

Invest in transformational innovation

Invest in transformational innovation

Author: Sagar Khandelwal, Strategist, UBS Switzerland AG

- Why?** 1) Innovation remains a key driver of long-term equity performance and an important feature of enduring market leaders. 2) Structural shifts in AI, energy infrastructure, and health care are expanding global profit pools and reshaping industries. 3) We expect our TRIO themes to offer durable, secular growth that we believe can persist well beyond short-term market volatility.
- Why now?** 1) While surging hyperscaler capex has raised concerns, we see lower spending growth and improving monetization, supporting diversified exposure. 2) Higher demand is driving new capital investment across the electricity value chain, with global grid investment projected to reach around USD 500bn in 2026. 3) Products that expand healthy lifespans (areas like obesity, oncology, and medical devices) can drive above-average growth for exposed companies.



Position at the forefront of change and seek long-term growth in transformational innovations. Source: Robert Clark_Unsplash

Video: [Invest in transformational innovation: AI, power and resources, & longevity](#)

Artificial intelligence

Our investment framework divides the artificial intelligence (AI) ecosystem into three distinct layers: enabling, intelligence, and application.

The enabling layer comprises the core infrastructure and foundational technologies that power AI, including semiconductors, cloud computing, networking equipment, and specialized hardware. We continue to see robust demand for advanced chips and high-performance computing, though higher-than-expected capital expenditure and rising competition have increased uncertainty and made selectivity more important.

The intelligence layer covers the software, algorithms, and data platforms that enable AI systems to learn, reason, and generate insights. This includes AI model developers, data management firms, and providers of machine-learning tools. Monetizing innovation remains a challenge for pure-

play AI software firms, and the line separating them from the application layer is increasingly blurring as frontier model companies seek to capture new revenues. That's sparked listed-software sector volatility, but also hinted at a path toward AI model monetization for the most adaptable firms.

The application layer consists of end-user products and services that leverage AI to deliver value. We expect the broadest impact and fastest growth here over the next three years, as AI shifts from experimentation to deployment and as consumer adoption rises. We continue to monitor companies that can demonstrate clear productivity gains, cost savings, or new revenue streams from their tools.

However, the pace and sustainability of monetization may be uneven and dispersed, with agentic AI tools accelerating automation risk, particularly for software and services. Application layer competitors with strong competitive moats, regulatory barriers, or entrenched B2B relationships are better positioned to adapt AI to their business, rather than be displaced by it, in our view.

This report has been prepared by UBS Switzerland AG. **Please see important disclaimers and disclosures at the end of the document.**

We continue to see opportunity in AI-linked stocks, but the operating environment is more nuanced. We recommend a diversified and active approach across the enabling, intelligence, and application layers, and suggest investors review concentrated exposures—particularly in single-name AI stocks or sectors where competition is intensifying. Stepping back, if AI models do replace costly intermediaries, this may unlock new revenue streams to justify heavy capex while also potentially offering businesses and consumers alike the benefits of greater efficiency and lower costs.

Power and resources

The order pipeline for power and resources remains robust. Rapid AI adoption is driving US electricity demand higher, with data centers projected to add as much power demand as Sweden currently consumes per year by 2030. The EIA estimates data centers could account for up to 9% of total US electricity use by 2035 (compared to around 4% today) and wholesale power prices were 23% higher on average in 2025 than in 2024. However, data center demand is just one of many drivers of increased investment in power and grid infrastructure. We also see encouraging trends in grid resilience and transmission infrastructure, power generation and renewables, building electrification, industrial automation, critical minerals, and other relevant categories. Most products supplied by the value chain are fungible and can be used in a wide range of applications.

Policy support for clean energy remains robust in the EU and China. In the US, selected provisions of the Inflation Reduction Act remain, but the Bipartisan Infrastructure Law and the One Big Beautiful Bill Act have superseded many elements, making policy support more mixed. Our conviction in the breadth and duration of the power and resources investment opportunity remains unchanged by jitters in the AI complex. We recently upgraded US industrials to Attractive, and we expect companies at the core of our thesis to continue benefiting from robust demand, with their exposure to physical assets insulating them from market concerns about potential AI-related disruptions.

The power and resources sector is attracting strategic investor focus as higher demand drives new capital investment across the electricity value chain. Global grid investment likely reached around USD 500bn in 2026. We see the best investment prospects at present in the electrification value chain, which is supported by growth in electricity demand, data center capex, and vital investment in aging power grids. We forecast around USD 3tr in combined annual investment by the end of the decade in power generation, energy storage, grid infrastructure, data centers, and transportation and industry.

Over the long term, demand for new technologies such as AI-driven grid management and modular nuclear reactors is expected to rise, though small modular reactors are unlikely to be a material revenue driver before the mid-2030s.

