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CIO Insights: Thematic Investing Series

Open-source models: The android moment for Artificial intelligence

19 August 2026

Key Takeaways:

- Not all artificial intelligence is controlled by a few large companies. Some AI models can be downloaded, adapted and operated by other businesses.
- Companies are opening models for strategic reasons. They want developer adoption, lower industry costs, cloud demand and influence over emerging AI standards.
- Android offers a useful analogy. An open platform can achieve broad distribution while value accrues across hardware, applications and services.
- A hybrid market is the most likely outcome. Closed models could retain the premium frontier, while open-source models serve cost-sensitive, customised and sovereign deployments.

When intelligence becomes abundant

For much of the artificial-intelligence boom, investors have watched the same race: which company can build the smartest model? The fascination is understandable. Companies who own frontier models (Anthropic, OpenAI) are the visible face of AI, and we continue to see new models leapfrogging one another every couple of months.

Yet the more consequential shift may be happening away from the spotlight. Companies (DeepSeek, Alibaba, Meta etc.) are embracing a new direction where AI models are given away for free usage (Open-source models). Users can simply download, adapt and deploy.

Yes, some of these open-source models might not be at frontier levels but as models breach the "useful enough" threshold, what began as an engineering debate is turning into a contest over distribution.

The next AI winner may not own the busiest model; it may be more important to win the busiest road built around it.

The Android analogy

Why are some companies giving away these proprietary AI models for free? We see a useful historical comparison in the development of smartphones.

Apple built an integrated ecosystem around proprietary hardware, software and services. Google supported the Android Open-Source Project, which allowed manufacturers to customise Android across many device types.

Android's source code is publicly available, but Google separately controls important commercial services associated with compatible Android devices. This created two successful but different models.

Figure 1: Could AI follow the smartphone market?

Smartphone era	Artificial intelligence era
iOS was tightly integrated and controlled	Closed models offer integrated, managed services
Android was distributed across manufacturers	Open models can be deployed across clouds and devices
Manufacturers customised the platform	Enterprises can customise models
Applications drove ecosystem value	AI agents and applications may drive ecosystem value
Chips and devices supported adoption	Semiconductors and data centres support adoption
Scale brought fragmentation risks	Model variation may complicate security and governance

Source: UOB Private Bank

This is why the Android comparison matters. Google did not need Android itself to become the industry's richest product. Android ensured that the mobile internet would not be controlled by a rival. It reached

Open-source models: The android moment for Artificial intelligence

19 August 2026

manufacturers, developers and consumers across almost every price point. The economic value then appeared in search, services, applications, chips and devices.

Android is a compelling analogy because it shows how an open foundation can reach many manufacturers, devices and price points. It also shows that broad reach does not guarantee the highest economics. Apple retained tight control of hardware, software and customers, and preserved a highly profitable premium ecosystem.

AI may develop in the same way. Open-source models can become the default building blocks for high-volume and customised workloads. Closed providers can continue to command a premium where capability, reliability, ease of use and accountability matter most.

Our base case is not an open victory or a closed victory. It is a divided market. Closed providers retain the premium frontier. Open-source models become the workhorses of everyday tasks, private deployments, local languages and connected devices. The investment question is where value migrates as that division takes shape.

Why are companies open-sourcing AI?

At first glance, it appears irrational. Training frontier AI models costs billions of dollars, yet firms such as Meta, Alibaba, DeepSeek, Mistral and others continue releasing increasingly capable open models.

