



INVESTMENTS

# AI DISRUPTION SPARKS MARKET REACTION

Written by PPS Investments

Markets are navigating significant volatility following the announcement of a groundbreaking AI development by DeepSeek, a Chinese startup. The company has introduced a free large language model (LLM), DeepSeek R1, claiming it matches the performance of leading AI systems at seemingly a fraction of the cost.

## WHY ARE MARKETS CONCERNED?

DeepSeek's cost efficiency may offer a counterpoint to the widespread belief that the future of AI will require ever-increasing amounts of power and energy to improve. This has raised concerns about the valuation hype of the soaring tech stocks.

Developed in just two months for \$6 million, the model has also challenged the efficacy of the current surge in AI infrastructure spending by major U.S. tech companies.

## HOW HAVE MARKETS REACTED?

Within the S&P 500, the technology sector increased from 19% in 2018 to 33% in 2025, driven in no small part by the rise of AI. DeepSeek's model triggered a sharp selloff in U.S. technology stocks, with Nvidia leading the losses, plunging nearly 17%. This marked a historic one-day decline in market value, wiping out over close to \$600 billion.

According to Dow Jones Market Data, Monday's market decline erased roughly \$1 trillion in market-cap, underscoring the scale of investor concerns.

## WHERE TO FROM HERE?

While the market's immediate focus is on disruption, increased AI efficiency could ultimately accelerate adoption across industries, unlocking new growth opportunities. However, questions remain about DeepSeek's scalability and operational costs.

Technological innovation continues to reshape markets, and while periods of disruption may create winners and losers, they also provide opportunities for disciplined, long-term investors. Staying diversified, and focusing on your financial objectives remain the best ways to navigate volatility.

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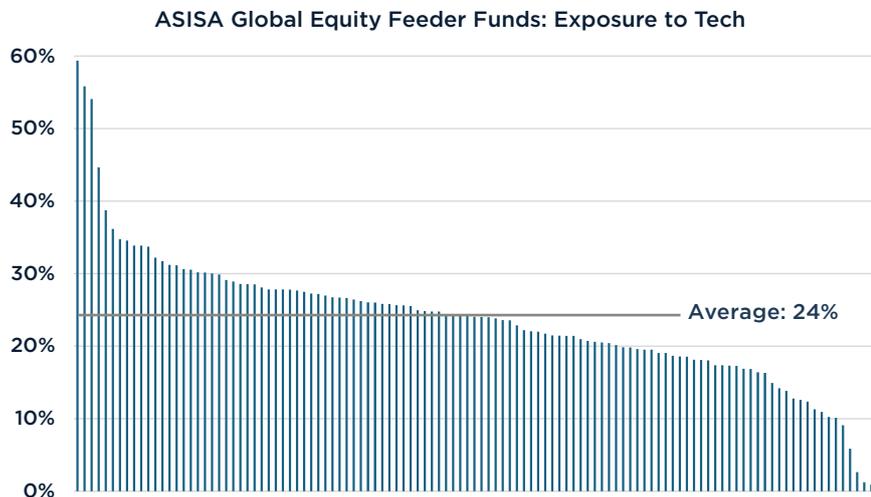
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## SA INDUSTRY EXPOSURE

The below chart illustrates the exposure of all feeder funds in the ASISA Global Eq General category to the technology sector. The average technology exposure across the category is 24%, with the majority invested in the US technology sector.

"The average technology exposure across the category is 24%"



Source: Morningstar

As always, we're here to assist you through these changes. If you would like to review your portfolio or discuss any concerns, please do not hesitate to reach out to your PPS Investment Specialist.

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