INTUITION

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4 surprising truths about the AI Revolution that even tech gurus missed

The dramatic acceleration of artificial intelligence has outpaced even the most informed predictions. In his influential 2014 book, Zero to One, technology visionary Peter Thiel framed AI's potential to replicate complex human tasks as a concern for the distant future, perhaps even the 22nd century. Today, however, that future has arrived with breathtaking speed. This unexpectedly rapid progress is not just a technological phenomenon; it is a powerful market force that is fundamentally reshaping corporate efficiency, investment strategies, and the drivers of profitability. Understanding this compression is critical, as it reveals four strategic shifts that are now redefining the landscape for investors and corporate leaders.

SPEED READ

- **Peter Thiel's 2014 skepticism regarding AI's ability to replicate human-like sensory awareness has been rendered obsolete by current technology**
- **By observing the successes and failures of private ventures, established firms can avoid early-stage unprofitability, mitigate risk, and deploy proven technologies at immense scale to dominate their respective markets.**
- **There is a direct and measurable link between the corporate adoption of AI-driven decision-making and expanding profitability.**
- **As AI models become more self-sufficient in their own development and refinement, the current cycle of massive capital expenditures on physical hardware may decrease in relative importance.**

Willie Pelser

It's common to look to tech visionaries as modern-day oracles, capable of charting the future with uncanny precision. When Peter Thiel - a founder of PayPal and the formidable AI decision-making engine Palantir - published his startup manual Zero to One in 2014 (a book that I thoroughly enjoyed), the industry listened. Positioned at the very centre of Silicon Valley, he had a unique vantage point on what was coming next. Yet even he, just a decade ago, argued that a supercomputer with 16,000 CPUs couldn't reliably identify a cat - a task any four-year-old masters. He was dramatically wrong.

Thiel's miss highlights a fundamental truth: the AI revolution isn't just happening faster than predicted; it's actively inverting long-held business principles. This dual phenomenon of acceleration and inversion is upending core assumptions about technology timelines, market dynamics, and corporate profitability in real time. This article explores four of the most surprising truths emerging from this new reality, developments that are reshaping the world at a pace that has left even the experts scrambling to keep up.

1. The 22nd Century Arrived 75 Years Early

In 2014, Peter Thiel was sceptical about artificial intelligence being truly useful for decades to come. He argued that computers and humans were "categorically different," noting that a supercomputer struggled with tasks a young child found effortless. His perspective was that true AI replacement was a distant concern.

When a cheap laptop beats the smartest mathematicians at some tasks, but even a supercomputer with 16,000 CPUs can't beat a child at others, you can tell that humans and computers are not just more or less powerful than each other: they're categorically different.

Fast forward to today, and that categorical difference has blurred at an astonishing rate. Modern large language models (LLMs) possess a sensory awareness that was once considered science fiction. Google's Gemini, for instance, can be pointed at an object in a room and identify it, or it can analyse a video of a withering plant and provide real-time advice on which branches to prune. Beyond practical tasks, AI's creative capabilities are exploding. The fan-made, seven-minute Star Wars video "Beggar's Canyon" was generated entirely by AI using tools available to amateurs. Thiel concluded that AI replacement was a "worry for the 22nd century." It appears that future has arrived roughly 75 years ahead of schedule. This radical compression of the timeline is also inverting the very rules of market competition, challenging the startup world's most sacred mantra.

2. The Real Winner is the "Last Mover," Not the First

The startup world is built on the mantra of "first mover advantage" - the idea that being first to market is the key to success. The AI revolution, however, suggests a counter-intuitive reality: the "last mover" may hold the ultimate advantage. This shift is driven by the rise of private equity markets, which allow capital-intensive but innovative companies like OpenAI to incubate their technology for years without the pressure of public markets. These private firms effectively serve as the R&D department for the entire industry.

Meanwhile, large public companies - the "hawks in waiting" like the Magnificent 7 - can patiently observe. They watch as private ventures throw spaghetti at the wall, learning what works and what doesn't without burning their own capital. Once a technology is proven, these giants can leverage their immense scale, cash flow, and distribution channels to launch a superior, more polished version and dominate the market. Think of China (a sleeping Dragon) who was laying idle when the Groks and ChatGPTs were the main buzz at dinner tables and corporate boardrooms; then they released DeepSeek AI on 10 January 2025 and within just 2 weeks it surpassed ChatGPT as the most-downloaded freeware app in the US. The release spooked the financial markets. Nivida's shares dropped 17% on the day. Thiel himself, ironically, articulated this exact strategy.