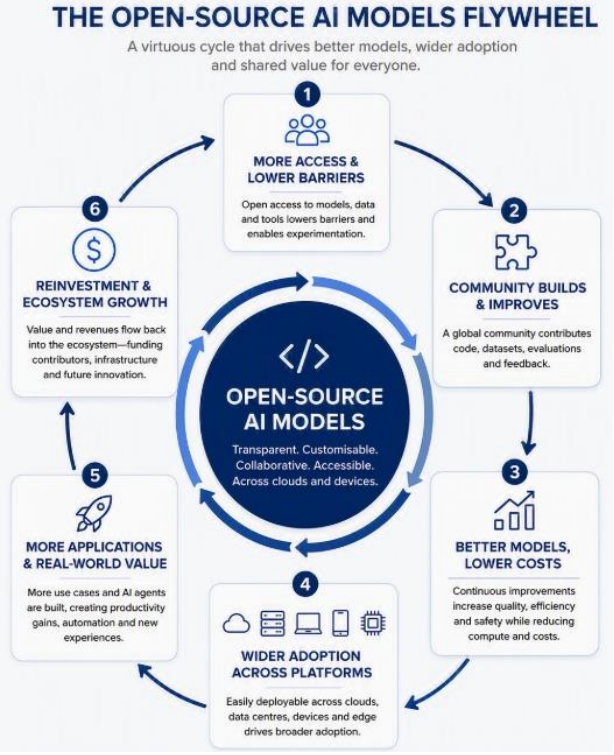
The reason is that many companies do not intend to monetise the model directly. Instead, they monetise the ecosystem around it.

An expensive model released openly can look like an act of generosity. It is usually an act of strategy. The provider is often trying to make money somewhere else.

Meta's logic is defensive as much as commercial. The company remembers the mobile era, when Apple and Google controlled the operating systems through which Meta reached users. By promoting Llama, Meta can lower the risk that another company controls a critical AI layer. It can also reduce the cost of intelligence used across advertising, recommendations, messaging and content tools.

Alibaba's logic is stickiness across its ecosystem. Qwen can attract developers for free. Alibaba can then sell added on services: cloud hosting, databases, computing, enterprise services and commerce tools.

Figure 2: Open-source AI models flywheel



Source: UOB Private Bank

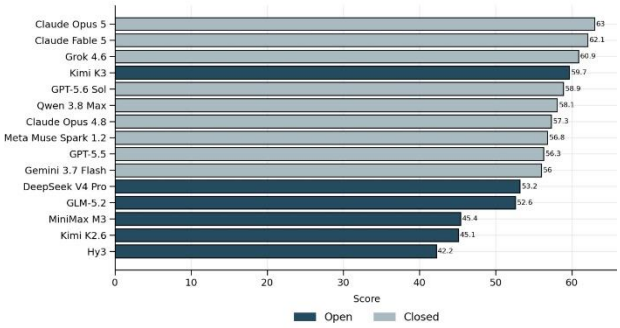
Open-source AI flywheel

Indeed, the frontier models today still lead in many measures of AI capabilities. However, the open-source strategy does not require state of the art capabilities, it simply requires capable intelligence that is inexpensive, adaptable and widely used.

Open-source models: The android moment for Artificial intelligence

19 August 2026

Figure 3: Open vs closed models



Source: Artificial Analysis, Intelligence Index leaderboard, accessed 17 Aug 2026, UOB Private Bank

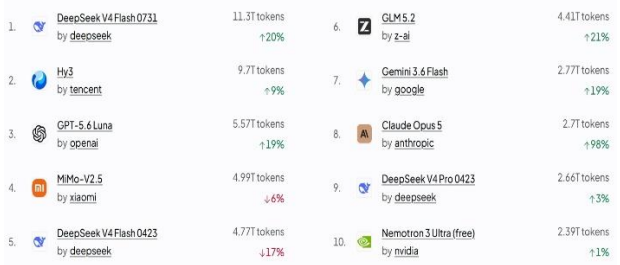
Many emerging-market businesses need a capable model they can afford, adapt to local languages and host under their own rules. Also, privacy, security and geopolitical exposure could be at top of mind for some of these businesses. Put together, the winner might not be the most capable model, but simply a model with the minimal intelligence that checks all the other boxes.

Are open-source models genuinely gaining share?

Initial evidence points towards that direction although the gains are more visible in developer usage compared to enterprise budgets.

