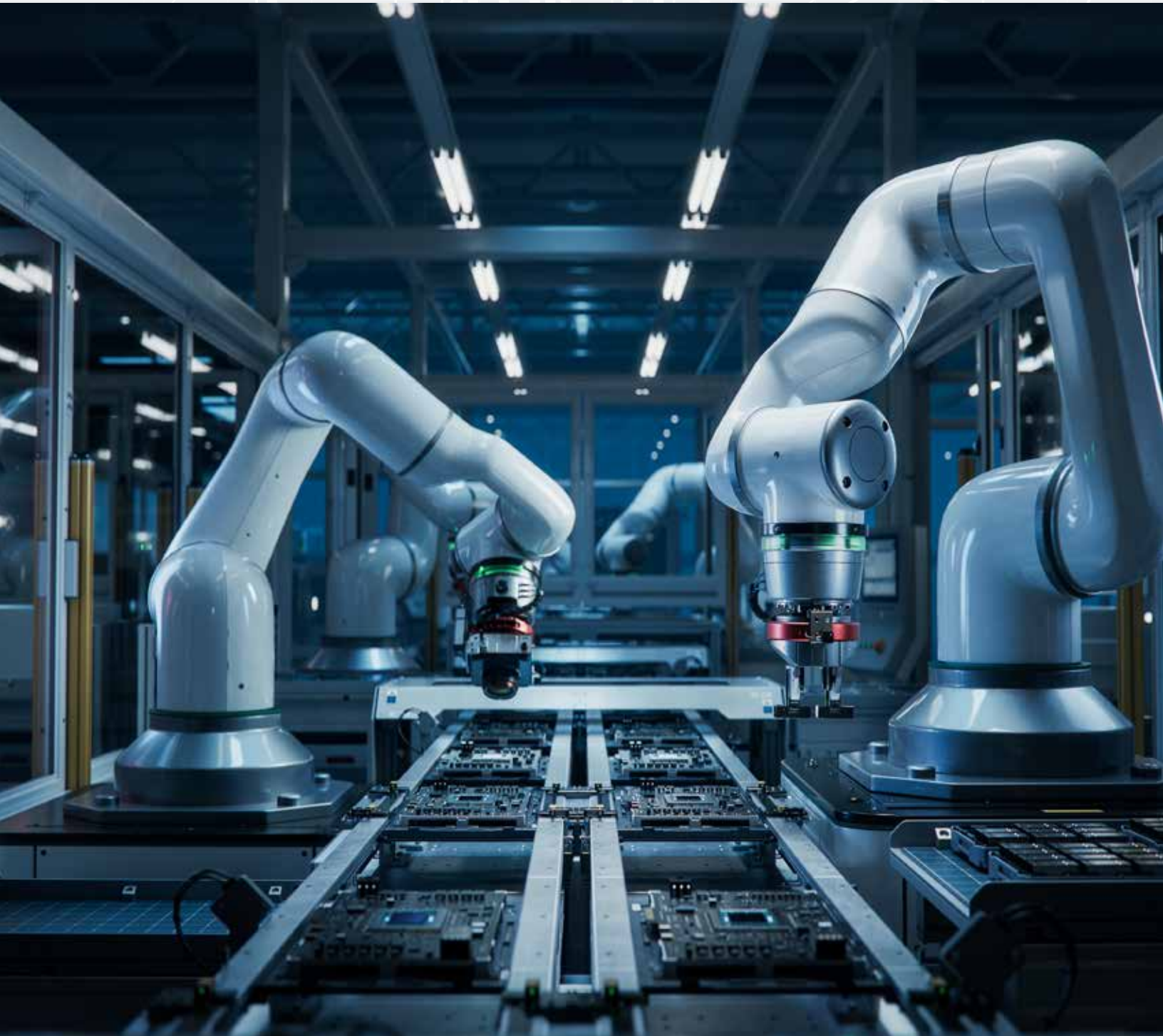


# The Ultimate AI Stock

31.52

54.97

21.74



# The Ultimate AI Stock

By Ian King, Editor, *Strategic Fortunes*

I believe artificial intelligence (AI) will be one of the single most disruptive mega trends in history. In fact, we're already seeing it happen.

