



CIO favors a diversified approach in AI, balancing high-beta semiconductor exposure with defensive software and internet companies. (UBS)

Can transformational themes overcome tariff risks?

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Despite recent tariff volatility, we believe transformational innovation will remain the primary engine of long-term equity performance.

Structural shifts in artificial intelligence, energy infrastructure, and health care are expanding global profit pools and can help investors capture durable, secular growth that persists well beyond short-term market noise.

Tariffs and other fears saw investors sell down transformational growth themes.

- Global tech corrected in early April, with its forward P/E ratio falling 10-12% below last year's peak. Valuations have since recovered.
- Innovation remains key to long-term returns—we see AI, electrification, and longevity driving over 50% of global corporate profit growth in the next decade.
- Selling into volatility can be costly. S&P 500 data to 1990 shows average one-year returns above 30%, after the VIX hit 40pts.

Three areas—AI, power and resources, and longevity— remain key to long-term value creation.

- AI sector earnings are projected to grow at double-digit rates in 2025, with sustained adoption and capex momentum.
- Global electricity demand is accelerating, driven by electrification, data centers, and industrial growth.

- US and European firms lead in metabolic disease innovation, with health care and wellness sectors benefiting from rising life expectancies and demographic shifts.

Investors should focus on thematic market leaders across these themes to capture durable, secular growth.

- We favor a diversified approach in AI, balancing high-beta semiconductor exposure with defensive software and internet companies.
- Within power and resources, we see value in utilities, grid infrastructure, industrial electrification equipment, and raw material suppliers needed to electrify our economy.
- In longevity, we prefer select pharma, medtech, and health care service providers, and select companies in nutrition and wellness.

Did you know?

- We anticipate a substantial health care market opportunity, with revenues reaching USD 2.2 trillion globally by 2030. Oncology, Alzheimer's, and cardiovascular treatments are the next frontier after obesity.
- Accounting firm EY projects that Europe will have more than 50 million electric vehicles (EVs) by 2030, 15% of the total vehicle stock.
- We expect global AI capex spending to increase by 60% year over year in 2025 to reach USD 360bn, and by another 33% in 2026 to USD 480bn.

Investment view

Investors should consider diversified exposure to innovation leaders in AI, power infrastructure, and longevity. We see value in select technology, utilities, and health care stocks positioned to benefit from durable, secular growth trends.

Original report - [Can transformational themes overcome tariff risks?, 19 May 2025.](#)

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