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Strategic: Navigate transformational innovation

Navigate transformational innovation

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- **Why?** 1) AI, power and resources, and longevity offer long-term growth opportunities driven by technological innovation and structural change. 2) AI adoption can support productivity and earnings growth, while rising electricity demand is driving investment in power infrastructure. 3) Aging populations and medical innovation should support long-term growth in health care.
- **Why now?** 1) Rising AI investment creates opportunities, but elevated expectations and financing constraints call for selective exposure. 2) Tight supply conditions and growing demand for electricity should benefit established infrastructure suppliers with pricing power. 3) The longevity economy is expected to grow around 6% annually to USD 8tr by 2030, creating opportunities across health care innovation.



AI, power and resources, and longevity offer long-term growth opportunities, though elevated expectations and risks call for a diversified approach. Source: Devana Jalalludin_Unsplash

Artificial intelligence
We expect AI investment to keep rising in 2027, supported by demand for computing capacity, cloud growth, and expanding usage as costs fall.

But future returns remain uncertain. Like every major investment cycle, AI is likely to experience periods of excess capacity, weaker pricing, and doubts about profitability. In parts of the industry, investment is already running ahead of revenue, while financing costs, execution challenges, power shortages, and data center constraints are rising. Slower cloud growth, weaker business adoption, or supply overtaking demand could further undermine confidence.

We think investors should retain AI exposure and prepare for volatility. We favor financially strong hyperscalers with visible monetization and internally funded investment, alongside select leaders in compute, foundry, and semiconductor equipment. Exposure across applications and adopters can reduce reliance on any single part of the AI ecosystem.

Power and resources
AI is competing with electrification, grid modernization, electric vehicles, industrial automation, and the energy transition for power and equipment. In key developed markets, electricity demand, net of efficiency gains, is rising for the first time in decades. We project USD 32tr in global electrical infrastructure spending over the next decade, spanning power generation, grids, storage, and critical minerals.

We think the most attractive potential opportunities from this trend lie where supply-side constraints are tightest, providing strong pricing power and visibility to future revenues. Companies with scarce production capacity, established order books, strong customer relationships, and a track record of delivering complex projects are best positioned, in our view.

The opportunity is substantial and globally diverse. That said, we believe it prudent to be selective at this stage of the investment cycle, focusing on end-markets with favorable economics and suppliers with a competitive moat. We are carefully monitoring potential risks, including rising financing rates, input cost inflation, permitting delays, and the pace of data center construction, but still believe the magnitude and duration of this investment cycle will be greater than the market currently appreciates.

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Longevity
We think the "longevity economy" could grow by around 6% a year, reaching USD 8tr by 2030. Aging populations are increasing demand for care, while advances in drug discovery, diagnostics, and medical technology are improving the treatment of obesity, cancer, cardiometabolic disease, and neurological conditions.

Specifically, we think there is room for further growth in the global obesity market and forecast treatment revenues to grow by an average of 12% a year through 2030. Greater manufacturing capacity, lower prices, oral treatments, wider reimbursement, and additional clinical indications should enlarge the market.

Elsewhere, positive clinical trial results across oncology and neurology could create further company-specific opportunities.

From a portfolio perspective, the health care sector provides a different earnings profile from AI infrastructure and other capital-intensive industries. Demand is generally less sensitive to the economic cycle, although individual investments remain exposed to idiosyncratic risks like clinical results, regulation, and patent expiries.

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.
Absolute view
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. 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."
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.
Relative preferences
For the multi asset view, we also include relative preferences to help investors compare between items.
Preferred: We view this item more favorably than others within its asset class.*
In line: We see this item similarly to others within its asset class.*
Least preferred: We view this item less favorably than others within its asset class.*
*In the case of cross-asset, compared to other asset classes.
Note: 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.

Appendix

Risk information
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