Data from OpenRouter, a platform which allows users to choose between hundreds of AI models provide a useful weekly snapshot of which models developers are using. Open or open-weight models occupied seven of the ten leading positions by token volume in August 2026. A token is a small unit of text processed by an AI model.

Figure 4: Most popular model by token count



Source: OpenRouter. Dated 18 August 2026.

DeepSeek V4 Flash and Tencent Hy3 were the two most-used models on the platform. Both ranked ahead of leading closed models from OpenAI, Anthropic and Google. Although OpenRouter does not represent the entire AI market, it does provide a directional hint that a certain pool of users is flexible enough to compare models and switch providers away from frontier closed models.

Alibaba's Qwen is building a large developer ecosystem

Alibaba's Qwen family provides another sign of this change. Across all platforms, Alibaba reported more than 3bn downloads by mid-August 2026.

Alibaba has released more than 460 Qwen models. Developers have created more than 300,000 related versions and adaptations. These adaptations matter as a download may only show curiosity. An adapted model suggests that a developer has spent time changing the original model for a particular task, language or industry.

This creates a reinforcing cycle: More developers use Qwen. More tools and specialised versions are created. Qwen becomes easier for the next developer to adopt. The ecosystem attracts even more users. This is like Android which became attractive partly because many manufacturers, developers and service providers supported it. A large ecosystem made the platform more useful, which attracted further adoption.

When intelligence gets cheaper, we use more of it

The strongest argument for open-sourced AI may not be that it takes existing business from closed providers. It may be that it makes the entire market larger. A company using an expensive premium model will reserve AI for high-value tasks. It might use the model to write software, analyse contracts or support an important customer.

When the cost falls sharply, the calculation changes. AI can then be used to classify every document, translate every product description, check every insurance claim or assist every customer-service

Open-source models: The android moment for Artificial intelligence

conversation. Tasks that were previously too small to justify the cost suddenly become practical.

For a simple customer-support example using 8m input tokens (~6m words) and 2m output tokens (1.5m words) each month, one August 2026 comparison estimated:

DeepSeek V4 Flash: USD1.68
GPT-5.6 Terra: USD40
Claude Opus 5: USD90

These prices can change quickly and exclude integration, security and infrastructure costs. However, the example shows why developers may route routine tasks towards lower-cost models while reserving premium models for more difficult work.

If open-source models gain share, where could value accrue?

If open-source models become cheaper and more widely used, the economic benefits may extend well beyond model developers. Lower costs could encourage more companies to adopt AI, support more applications and run AI more frequently. This could shift value towards the infrastructure, software and services that make AI useful, secure and commercially viable.

Figure 5: Value to grow across the stack

Layer	Potential benefit
Semiconductors	Lower model costs can stimulate more inference. Memory, networking and lower-cost accelerators may broaden participation.
Data centres, power and cooling	More models and agents increase server density and electricity requirements.
Cloud and inference platforms	Firms pay for secure hosting, optimisation and model choice even when weights are free.
Security, identity and governance	More models, tools and agents expand attack surfaces and compliance needs.
Data and orchestration	Routing, retrieval and proprietary data make interchangeable models useful.
Enterprise software	Workflow owners can embed cheaper intelligence and monetise outcomes.
Applications and agents	Specialists can build finance, legal, industrial and local-language products.

Source: UOB Private Bank

A hybrid market remains the most likely path forward

In our scenario work, our base case is for a future where Open-source models win cost-sensitive, private, local-language and tailored tasks. Closed providers retain frontier reasoning, managed security and premium workloads. Overall, it is unlikely to become a winner takes all market.

Eventually, we expect capability gaps to narrow and AI usage to continue to expand sharply, thus benefiting infrastructure and applications, while model pricing and margins come under pressure.

Bottom line

Open-source models could do for AI what Android did for smartphones: broaden access and shift value towards the surrounding ecosystem. Companies are using this route to compete through efficiency, developer scale and industrial deployment. Investors should focus less on which model leads this month and more on who owns the scarce infrastructure, trusted data, customer distribution and workflows that remain valuable when intelligence becomes cheaper.

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