

How should EMEA investors approach AI and technology?

Investment strategy insights

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- While the full impact on individual companies remains to be seen, recent developments in software underscore AI's potential to transform business models, challenge incumbents, and create new beneficiaries across the global economy.
- EMEA investors can look beyond their home equity markets for ideas spanning diversified positions in companies across the AI value chain, including infrastructure, platforms, and applications, both in developed and emerging markets.
- We believe it is time for EMEA investors to adopt a diversified, forward-looking approach that captures the full spectrum of AI-driven growth.



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Artificial intelligence is rapidly reshaping industries worldwide, with recent disruptions highlighting both the risks and opportunities for investors. In the past weeks, US equity markets have seen sharp declines in sectors ranging from insurance brokers and real estate services to logistics, as investors react to the accelerating impact of AI and its potential to boost some companies while threatening others. While the full impact on individual companies remains to be seen, these moves underscore AI's power to transform business models, challenge incumbents, and create new beneficiaries across the global economy.

What does this all mean for EMEA investors? After all, home market stock indexes in Europe, the Middle East, and Africa have lower allocations to technology and limited exposure to the full AI value chain compared to the US and China. As AI looks set to be a critical driver of long-term equity returns, understanding and investing in this theme will likely be increasingly important for meeting future financial goals.

We think it makes sense, amid all the noise, to reflect and consider three key elements, as part of an overall financial plan:

1. AI and US technology are not one and the same. In reality, only about a quarter of investable AI value creation resides in the US information technology sector. The rest is distributed across other US sectors—such as communication services, consumer discretionary, financials, and industrials—as well as non-US markets. For example, Taiwan and South Korea lead in chip and memory manufacturing. Japan is advancing in robotics and automation. And Europe boasts its own, global leaders in semiconductors and payments. Mainland China, meanwhile, is accelerating AI investment and innovation, with its largest internet companies integrating AI into profitable business models and the government supporting homegrown chipmaking. As a result, a US tech-only approach risks missing out on future potential growth and may introduce unintended risks of holding too much in a single asset—a phenomenon known as “concentration risk.”

While we recently moved our preference on US technology stocks to Neutral, we believe investors in EMEA and beyond can best see this as a rebalancing that confirms our preference for exposure to AI: a diversified set of positions in companies across the AI value chain, including infrastructure, platforms, and applications, both in

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developed and emerging markets.

2. Now is the time to rebalance and look at fresh

ideas. The global race to commercialize humanoid robots is a case in point: in 2025, shipments of humanoid robots climbed nearly 500% year-over-year, and global investment in private humanoid robot companies reached USD 5.2 billion—an increase of more than 200% from the previous year. We believe this surge in interest is driven by breakthroughs in AI and automation, labor shortages, and reshoring trends. EMEA investors may wish to look beyond traditional tech and consider opportunities in robots that use AI as an integral part of how they work—so-called “embodied AI”—as well as in advanced driving assistance systems, and automation, where AI advances are setting new growth trajectories.

3. Diversification is key in a fast-moving landscape.

Given the speed and breadth of AI-driven change, EMEA investors may want to stay nimble rather than stand still. Adopting a dynamic, risk-managed investment process can help navigate disruptions while staying aligned with long-term financial goals. For investors who have limited exposure to AI, we have identified companies that appear best positioned to leverage AI. While broader, index-based strategies may provide diversification, they may risk missing the widening gap between AI leaders and laggards. In addition to considering regular portfolio rebalancing, some EMEA investors may seek tools that enable them to build AI positions during market pullbacks or participate in further AI driven gains while managing exposure to further falls.

AI is reshaping competitive landscapes across industries and regions. We believe it is time for EMEA investors to adopt a diversified, forward-looking approach that captures the full spectrum of AI-driven growth.

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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

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