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Franklin Equity Group

Artificial Intelligence: Unlocking opportunities, navigating risk

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We believe Generative AI represents the **next major computing platform shift and a multi-trillion-dollar investment opportunity.**

Artificial Intelligence is not new, Generative AI is

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Application of Neural Networks

1980s

Machine Learning Breakthroughs

1990s – 2000s

Transformer Model

Generative AI

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Computing platform shifts create trillions of dollars of value[1]

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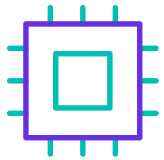


Mainframe

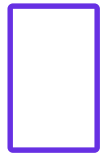
1950s – 1970s

PC

1980s – 2000s

Internet

1990s – 2000s



Mobile

2000s – present

Cloud

2010s – present

AI

2020s and beyond

1. Based on data from FactSet

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Investors tend to underestimate the long-term impact of new technology

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Megatrend	Personal computers PC Users in 2000	Internet Internet Users in 2000	Mobile Smart Phone Shipments in 2013	Cloud Top Three Cloud Provider Revenue in 2020	AI AI Market Size
Initial Forecast	225 million	152 million	657 million	$90.2 Billion	$1.8 Trillion
Actual	354 million	361 million	1,019 million	$115.6 Billion	?
Underestimation	**36%**	**58%**	**36%**	**22%**	?

Source: Morgan Stanley AI Guidebook Fourth Edition, 31/01/2024. Next Move Strategy Consulting. Initial forecast dates were February 1996 for PC and internet users, January 2010 for smartphone shipments, March 2017 for cloud revenue and January 2023 for AI market size.

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Generative Artificial Intelligence (AI): a significant growth opportunity…

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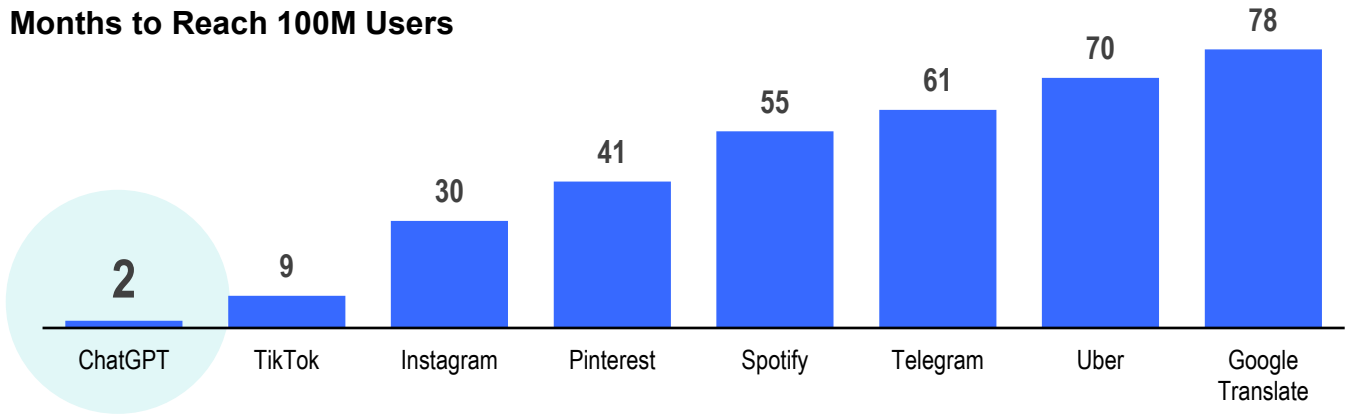
1 Advances in generative AI are creating an "iPhone" moment for the industry

OpenAI's ChatGPT chatbot has reached **400M** weekly active users as of February 2025[1]

Months to Reach 100M Users



2 Foundation models lay the groundwork for giving 1B knowledge workers access to AI/ML tools

40%
productivity increase for highly skilled workers

>34M
AI-generated images per day created from text prompts[3]

3 This is driving enormous demand for computing infrastructure

OpenAI's supercomputer consists of:

1M+	25-50K	400 gb/s
CPU cores[2]	GPUs[2]	Network connectivity

Standard laptop consists of:

4	1	1 gb/s
CPU cores	GPU	Network connectivity (fiber optics)

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Sources:1. Exploding Topics. Number of ChatGPT Users. February 28, 2025. OpenAI. 2. Estimates provided by OpenAI ChatGPT. Exact figures not disclosed. 3. Brookings. April 17, 2024.