What really matters is generating cash flows in the future, so being the first mover doesn't do you any good if someone else comes along and unseats you. It's much better to be the last mover, that is, to make the last great development in a specific market and enjoy years or even decades of monopoly profits. History is filled with examples of this dynamic. Google usurped the early search engine Yahoo, and Apple's smartphone dominated a market once led by the Palm Pilot and BlackBerry. The AI era is poised to accelerate this trend, rewarding the patient incumbent over the trailblazing startup.

3. Profit Margins Are Hitting Record Highs Before Peak AI Integration

One of the most startling economic indicators is the state of corporate profitability. According to FactSet, the S&P 500's blended net profit margin for Q3 2025 reached 13.1%, the highest level recorded since at least 2009. This is deeply surprising because the AI revolution is still in its costly "integration phase," where companies are front-loading massive expenses for software, training, and data cleaning - costs that are expected to create short-term "earnings pressure.

OpenAI is a leading AI company that has remained private despite raising hundreds of billions in equity.

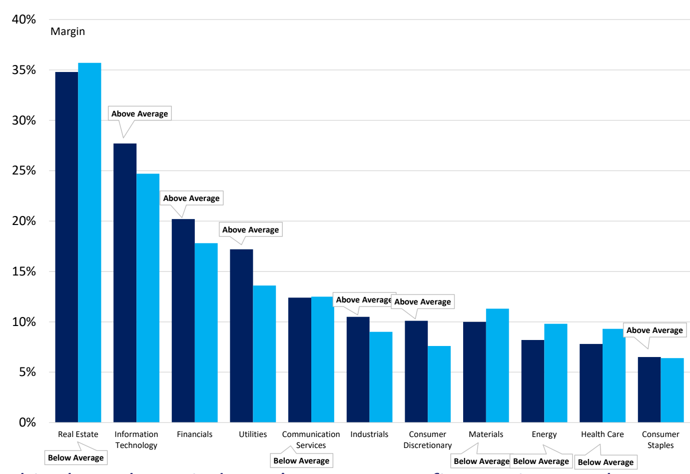
So, what's driving this premature margin expansion? The answer lies in the concept of "compounding technology." We are entering an era where AI is used to improve itself, creating an exponential efficiency loop. A prime example is OpenAI's Codex, a coding agent that is now used to build and improve the vast majority of its own systems. This self-improvement cycle allows companies to squeeze more out of their existing assets, enhancing operating leverage before the full productivity benefits of AI are even realized.

The data reveals a complex picture. While Information Technology shows predictable margin strength, the significant outperformance in sectors like Utilities and Industrials suggests that the initial efficiency gains from AI are being captured not just by the technology's creators, but by its earliest industrial adopters.

4. Today's "Bubble" Spending is Tomorrow's Free Cash Flow

Market commentators, including respected figures like Ray

US INDUSTRY PROFIT MARGIN



This chart shows industry's average profit margin over the last 5 years in comparison to the latest dataset. Adaptors of AI appear to be creating value.

Dalio and Jeremy Grantham, have raised alarms about a potential AI bubble. Their concern is fuelled by the “AI air pocket” thesis, which notes that massive capital expenditures by tech hyperscalers - an estimated $370 billion in 2025 - are “crowding out” shareholder returns. This massive capital outlay, while concerning to some, is the very mechanism that enables the “last mover” advantage discussed earlier. The hyperscalers are building the foundational infrastructure that will allow them - and other patient incumbents - to deploy proven AI models at scale, effectively turning today’s capex into tomorrow’s market dominance.