Each quarter, we see more and more tech companies make cuts to their workforce to focus on AI and automation.

Approximately 800 million jobs are estimated to be taken over by this trend. That's one in every three workers.

In the past two years alone, we've seen...

Google, Unity Software and IBM cut *thousands* of jobs to focus their efforts on this mega trend.

Per Tech Crunch, even Duolingo closed out 2023 by slashing 10% of its contractor workforce, relying on AI models like Open-AI's GPT-4, which launched in March 2023, instead.

But this comes as no surprise. The launch of Open-AI's ChatGPT program kickstarted this AI boom into full swing in 2023.

On December 6, 2022, I first introduced you to ChatGPT in our weekly update just three weeks after its November 22 launch.

We told you it would be a game-changer, calling it "AI's biggest tech breakthrough of the decade." And it was.

Within two months of ChatGPT's launch, it surpassed 100 million users, dubbing it *the* fastest tech adoption in human history.

Two years later, that technology is still growing, improving, and becoming smarter with each use. Because the more users it has, the more the AI system learns.

And while ChatGPT was a catalyst for today's AI boom, this revolution was already brewing long before its inception.

## My No. 1 AI Investment

You see, AI needs to process *massive* amounts of data in order to work. The more data it processes, the more "intelligent" it becomes.

As I mentioned, some companies like Duolingo (add to that list Expedia, Snap Inc. and Microsoft) are already using Chat GPT-4, which is the latest model.

However, by January 2025, we'll likely already be on to models 5 and 6 because its AI models become even better with more users. After all, they learn from the users themselves.

The process involves a model called reinforcement learning from human feedback, guessing what its answers should be. Once you like and approve the answer, it reinforces that model and keeps retraining it.

These models become more powerful as Meta, Google and even TikTok roll out their own models and become increasingly computer intensive.

This means that you have to build data centers faster and buy more chips.

So, the demand for graphics processing units (GPUs) has grown exponentially.

More specifically, the ones made by my No.1 AI investment — **Advanced Micro Devices (Nasdaq: AMD)**. AMD is a California-based chipmaking juggernaut that develops computer processors and related technologies for both business and consumer markets.

Its main revenue driver is its graphics processing units (GPUs), which are necessary for personal computers (PCs), mobile phones and data centers.

These GPUs compute rapidly, making them crucial to machine learning and next-gen gaming.

I believe that in five or ten years, AMD will be one of the most coveted companies in the world because of the power it can unleash.

And AMD benefits from the sheer number of GPUs necessary to run an AI application.

Tools like Chat GPT require between 10,000 and 30,000 GPUs to operate. And each GPU from Nvidia costs between \$15,000 and \$30,000.

Where Nvidia traditionally beats AMD in terms of power for its higher-priced products, AMD makes up for this with its competitive pricing in its lower and mid-range chips.

Typically, AMD's GPUs are a couple of hundred dollars cheaper than comparable models in Nvidia's line.

