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How tech IPOs are reshaping the investment landscape

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Major upcoming IPOs are likely to be much more than important market events. They highlight that traditional categories like style, country, or sector are becoming less important for investors, while structural change and innovation are coming into sharper focus.

This year and next, several potentially groundbreaking IPOs are on the horizon, according to media reports. These companies with innovative power and cross-industry business models actually going public would be major market events in terms of valuation and issuance volume. Even more important, in our view, is what these IPOs reveal about capital markets. When companies of this scale enter public markets, the immediate question is how investors will reallocate capital to fund such new positions. Some of it is likely to be drawn from highly liquid heavyweight stocks, especially from the largest firms in the index.

This is precisely why these potential IPOs are more than just important stock market stories. The companies in question combine business models that cannot truly be captured by classic stock market categories—such as satellite-based communications, space travel, artificial intelligence, and digital infrastructure. They show how much economic reality has changed, even though many investment concepts are still based on classification systems from another era.

For decades, equity markets were primarily organized by style, size, country, and sector. Small versus large, value versus growth, US versus Europe, or technology versus industry. These categories are useful, but increasingly insufficient. A different perspective is coming to the fore: It's not just about which country a company operates in or what style it is assigned, but whether it benefits from profound change or is displaced by it. The majority of returns are now generated

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where business models, technologies, and economic power structures are shifting structurally. This is exactly what makes innovation a central investment factor, in our view.

This does not mean that valuations are losing importance. On the contrary, they should remain the anchor for investment decisions. What also matters, however, is what these valuations are based on. The decisive factor should not be past success, but the cash flows that can be generated in the future—and in our view, these depend increasingly on structural developments. Anyone assessing companies should therefore consider how artificial intelligence, electrification, digital networks, computing power, raw material needs, or demographic change affect entire value chains.

This has far-reaching consequences for investing. We do not necessarily see the greatest opportunities where the current index weights dominate. Instead, it is worth looking at those areas where new sources of return are emerging over many years. In our view, these include artificial intelligence, electrification, and longevity—but also the physical infrastructure that makes these developments possible in the first place.

A look at the current earnings season for major technology companies also underscores this trend. Sentiment toward the large tech firms currently appears mixed: While software companies are under valuation pressure due to fears of AI disruption, providers of AI infrastructure and semiconductors are seeing significant profit jumps, but also valuation adjustments. Investors are paying particular attention to the health of core businesses, as the major hyperscalers continue to ramp up their investments in AI and infrastructure and rely on stable operating cash flows to do so.

This leads us to a central conclusion: Investment processes should be guided more by long-term transformations and move away from purely historical category thinking. In this sense, we see potential upcoming IPOs less as exceptions and more as harbingers of a new era. They indicate that the next phase for capital markets will likely require new valuation frameworks, broader diversification, and a clearer focus on structural leaders.

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