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Investment Research

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) Strong quarterly tech earnings and guidance account for roughly half of the upgrade to our 2026 S&P earnings growth forecast, now at 20% versus 12% previously. 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) The current period stands out for a concentration of clinical milestones and regulatory events across longevity, creating the potential for outsized returns in selected segments.

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

AI

The AI rally is in its fourth year, but the narrative is evolving. We project the total AI addressable market to reach USD 3.1tr by 2030, growing at a 30% CAGR from 2026. The sharp surge in semiconductor companies and other AI-linked parts of the market this year has heightened the risk of single-stock concentration.

Looking ahead, we see AI capex continuing to rise, with supply bottlenecks in key segments like memory requiring significant time and investment to resolve. While higher spending and strong earnings are a tailwind, any reversal in this momentum could quickly shift investor attention back to monetization. Gains thus far have been led by semiconductors, though we think the value-creation story is broadening beyond US technology, with opportunities emerging across the enabling (semiconductors, cloud), intelligence (software, algorithms), and application layers.

Power and resources

The intersection of AI-driven demand, energy market disruption, and geopolitical risk is sharpening the focus on energy security and infrastructure resilience. Elevated energy prices reinforce the importance of resolving grid bottlenecks and accessing essential materials. We expect capital allocation to remain directed toward power, grid, and critical resources, with the current investment cycle shaped by structural growth drivers and tactical risk mitigation considerations.

Surging data center demand is continuing to accelerate investment in power and grid infrastructure, with global grid investment projected at USD 500bn in 2026 and annual sector investment reaching USD 3tr by 2030. Opportunities span grid resilience, renewables, nuclear, industrial automation, and critical minerals, with companies at the core of this transition reporting record order backlogs and robust demand.

Longevity

While ongoing geopolitical uncertainty in the Middle East has weighed on investor sentiment in more economically sensitive sectors, health care companies' revenues tend to be more robust. We think that the diversified supply chains and strict cost controls of health care companies should allow companies to protect profit margins, even in adverse scenarios where energy prices remain high.

Structurally, we think the longevity market is set to expand from USD 5.3tr in 2023 to USD 8.0tr by 2030. In our view, the current period stands out for its concentration of clinical milestones and regulatory events, offering potential for outsized returns in select segments. We expect 2026 to be a catalyst-rich year, with multiple late-stage pipeline readouts in obesity, oncology, and medical devices. While the risk of AI-driven disruption is present, we believe that the threat to core health care activities remains manageable and that biopharma and medtech are positioned to benefit from productivity gains.

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
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