection point. Portfolio Manager Laura Villani attended the four-day summit in March, listening to numerous tech companies as well as Jenson Huang, Dario Amodei and Sam Altman (CEOs of Nvidia, Anthropic and Open AI, respectively) and shares her insights.

Laura Villani
Portfolio Manager

What are the big US conferences actually like day-to-day, and why are they such a valuable forum for investors?

The conference was intense but incredibly efficient! We are essentially attending back-to-back meetings from early morning to evening, with various tech companies filling seven main conference rooms. The level of access makes this conference unique: CEOs like Jensen Huang (Nvidia), Satya Nadella (Microsoft), Dario Amodei (Anthropic) and Sam Altman (OpenAI) were speaking, so we heard directly from the leaders currently shaping the tech industry. Attending 36 presentations and small group meetings, as well as informal chats with the investment community, provided a comprehensive overview of the tech ecosystem in just a few days.

What were the key themes emerging from the conference, particularly around the next phase of AI?

A clear conference theme was how quickly AI is moving into an "agentic" phase, the next major step change after chat functionality. Cybersecurity firm Cloudflare highlighted that agent traffic was exploding in 2026, and over 50% of network traffic was already API calls (mostly human-initiated currently). A website like Booking.com might now receive 5,000 hits in just a few seconds from an agent, which has an entirely new consumer profile, that evaluates and behaves quite differently to humans. We are swayed by impulse and brand aesthetics for example, while agents are driven by optimisation.

Companies with human CEOs will compete with AI-native peers. While we already search for strong management teams, this becomes even more critical to execute AI transformations well, and soon they may even compete with AI led management teams. For us as investors, the AI intensity of a firm becomes a quality factor to seek, as a new indication of cost effectiveness and competitiveness.

What did you find most interesting or surprising coming out of the conference this year?

Three main points struck me.

- SpaceX (rocketry) talking about their new Starship, offering 10x cost improvement and 10x performance improvement versus current rockets, allowing us to not only land on the moon but build a base and manufacture there.

- OpenAI and Anthropic (AI services) talking about the impact sequence of AI: software development has been the most impacted, where teams have shrunk and many developers are no longer writing and editing code but are now rather managers of agents. Some have coped well with the change, others less so. Financial services is moving fastest after big tech, followed by biotech, and this is where we'll see some really positive impact.

- IONQ (quantum computing) speaking about the encryption breaking capabilities of quantum technology: the CEO suggested we are 2-3 years away from RSA 2048 (the most difficult passwords) and ECC256 (cryptocurrencies) being broken.

How did the discussions shape your view on where we are in the AI cycle?

I think we're still in the early innings, but transitioning between phases. The first phase has been infrastructure: data centres, GPUs, and semiconductor capex. Across the AI value chain, heavy infrastructure investment is beginning to translate into tangible revenues, with Amazon providing a recent example. AWS has achieved USD 15bn in run rate revenues, while its custom silicon (Trainium and Graviton chips) have scaled to USD 20bn run rate, with strong demand driven by superior price for performance. Management is now exploring selling these chips externally, to unlock an estimated USD 50bn opportunity longer term.

So that story continues, but we're now moving into enterprise adoption where AI starts to reshape workflows and business models. This second phase is likely more complex and will create significant dispersion between winners and losers, as companies that adapt quickly pull ahead. CH Robinson (logistics) spoke about their 40% productivity gains since 2022, due to AI, raising market share. One clear win was raising quote response rates, from 60-65% to 100%.

The AI ecosystem is layered, with successive waves of opportunity emerging as new technologies and bottlenecks form. Visibility beyond the next couple of years remains limited, given the rate of change. For example, we are now seeing a transition from copper to optical interconnects. Numerous cyclical, lower quality telecom suppliers are now enjoying a huge new growth boost, as this structural shift to photonics means their products become relevant to datacentres. However, another interesting, higher quality layer is emerging around testing and validation, ensuring that these increasingly complex systems function at scale.

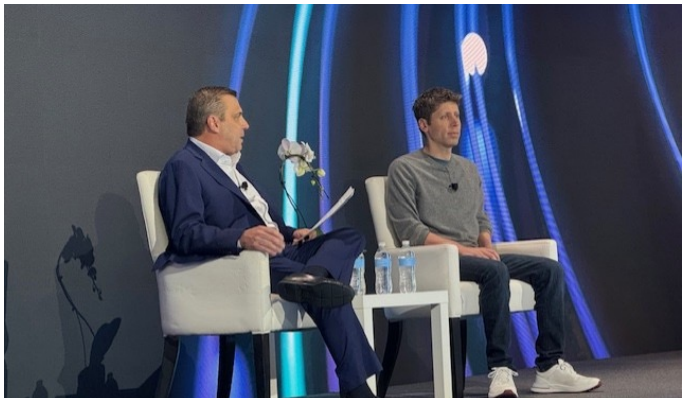
Which companies or areas stood out to you as particularly compelling, or underappreciated by the market?

Semiconductor equipment stood out, particularly areas tied to increasing complexity rather than just volume. Given the complexity of AI chips and supply chain shortages, particularly memory, companies that support manufacturing and increase yield look to be increasingly valuable.

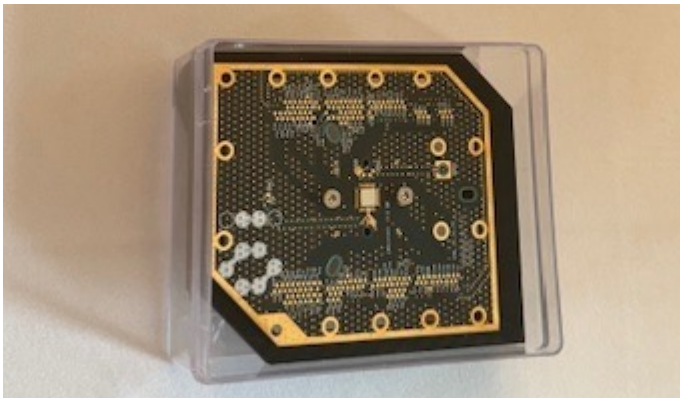
Lasertec was a good example: they provide inspection tools for photomasks used in lithography (effectively the templates used to print the most advanced chips). Lasertec helps to detect critical semiconductor manufacturing defects early, directly supporting yield at leading-edge nodes where wafers can cost USD 15-25,000. The EUV mask defect rate is around 15%, making inspection a critical step in ASML's EUV patterning process. Lasertec is unique in being the only company able to inspect ASML's EUV masks with the same 14nm wavelength of light used in production, in order to spot these defects.

Looking ahead, where are you seeing the next set of opportunities emerging as this technology cycle evolves?

The opportunity set should broaden significantly. In the near term, areas tied to bottlenecks (memory, manufacturing, power, and networking) remain attractive. But over time, the focus will shift toward enterprise transformation, where AI is embedded into workflows, and then into physical automation, including robotics and autonomous systems. The key is to think in stages and identify where the next constraint or inflection point will emerge, rather than just focusing on the current winners. Investors with some imagination can also be rewarded.



Sam Altman, CEO Open AI



A **quantum processing unit (QPU)** – the tiny metal piece in the middle

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