Meanwhile, a tightening supply of raw materials is both a challenge and an opportunity. For example, we expect copper demand to rise by close to 3%, likely pushing prices above USD 13,000/mt in 2026 as the market deficit expands to 87,000 metric tons (from 53,000 metric tons in 2025).

Our preferred investment approach emphasizes regional and sectoral diversification as the power and resources value chain evolves. While our theme was initially concentrated on data-center-linked electrical equipment, we have broadened it to include companies supporting grid modernization and supplying critical raw minerals.

Longevity

As technology and infrastructure reshape the way we live and work, we believe another powerful force is emerging at the intersection of demographics and innovation: the longevity opportunity that helps people live longer, healthier lives.

By 2030, we estimate that annual revenues in the global longevity market could reach USD 8tr, up from USD 5.3tr in 2023, with health care alone representing a USD 2.2tr opportunity. We see particularly strong potential growth in the obesity, oncology, and medical device markets.

For global obesity drugs (GLP-1s), we expect producers to grow revenues at around 12% CAGR through 2030, driven by rapid adoption given clinical benefits (with delivered 15-22% weight loss in trials and reduced cardiovascular/kidney risks) and expanding insurance coverage.

The anticipated launch of oral GLP-1 drugs in 2026 is set to broaden patient access and accelerate market growth, making obesity management a central pillar of the longevity opportunity.

We expect oncology pharma to grow at an 8% CAGR by 2030. Aging demographics and earlier diagnoses should underpin robust demand. Next year will also see potentially pivotal clinical readouts in certain types of antibody treatments, antibody-drug conjugates (ADCs), and oral SERDs (Selective Estrogen Receptor Degraders, a class of drugs used to treat breast cancer).

We also anticipate medical devices, especially diabetes and surgical devices, will grow revenues at mid- to high-single-digit rates. Advances in continuous glucose monitoring (CGM) and minimally invasive surgery should support strong demand.

We favor a diversified approach across sectors poised to benefit from demographic shifts. Health care stands out as a primary driver of longevity, given its essential role in serving an ageing population. But we expect the opportunity set to evolve over time, with other sectors gaining prominence as the longevity trend matures. Other segments—such as consumer markets, financial services, and real estate—also

Invest in transformational innovation

present opportunities, though some are still adapting their business models to address the needs of this expanding demographic.

Global asset class preferences definitions

The asset class preferences provide high-level guidance to make investment decisions. The preferences reflect the collective judgement of the members of the House View meeting, primarily based on assessments of expected total returns on liquid and commonly known indices, House View scenarios, and analyst convictions over the next 12 months. Note that the tactical asset allocation (TAA) positioning of our different investment strategies may differ from these views due to factors including portfolio construction, concentration, and borrowing constraints.

Attractive: We consider this asset class to be attractive. Consider opportunities in this asset class.

Neutral: We do not expect outsized returns or losses. Hold longer-term exposure.

Unattractive: We consider this asset class to be unattractive. Consider alternative opportunities

Note: For equities, we have a five-tier rating system with two additional preferences

Most Attractive: We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.

Least Attractive: We consider this asset class to be among the least attractive. Seek more favorable alternatives opportunities.

When equities are included with the other asset classes in the three-tier rating system, we collapse "Most Attractive" with "Attractive" and "Least Attractive" with "Unattractive."

Appendix

Risk information

UBS Chief Investment Office's ("CIO") investment views are prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland) or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes former Credit Suisse AG, its subsidiaries, branches and affiliates. Additional disclaimer relevant to Credit Suisse Wealth Management follows at the end of this section.

The investment views have been prepared in accordance with legal requirements designed to promote the **independence of investment research.**

Generic investment research – Risk information:

This publication is **for your information only** and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to UBS). All information and opinions as well as any forecasts, estimates and market prices indicated are current as of the date of this report, and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of UBS as a result of using different assumptions and/or criteria. UBS may utilize artificial intelligence tools ("AI Tools") in the preparation of this document. Notwithstanding any such use of AI Tools, this document has undergone human review.

In no circumstances may this document or any of the information (including any forecast, value, index or other calculated amount ("Values")) be used for any of the following purposes (i) valuation or accounting purposes; (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or (iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Value or of defining the asset allocation of portfolio or of computing performance fees. By receiving this document and the information you will be deemed to represent and warrant to UBS that you will not use this document or otherwise rely on any of the information for any of the above purposes. UBS and any of its directors or employees may be entitled at any time to hold long or short positions in investment instruments referred to herein, carry out transactions involving relevant investment instruments in the capacity of principal or agent, or provide any other services or have officers, who serve as directors, either to/for the issuer, the investment instrument itself or to/for any company commercially or financially affiliated to such issuers. At any time, investment decisions (including whether to buy, sell or hold securities) made by UBS and its employees may differ from or be contrary to the opinions expressed in UBS research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, divisions or affiliates of UBS. Futures and options trading is not suitable for every investor as there is a substantial risk of loss, and losses in excess of an initial investment may occur. Past performance of an investment is no guarantee for its future performance. Additional information will be made available upon request. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on

the price, value or income of an investment. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information.