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AI is becoming much more capable

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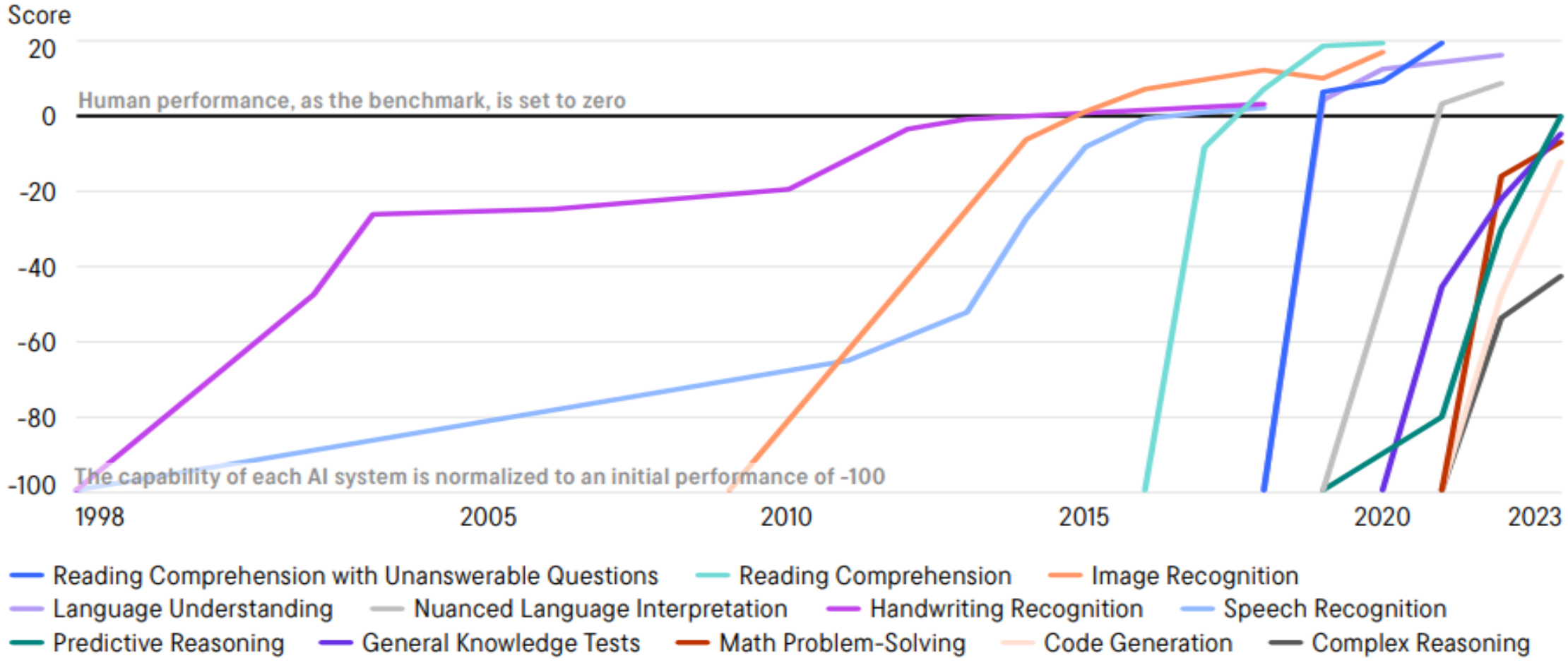
AI Model Benchmarking Relative to Human Performance



Source: Kiela et al., with minor processing by Our World in Data. "Test scores of AI systems on various capabilities relative to human performance" (dataset) 2023. Kiela et al., "Dynabench: Rethinking Benchmarking in NLP" (original data). Retrieved July 23, 2024. Within each domain, the initial performance of the AI is set to -100. Human performance is the baseline, set to zero. When the AI's performance crosses the zero line, it scores more points than humans.

