Nathan Hughes: AI set to shift from hype to hard results in 2026

By Perpetual Asset Management

22 January 2026

2025 was the year more companies embraced artificial intelligence – but the real productivity payoff is still to come. In 2026, the expectation is we will finally see AI's promised transformation start to take shape. Portfolio manager Nathan Hughes explains.

- Widespread AI adoption, productivity gains still coming
- 2026 expected to reveal real impact
- Find out about Perpetual ESG Australian Share Active ETF (ASX:GIVE)

Nearly nine out of 10 respondents in a recent survey undertaken by global management consulting firm McKinsey & Company say their organisations are regularly using AI.

However, the pace of progress remains uneven, according to McKinsey.

“While AI tools are now commonplace, most organisations have not yet embedded them deeply enough into their workflows and processes to realise material enterprise-level benefits,” says the firm.

Nathan Hughes, portfolio manager of Perpetual’s ESG Australian Share Active ETF (ASX:GIVE), is keen to see how companies will start implementing AI this year.

“Something that I think everyone's interested in, and we're no different, is the evolution of AI,” says Hughes.

“What we're looking for is how companies are starting to implement it, whether that's at a customer level or to achieve internal efficiencies.”

Hughes notes that AI adoption accelerated in the second half of 2025.

“I’m interested in watching that evolution into 2026, particularly what it might mean for productivity savings or cost out opportunities – companies being able to do more with less,” he says.

Hughes says the capex cycle has been incredibly strong and he is particularly interested in the longevity of that cycle over the next year.

“There are a lot of commitments being made and a lot of promises to spend a lot of money on data centre construction and purchases of chips and CPUs and things like that,” he says.

“Just how robust is that pipeline and is there a bit too much hype versus what the reality might be?”

Perpetual’s ESG Australian Share Active ETF has previously had exposure to the Goodman Group, which is a developer of data centres.

The fund now has indirect exposure to the AI thematic through companies like Ferguson Enterprises – a building products distributor in the US benefitting from data centre investment.

Data centre builds set to soar

Research company Macromonitor predicts data centre construction will rise to 2,800 megawatts in the 2025-26 financial year, from 2,180 megawatts in 2024-25, reaching 5,000 megawatts in the 2029-30 financial year.

American multinational tech company Amazon has committed $20 billion through to 2029 to expanding data centre infrastructure in Sydney and Melbourne. Meanwhile, fellow tech giant Microsoft is midway through rolling out its $5 billion spend to expand its local datacentre footprint across Canberra, Melbourne and Sydney.

McKinsey says there are positive leading indicators on the impact of AI, with 64 per cent of respondents saying AI is enabling their innovation.

“High performers use AI to drive growth, innovation, and cost,” says McKinsey.

“Eighty per cent of respondents say their companies set efficiency as an objective of their AI initiatives, but the companies seeing the most value from AI often set growth or innovation as additional objectives.”

But it is still early days for the realisation of balance sheet benefits, with only 39 per cent reporting EBIT impact at the enterprise level.

Interestingly, a greater number of survey respondents do not expect the implementation of AI to result in job losses, with some in fact anticipating it will create more jobs.

“Respondents vary in their expectations of AI’s impact on the overall workforce size of their organisations in the coming year: 32 per cent expect decreases, 43 per cent no change, and 13 percent increases,” says McKinsey.

Hughes says one notable feature of the AI hype is that particular business models have been perceived to be at great risk of AI disruption, for example online classifieds businesses.

"This has led to valuation declines and provided interesting opportunities in companies where our work suggests that the businesses are likely to prove resilient," says Hughes

"News Corp and Auto Trader are two such examples."

About Nathan Hughes and Perpetual ESG Australian Share Active ETF (ASX:GIVE)

Nathan Hughes is a portfolio manager with Perpetual's Australian equities team. He joined Perpetual in 2010 and has more than 20 years of investing experience.

Nathan manages the Perpetual ESG Australian Share Active ETF (ASX:GIVE), including its unlisted share class, as well as the Perpetual Income Share Fund.

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