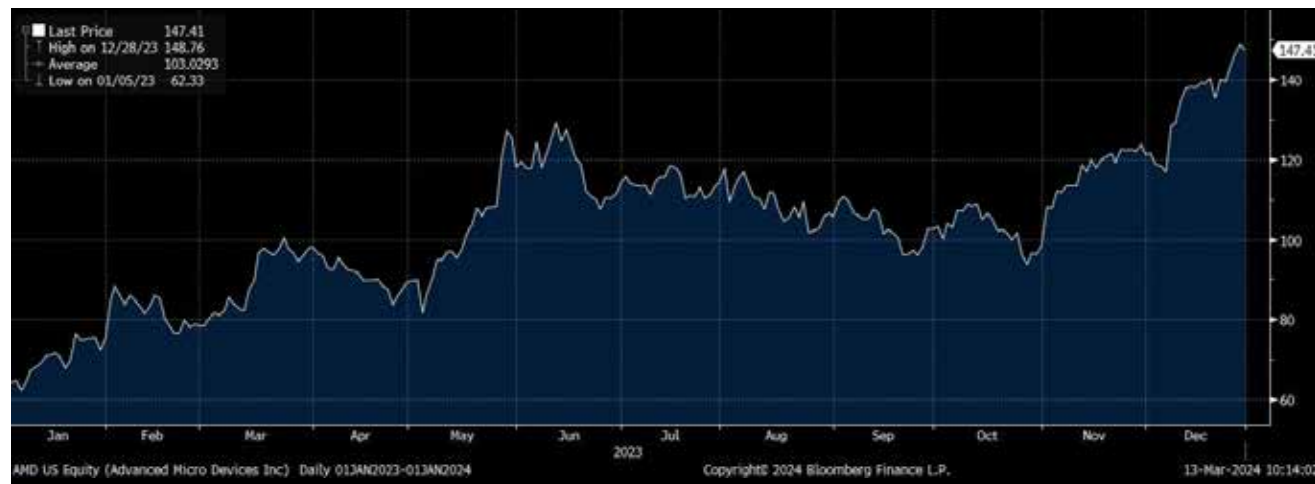
And while this may not sound like much money in the long run, the savings add up especially when you take the growing artificial intelligence (AI) market into consideration.

CEO Lisa Su mentioned that AI remains AMD's "largest and most strategic long-term growth opportunity."

Su projected that the AI data center market will grow from \$45 billion in 2024 to more than \$400 billion in 2027 — for a 73% compound annual growth rate!

We saw this trend start to play out last year.

Thanks to the launch of major AI advancements like ChatGPT, Advanced Micro Devices shares skyrocketed 130% in 2023.



It also grew its GPU shipments 117% in 2023, while its fourth quarter (Q4) market share rose from 12% in 2022 to 19% in Q4 of 2023.

## AMD's Accelerating AI Growth

AMD was late to the game compared to Nvidia Corp. (Nasdaq: NVDA), which now controls roughly 80% of the AI GPU chip market. Nvidia's H100 series chips are the ones most of today's popular generative AI systems, such as ChatGPT, were trained on.

However, this late entry may have worked in its favor because while Nvidia's chips were viewed as the best tool available to early AI developers, AMD's new line of MI300 chips are specially designed for today's supercomputer and AI market.

These MI300 chips are better than Nvidia's H100 chips and even maintain an edge against its newer generation of H200 chips.

In December of 2023, AMD finally started shipping these chips, marking when it became a serious contender for Nvidia's 80% market share.

Looking at the demand for these types of data center GPU chips, AMD estimates that revenues from its MI300 product series will ramp up rapidly, from \$400 million in Q4 of 2023 to over \$2 billion in 2024.

That would make MI300 the fastest product to rise to \$1 billion in sales in AMD history. And some of the major tech players are already interested.

At the launch, everyone from Dell to HPE to Microsoft, Meta, Oracle — even Databricks claimed to either be already testing the chips or planning to use them soon.

However, the AI trend goes beyond just data center chips; it can also boost AMD's PC chip segment.

## **AMD Is Bringing AI To PCs**

The personal computer market has been in a slump since the pandemic when consumers bought the latest and best computers to work and study from home.

PC makers were so overzealous in trying to supply this market that they ended up with a supply glut, which lowered the demand for PC chips from companies like Intel and AMD.

But that is starting to change with a new product that has started hitting the shelves this year — AI PCs.

These devices come with advanced chips capable of running large-language models and AI apps powered by the device itself instead of outsourcing the job to a data center through the cloud.

Although consumers are still sitting on their new PCs from the pandemic, a new device like the AI PC is expected to provide the incentive needed to upgrade their PCs ahead of time, providing a much-needed boost to the PC chip market.

Back in May, Microsoft debuted tablets and laptops built to run AI software like Microsoft's Copilot virtual assistant.

In addition to Microsoft itself, these AI PCs are being manufactured by Dell, HP, Lenovo and over 15 other PC manufacturers.

And many of these manufacturers are using AMD Ryzen AI processors in these new devices.