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The “buildout” stage of generative AI continues

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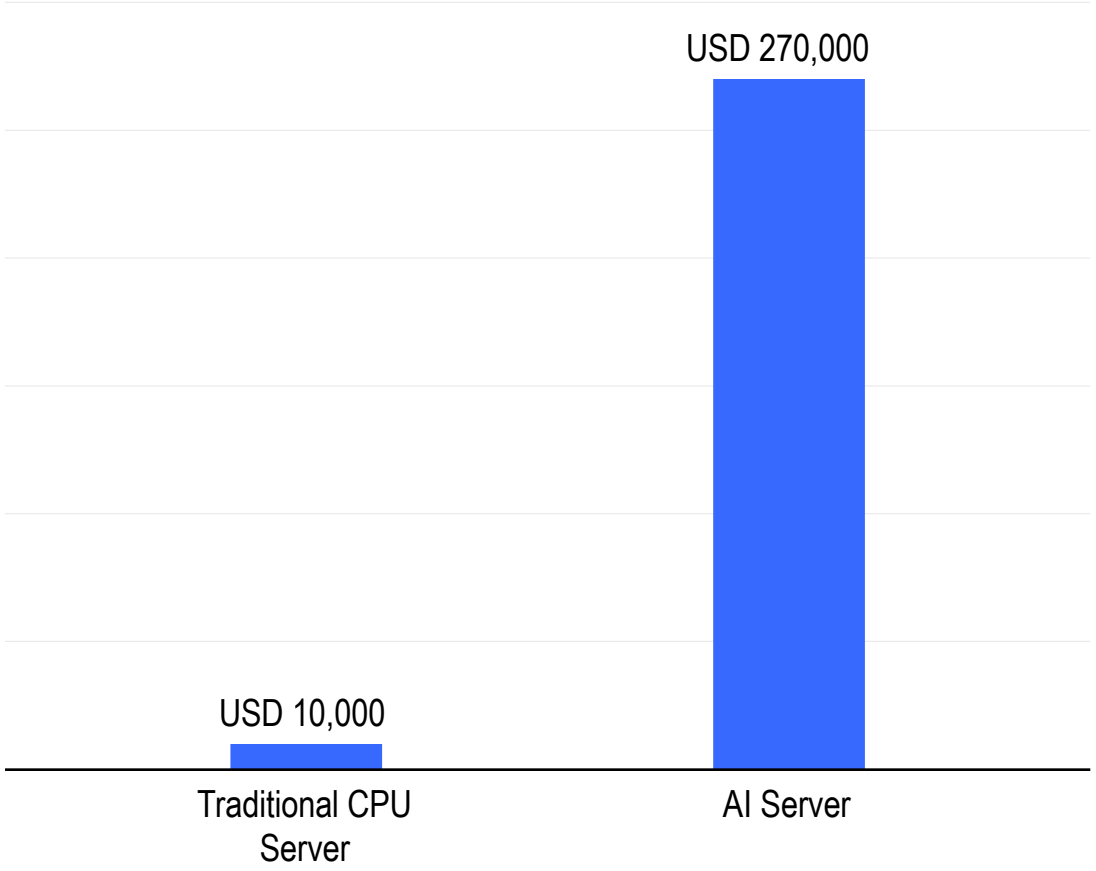
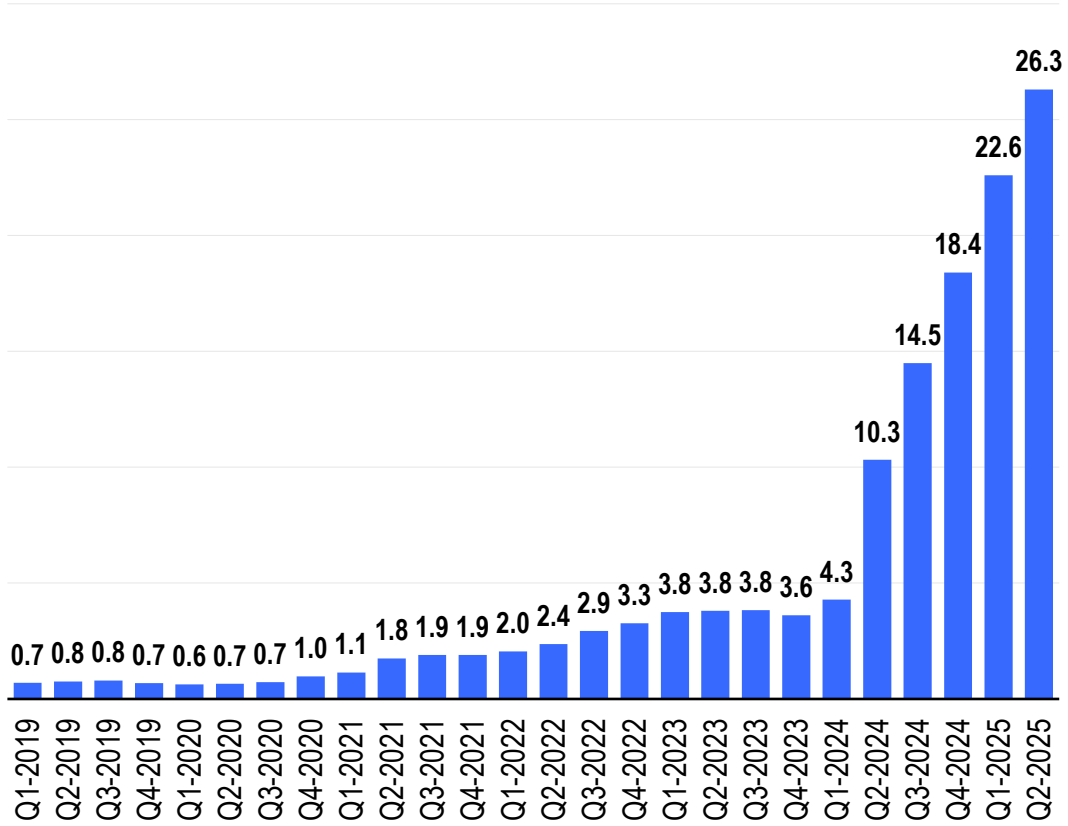
An AI server costs ~27x a standard server



