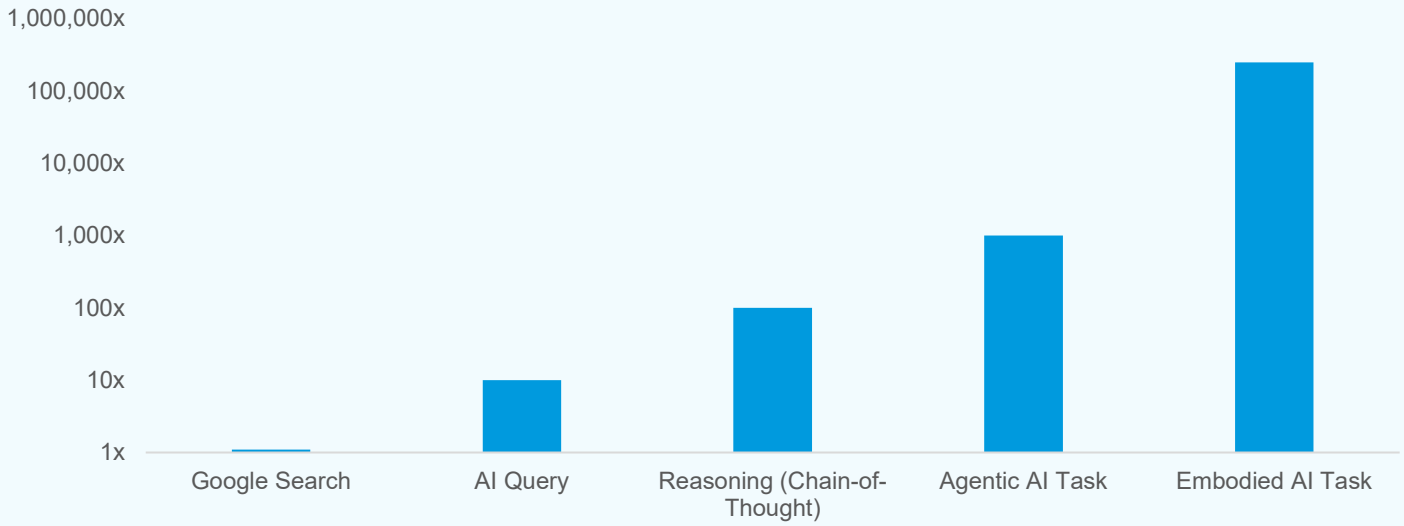
ALGER

Alger On The Money

AI's Growing Appetite

Three years after ChatGPT ignited a wave of artificial intelligence (AI) enthusiasm, AI's capabilities have evolved far beyond quick answers and news summaries. Today, AI's capabilities span reasoning, planning, and decision-making—tasks that demand far more than knowledgeable search algorithms. How might investors be positioned to potentially benefit from the rise in AI computing demand?

Computational Requirements of AI Tasks vs. Traditional Query



Source: Alphabet, Nvidia, Alger. Compute is the measure of the processing power and resources required to perform calculations.

- At the core of AI's progression in capabilities is the surge in compute intensity—the amount of computational power required to perform a task. Unlike traditional web searches, which rely on lightweight processing, AI queries often require substantial amounts of data to be processed simultaneously.
- The chart above illustrates the exponential growth in compute requirements compared to a traditional Google search. For example, if one were to ask an LLM like ChatGPT what the capital of France is, it would be approximately 10x more compute intensive to respond versus simply providing links to information about Paris. An AI reasoning query—such as "plan my trip to France for my family of two adults and three children"—may use more than 100x the compute. Asking an AI agent to book such a trip, including airfares, hotels, and tours, could use 1,000x the compute. At the far end of the compute spectrum, embodied AI tasks like humanoid robots in a manufacturing plant running vision-language-action models could require well over 100,000x the compute of a traditional Google-style search.[1]
- We believe that as AI adoption grows for both consumers and enterprises, there could likely be a shift to more compute intensive tasks going forward. In our view, companies enabling high-performance inferencing, such as those providing AI accelerators (e.g., GPUs/TPUs), networking, cloud infrastructure, and power generation, may be well positioned for long-term growth as AI tasks demand ever more compute.

[1] Kim, B., & Ammanabrolu, P. (2025). Beyond Needle(s) in the Embodied Haystack: Environment, Architecture, and Training Considerations for Long Context Reasoning.

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