

Media Release

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Artificial intelligence growth a boon for Asia

Rising artificial intelligence (AI) adoption, robust capex plans and emerging use cases are good news for Asia, where firms are innovating in AI, according to Eastspring Investments' portfolio manager, Terence YT Lim.

"The high number of use cases for AI in Asia will drive broader AI adoption across the region and increase the demand for AI infrastructure and compute resources to support this growth," he says.

"Businesses across Asia are adopting AI into their products and processes. For example, a leading Taiwanese semiconductor chip manufacturer is leveraging a cutting-edge AI computational lithography platform to enhance its production of photomasks, which are critical tools used to imprint circuitry onto chips. Recently, the company reported that for every one per cent productivity gain, it yielded cost savings of around US\$338,000."

At a consumer level, he says AI adoption has been slower.

"Currently, chatbots are the primary use case; however, some smartphone makers in China are rolling out their own AI-augmented operating systems with writing, editing and translation capabilities. These developments are further positioning smartphones in competition with existing dominant application ecosystems," says Lim.

Asia's role as an enabler and innovator is opening multiple opportunities across the region's AI ecosystem.

"Firstly, Asia is home to almost 60 per cent of the global population, which represents a huge base of end users that generate data, ideal for AI algorithms to learn from. As demand for AI-powered services rises in the region, the need for low-latency, high-performance AI inferencing becomes critical. As such, US and China hyperscalers are expanding their cloud presence in the region to be closer to these end users.

"Secondly strong capex growth by US hyperscalers should benefit Taiwanese and Korean AI chip supply chain players especially in the areas of foundry, High Bandwidth Memory (HBM), ABF substrate (Ajinomoto Build-Up Film), PCBs (Printed Circuit Boards), ASIC (Application Specific ICs) backend design, and server assembly," he says.

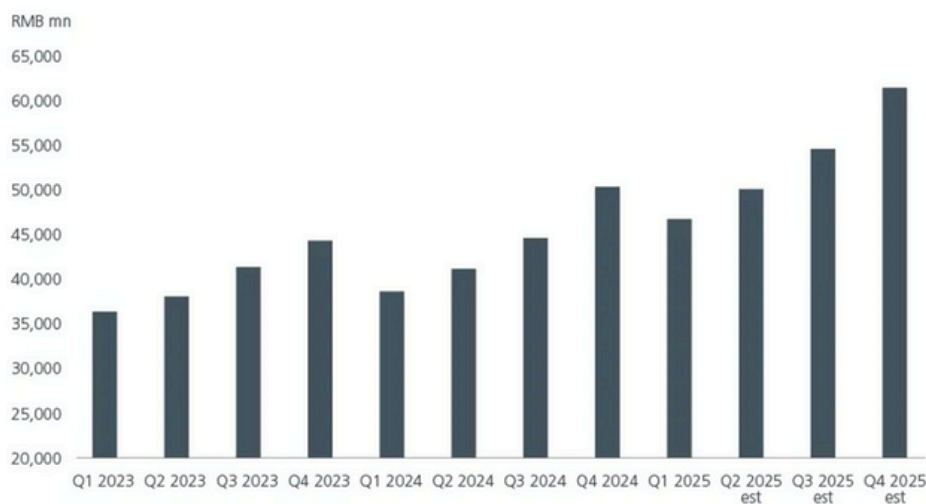
Given the significant capital requirements and local presence needed to secure land and power in the region, third-party data centre providers are well-positioned to capitalise on the growing demand through leasing arrangements with hyperscalers. However, Lim says that some companies are retaining some of their computing capacity rather than relying entirely on hyperscalers due to concerns over data sovereignty, security and control.



“In Korea and Malaysia, leading data centre providers are planning to more than double their existing capacity. In Singapore, there is some capacity constraint due to a government-imposed moratorium on new data centres. However, as enterprises prefer to keep their regional data in Singapore due to a stable legal and political environment, third-party data centre providers can enjoy premium rental rates that are four times higher than the industry average.

“At the same time, Chinese hyperscalers are driving revenue growth by moving beyond low-value GPU rental services and enabling enterprise-level AI transformation with Model as a Service (MaaS). By offering MaaS alongside traditional cloud services such as compute, databases and storage, Chinese hyperscalers are creating sticky ecosystems.

Fig. 1. China hyperscalers cloud revenue growth



Source: Visible Alpha (subsidiary of S&P Global), May 2025.

“Although there have been frequent shifts in sentiment of AI-related stocks, creating significant volatility, for active investors, dislocations are opportunities to create alpha.”

While the AI narrative has been impacted by recession fears arising from the US tariffs, rumours of capex cuts by US hyperscalers, poor manufacturing yields of advanced server racks and concerns over the commoditisation of Large Language Models (LLMs) and falling Graphics Processing Unit (GPU) rental rates, Lim says the long-term outlook is strong.

“This is fertile ground for disciplined value investing to identify beneficiaries of the structural AI theme. A margin of safety approach allows smart investors to buy on scepticism and profit as fundamentals reassert themselves.

“Focusing on companies with durable competitive advantages at attractive valuations enables investors to capture AI’s long-term growth upside while sidestepping frothy valuations. In markets that oscillate between euphoria and scepticism, a patient, value-centric process can help deliver consistent returns amid the noise,” says Lim.

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GSFM currently has approx. \$10.74 billion funds under management (at 31 May 2025).

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