Source: Company reports, Franklin Templeton. Figures are an estimate, as of July 2023.

One datacenter’s revenue more than tripled in under one year

USD Billions



Source: Company reports, as of December 2023.

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The great accelerator across many sectors

The AI investment universe

AI could contribute US $15.7 trillion to the global economy by 2030[1]

"We believe that we are at the beginning of the AI computing era. We think this is the single most powerful force of our time."

- Jensen Huang, CEO Nvidia[2]

AI Infrastructure

US$394.46 billion

Projected market size in 2030[3]

- Semiconductors
- Data Centers
- Cloud Services
- Security
- Power and Electricity

AI Applications

US$1.24 trillion

Projected market size in 2030[4]

- Software and Services
- Agentic AI
- Industry-specific applications and tools

Physical AI

US$12.6 trillion

Projected market size in 2030[5]

- Humanoid Robots
- Autonomous Vehicles
- Smart Materials

1. PWC, "Sizing the prize: what's the real value of AI for your business and how can you capitalize?" 2. Fox Business, "Nvidia CEO Jensen Huang says everyone is racing to adopt AI technology," February 27, 2025. 3. Markets and Markets, "AI Infrastructure Market Size, Share & Trends," November 2024. 4. Next Move Strategic Consulting, Artificial Intelligence (AI) Market Report. February 14, 2025. 5. McKinsey, Trillion Sensor Economy, "How physical AI unlocks real world data," August 26, 2024.

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AI will impact companies across the technology sector…

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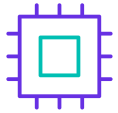
Semis and Semicap



EDA Software

Productivity/ Infrastructure Software

Applications

Hardware

Cybersecurity

Developer Tools

Cloud Computing

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…as well as sectors beyond tech

Health Care

AI and machine learning (ML) can improve and streamline health care delivery - AI/ML tools can anticipate disease and diagnose it earlier, potentially improving patient outcomes while lowering health care costs over time.