Different areas, groups, and personnel within UBS Group may produce and distribute separate research products **independently of each other**. For example, research publications from **CIO** are produced by UBS Global Wealth Management. **UBS Global Research** is produced by UBS Investment Bank. **Research methodologies and rating systems of each separate research organization may differ**, for example, in terms of investment recommendations, investment horizon, model assumptions, and valuation methods. As a consequence, except for certain economic forecasts (for which UBS CIO and UBS Global Research may collaborate), investment recommendations, ratings, price targets, and valuations provided by each of the separate research organizations may be different, or inconsistent. You should refer to each relevant research product for the details as to their methodologies and rating system. Not all clients may have access to all products from every organization. Each research product is subject to the policies and procedures of the organization that produces it. The compensation of the analyst(s) who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking, sales and trading or principal trading revenues, however, compensation may relate to the revenues of UBS Group as a whole, of which investment banking, sales and trading and principal trading are a part.

Tax treatment depends on the individual circumstances and may be subject to change in the future. UBS does not provide legal or tax advice and makes no representations as to the tax treatment of assets or the investment returns thereon both in general or with reference to specific client's circumstances and needs. We are of necessity unable to take into account the particular investment objectives, financial situation and needs of our individual clients and we would recommend that you take financial and/or tax advice as to the implications (including tax) of investing in any of the products mentioned herein.

This material may not be reproduced or copies circulated without prior authority of UBS. Unless otherwise agreed in writing UBS expressly prohibits the distribution and transfer of this material to third parties for any reason. UBS accepts no liability whatsoever for any claims or lawsuits from any third parties arising from the use or distribution of this material. This report is for distribution only under such circumstances as may be permitted by applicable law. For information on the ways in which CIO manages conflicts and maintains independence of its investment views and publication offering, and research and rating methodologies, please visit www.ubs.com/research-methodology. Additional information on the relevant authors of this publication and other CIO publication(s) referenced in this report; and copies of any past reports on this topic; are available upon request from your client advisor.

Important Information About Sustainable Investing Strategies: Sustainable investing strategies aim to consider and incorporate environmental, social and governance (ESG) factors into investment process and portfolio construction. Strategies across geographies approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or Sustainable Investing considerations may inhibit UBS's ability to participate in or to advise on certain investment opportunities that otherwise would be consistent with the Client's investment objectives. The returns on a portfolio incorporating ESG factors or Sustainable Investing considerations may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered by UBS, and the investment opportunities available to such portfolios may differ.

External Asset Managers / External Financial Consultants: In case this research or publication is provided to an External Asset Manager or an External Financial Consultant, UBS expressly prohibits that it is redistributed by the External Asset Manager or the External Financial Consultant and is made available to their clients and/or third parties.

USA: Distributed to US persons only by UBS Financial Services Inc. or UBS Securities LLC, subsidiaries of UBS AG. UBS Switzerland AG, UBS Europe SE, UBS Bank, S.A., UBS Brasil Administradora de Valores Mobiliarios Ltda, UBS (Brasil) Corretora de Valores S.A., UBS Asesores Mexico, S.A. de C.V., UBS SuMi TRUST Wealth Management Co., Ltd., UBS Wealth Management Israel Ltd and UBS Menkul Degerler AS are affiliates of UBS AG. **UBS Financial Services Inc. accepts responsibility for the content of a report prepared by a non-US affiliate when it distributes reports to US persons. All transactions by a US person in the securities mentioned in this report should be effected through a US-registered broker dealer affiliated with UBS, and not through a non-US affiliate. The contents of this report have not been and will not be approved by any securities or investment authority in the United States or elsewhere. UBS Financial Services Inc. is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule.**

For country information, please visit ubs.com/cio-country-disclaimer-gr or ask your client advisor for the full disclaimer.

Additional Disclaimer relevant to Credit Suisse Wealth Management

You receive this document in your capacity as a client of Credit Suisse Wealth Management. Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website. In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your

Invest in transformational innovation

Relationship Manager.

Except as otherwise specified herein and/or depending on the local Credit Suisse entity from which you are receiving this report, this report is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).

Version A/2026. CIO82652744

© UBS 2026. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.