

Invest in transformational innovation

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- **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) We recommend a balanced exposure within AI names across both semiconductors and software, with a focus on laggards. While secular AI demand remains strong, valuation multiples have risen. (2) Health care policy fears appear overdone, and subsiding pressure should drive a significant recovery in the sector and our Longevity theme. (3) Potential short-term market dips would offer compelling entry points for long-term investors, in our view.



Position at the forefront of change and capture long-term growth in transformational innovations.

Artificial intelligence

Uncertainty in the tech sector remains, with the semiconductor industry still facing potential tariffs. But the outlook for global AI spending remains encouraging. New entrants—including Chinese AI firms, neocloud providers, and enterprise and sovereign cloud players—are ramping up investment. We expect global AI capital expenditures to jump 67% this year to USD 375bn and rise another 33% in 2026 to USD 500bn. Recent company reports and surveys show robust demand for AI. According to the US Census Bureau, AI adoption among US businesses could exceed 10% by year-end—a level of market penetration that took US e-commerce 24 years to reach.

Early US adopters are already seeing tangible productivity gains, with revenue per employee rising. The Federal Reserve Bank of St. Louis notes that employees using AI tools save 5.4% more hours than non-users, resulting in an implied return on investment of over 360% per knowledge worker (based on a median US knowledge worker salary of USD 114,000 and projected AI spend per worker by 2030).

Power and resources

A strong pipeline of electrical infrastructure investment, metered by power generation capacity and industrial equipment, continues to support fundamental prospects for our Power and resources theme. Even after the recent rally, we continue to believe investors underestimate the magnitude and duration of this opportunity. We have also been actively pivoting exposure from high-flying recent leaders to attractively valued earlier-cycle ideas.

Longevity

The longevity market is transforming the global economy as life expectancy rises and populations age. We see two main groups: “drivers” (pharma, medtech, health care services) leading advances in healthy lifespan, and “beneficiaries” (consumer, financial, real estate, and industrial sectors) adapting to evolving demographic needs. Our Longevity TRIO theme focuses more heavily on the “drivers” group at present.

Pharma, medtech, and health care services

US firms are leading metabolic disease innovation, especially with GLP-1 drugs for obesity and diabetes, an area where revenue is expected to grow at a 12% CAGR through 2030. The global health care sector's market opportunity could reach USD 2.2 trillion by 2030, driven by rising demand for treatments targeting obesity, oncology, Alzheimer's, and cardiovascular disease.

Investor sentiment on health care remains cautious, with valuations at multi-decade lows due to lingering US policy concerns. We expect these worries to fade in the next 3-6 months, while strong metabolic disease and age-related care demand should drive growth for longevity-linked companies.

Consumer, financial, and real estate sectors

Consumer companies in healthy nutrition and wellness are well positioned to benefit from the shift toward healthy aging, in our view. Financial services firms can address growing retirement needs, with global wealth pools projected to expand 6-7% annually through 2030. Insurance and annuity products, as well as increased private market allocations, offer further opportunities. The longevity trend also supports demand for senior housing, wellness services, and specialized health care real estate, including independent and assisted living facilities.

Appendix

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