AI applications with data analysis enable companies to analyze large amounts of data to identify trends and patterns that could inform healthcare decision-making.

AI can help accelerate drug discovery and development.

Financials

Generative AI can assist with analyzing financial data, improving trading, and enhancing risk management systems.

AI-powered algorithms can analyze substantial amounts of financial data, predict market trends, and automate trading decisions, aiding both financial services clients and end market users.

Asset managers can use these tools to gain more productivity in active management.

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…as well as sectors beyond tech

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Utilities

As utilities seek to meet the growing power demand, they can deploy AI in their business models to enhance customer service and engagement.

Generative AI can assist with optimizing energy production and distribution.

AI can help lower labor costs, gather insights from massive data repositories, and better manage the grid through improved service offerings.

Industrials

AI can enhance logistics, automation and electrification, which may lead to lower costs, higher quality, better customer service, and improved sustainability and efficiency metrics.

Building owners and operators can reduce energy consumption and minimize carbon emissions.

Car manufacturers are using it to test autonomous driving.

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“Digital Labor” should significantly boost knowledge worker productivity

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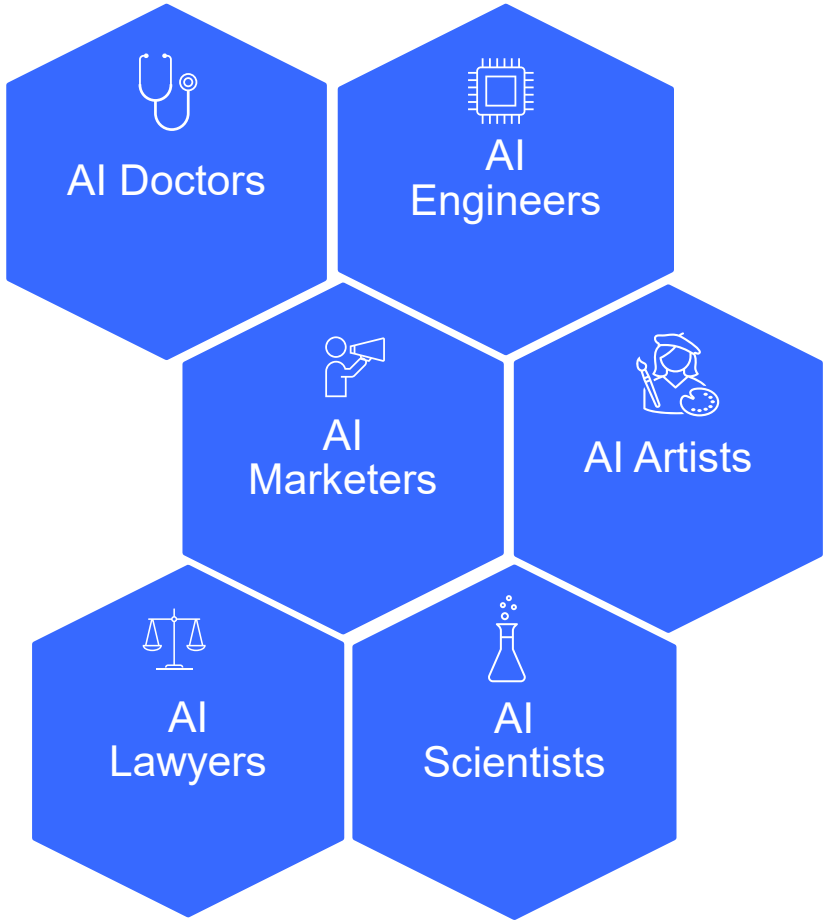
AI “Agents”

2025 and beyond



What is the value of digital labor?

GenAI could add

US $6.1trillion - US $7.9 trillion

in economic benefits *annually*

across select use cases[1]

1.Source: McKinsey & Company. “The economic potential for generative AI: The next productivity frontier,” June 14, 2023.