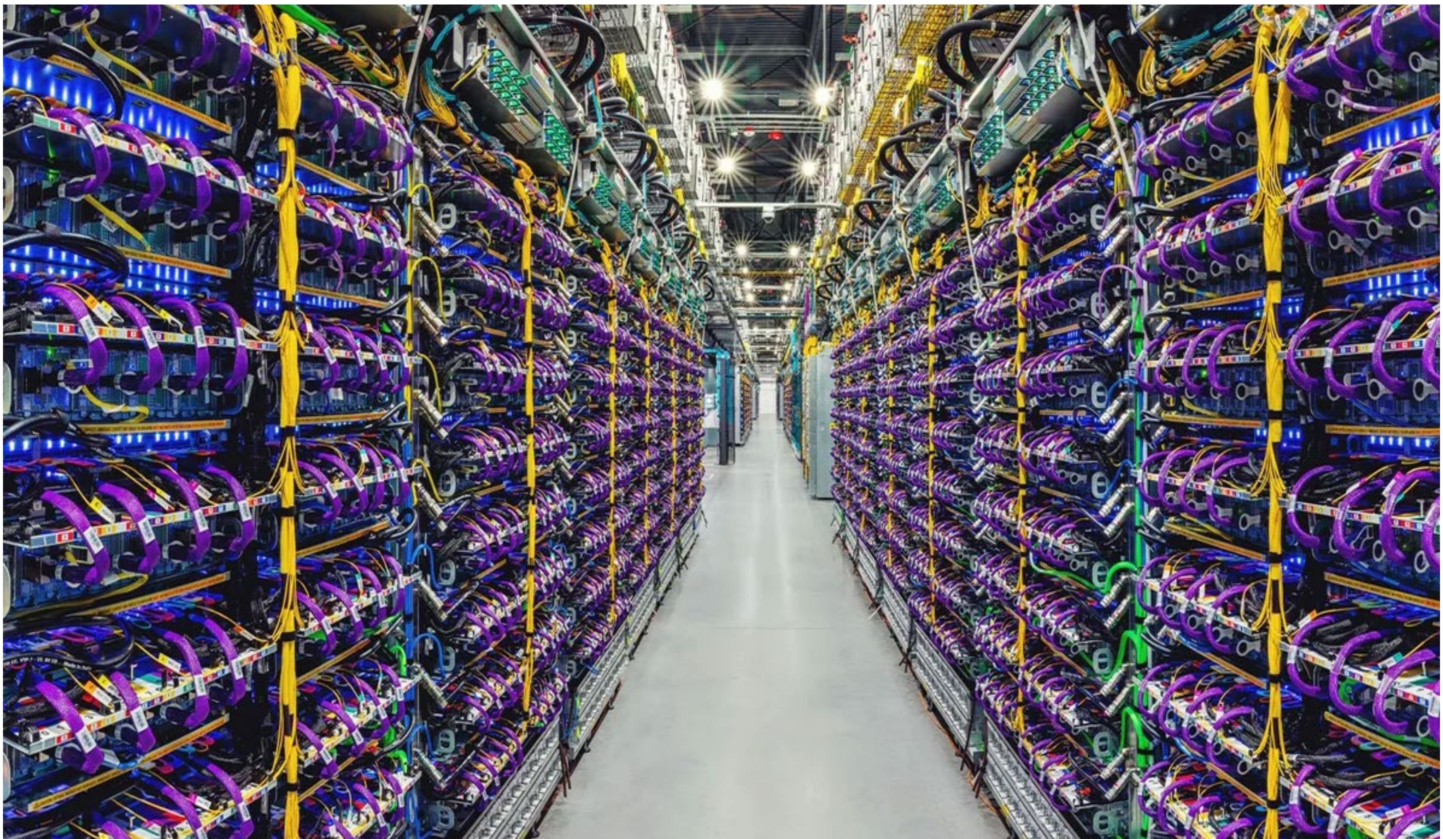
This enormous spending isn’t a “waste” but a necessary, front-loaded investment in the foundational infrastructure of the next economic era. It’s the digital equivalent of building the national highway system or electrifying the country. No one in the 1950s criticized road-building capex as “crowding out” dividends; it was understood as a prerequisite for decades of future growth. The same logic applies here.

The long-term thesis is that once this physical hardware becomes less critical than the self-compounding AI models it supports, this period of intense capital expenditure will end. When it does, it will unlock an unprecedented wave of “free cash flow” for these companies. This capital won’t just sit idle; it will fuel a virtuous cycle of new investment into other frontier areas, from space exploration to advanced medical science, creating entirely new sources of unimaginable revenue and profit growth.

Conclusion: what else are we getting wrong?

The AI revolution has proven to be a lesson in humility. Its timeline has collapsed, the long-held rules of market advantage have been inverted, and economic indicators are already reflecting a future that was supposed to be decades away. The predictions of even the most insightful experts have been shattered by the sheer speed and unexpected nature of this transformation. This forces us to reconsider our fundamental assumptions about the future.

If the world’s brightest minds were this wrong about the last ten years, what fundamental assumptions are we making about the next ten that are destined to be shattered? In the meantime, the research team at Harvard House will “Think Deep” or at least apply Deep Thinking to scan the universe of companies creating cashflows and dividends for the new future that is constantly changing.



AI companies require huge data centres that require huge spending alongside the development of code.

The topic for our first Insight presentation for the year, to be held in March, is "The Trend is Your Friend". More detail will follow but we will explore trends across various topics

Topic: **The trend is your friend.**

Natal Midlands	
Date:	12 March 2026
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

Johannesburg	
Date:	10 March 2026
Venue:	Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am

Cape Town	
Date:	n/a
Venue:	Kelvin Grove Club, The Brodie Room, 144 Campground Rd, Newlands,, Cape Town
Time:	7.30am
Venue:	ABRU Motor Studio, Lourensford Wine Estate, Somerset West
Time:	5.30pm for 6pm

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