AI PCs have already started to gain a foothold in the PC market.

According to research firm Canalys, AI-capable PCs in the second quarter of 2024 made up 14% of all PCs shipped that quarter. That's up from just 7% in the first quarter of the year.

Though they're quickly getting popular, Canalys predicts that only 19% of PCs sold in 2024 will be AI-capable.

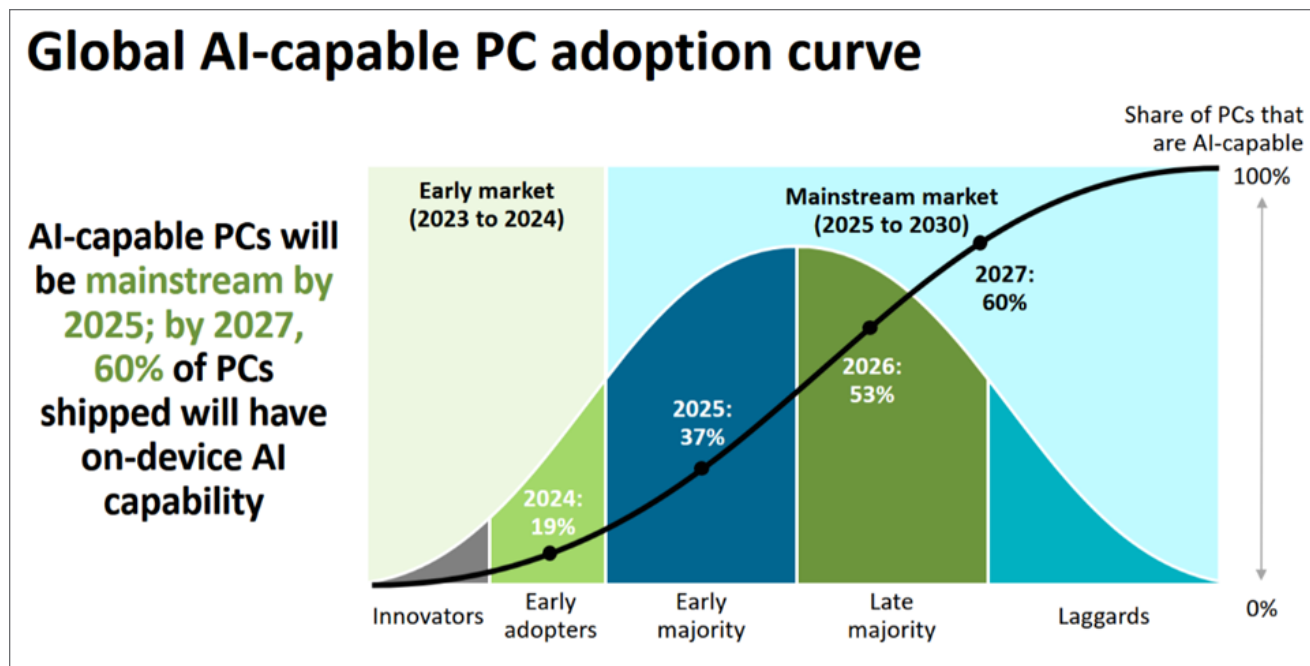
That's because even though these PCs are highly capable, there aren't enough AI-powered applications out in the market just yet.

But think of this as the point when smartphones were first released.

Early consumers may have bought a new smartphone out of excitement, but they didn't really see the need for it.

Not until new and exciting applications — like social media and ride-sharing apps — started to appear on these phones.

Similarly, the inflection point with these PCs will come in the near future — when there are AI-powered applications for work and school that become the norm in our daily lives.



That's why Canalis also expects these devices to pick up momentum in 2025 and eventually makeup around 60% of all PCs shipped in 2027.

Between these AI applications and the other parts of its business, AMD has developed an 11,000-strong patent pipeline that puts it at the center of most of the cutting-edge technologies being developed today. This makes it the ultimate chip stock to invest in, in the age of AI.

**Action to Take: Buy Advanced Micro Devices (Nasdaq: AMD).**

Regards,

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