Sample Agentic AI use cases

By 2028, at least 15% of day-to-day work decisions will be made autonomously through agentic AI, up from 0% in 2024.[1]

Customer Service

- Independently resolve customer queries

Manufacturing

- Control flow of production lines
- Predict outages
- Maximize productivity

Sales support

- Find sales leads
- Recommend follow-up actions
- Book meeting time

Health Care

- Process vast data sets to extract actionable insights

Financial Services

- Autonomously monitor market trends
- Manage risk in real time

1. Source: Gartner. “Intelligent Agents in AI Really C an Work Alone. Here’s How,” October 1, 2024. 2. Source for sample use cases: Harvard Business Review, Generative AI, “What is Agentic AI, and how will it change work?” Mark Purc y, December 12, 2024.

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AI will reshape the workforce over the next 25 years

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92 million

Potential jobs displaced by AI by 2030[1]

170 million

Potential new jobs created by AI requiring new skills[1]

40%

Potential increase in performance of highly skilled workers using AI[1]

14%

Percent of employees who switch careers because of AI by 2030[2]

20%

Percent of jobs replaced by AI by 2050[2]

"AI and robotics are going to be a big deal, just as the internet was. But the internet created more jobs than it destroyed. I think AI will do the same."

Erik Brynjolfsson,
Director of the MIT Initiative on the Digital Economy[3]

1. Source: McKinsey & Company. "Superagency in the Workplace – Empowering people to unlock AI's full potential," January 2025. 2.Genius, "How many jobs will AI replace by 2050?" IG Rosales, January 2025. 3. TechCrunch, "Workhelix taps years of research to help enterprises figure out where to apply AI," February 27, 2025.

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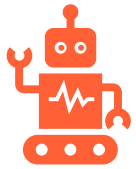
“Physical” AI – autonomous driving and robots add new growth markets over the coming years

Autonomous Driving

- Over 100M autonomous vehicle miles already driven
- Potential to significantly improve road safety
- Significantly lowers transportation costs



Humanoid Robots

- GenAI provides “brain” for robots
- Addresses global labor shortages across key physical job categories
- Potential for millions of units sold within this decade

Source: Franklin Templeton; Waymo; Autonomous Vehicle Industry Association (AVIA); Forbes, “60 Million Miles and Counting: Robotaxis Shift into High Gear” by Richard Bishop, July 24, 2024.

Potential challenges for AI

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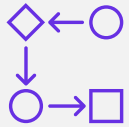
Energy Intensity

Training/running AI models requires significant energy, potentially exceeding current supply

Regulation & Oversight

Governance frameworks could help ensure models are safe and operating in society's best interests

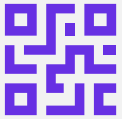


Ethical & Bias Concerns

GenAI models can inadvertently perpetuate or amplify biases present in their training data

Data Privacy

The use of large datasets, often containing personal information, raises concerns about data privacy and security



Misinformation

GenAI can create highly realistic fake content, which can be used to spread misinformation, destabilize societies and harm people

Intellectual Property

Complexity in ownership and intellectual property rights in AI-generated content

Source: Forbes. "The 15 Biggest Risks of Artificial Intelligence." June 2, 2023. Bernard Marr. Franklin Templeton.

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Navigating the AI risk landscape will require a multifaceted approach

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Collaboration across sectors

Technologists, policymakers and civil society must work together to create comprehensive strategies that balance innovation with ethical considerations.

Frameworks to guide development

Frameworks to guide AI development flexible enough to adapt to new advancements while ensuring that safety and ethical standards are maintained.

Create a future-ready workforce

Employers and educators should develop reskilling and upskilling programs to help workers adapt to new roles that require advanced digital skills and tech literacy.

Augment human capabilities

AI can augment human capabilities, enhancing productivity and creativity by automating routine tasks, allowing humans to focus on more complex and strategic activities.

Source: Institute for Security and Technology, "A lifecycle approach to AI risk reduction: tackling the risks of malicious use amid implications of openness" Louie Kangeter, June 2024

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Key takeaways

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Emergence of new market platforms have historically created massive value.

We are in the very early stages of AI centric investments.

Today, the impact is felt most in the technology sector, as we build the foundational structure.

Future growth stems from breadth of opportunity across all sectors of the economy.

We believe active management is critical for successfully navigating these dynamic markets

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