Invest in transformational innovation

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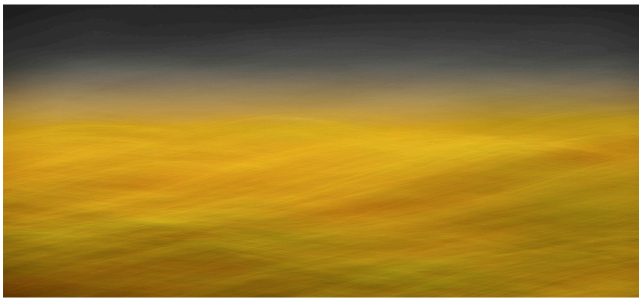
- **Why?** 1) Innovation remains a key driver of long-term equity performance and an important feature of enduring market leaders. 2) Structural shifts in AI, energy infrastructure, and health care are expanding global profit pools and reshaping industries. 3) We expect our TRIO themes to offer durable, secular growth that we believe can persist well beyond short-term market volatility.
- **Why now?** 1) AI capex reached roughly USD 420 billion last year, and is on track for USD 570 billion in 2026. 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) Products that expand healthy lifespans (areas like obesity, oncology, and medical devices) can drive above-average growth for exposed companies.



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

Video: Invest in transformational innovation: AI, power and resources, & longevity

Artificial intelligence

Our AI investment framework divides the artificial intelligence (AI) ecosystem into three distinct layers: enabling, intelligence, and application.

The enabling layer comprises the core infrastructure and foundational technologies that power AI, including semiconductors, cloud computing, networking equipment, and specialized hardware. We expect demand for advanced chips and high-performance computing to benefit such firms.

The intelligence layer covers the software, algorithms, and data platforms that enable AI systems to learn, reason, and generate insights. This includes AI model developers, data management firms, and providers of machine-learning tools. Monetizing innovation remains a challenge for pure-play AI software firms. However, we believe companies embedding AI into workflows or offering scalable platforms are well positioned for growth.

The application layer consists of end-user products and services that leverage AI to deliver value. We expect the broadest impact and fastest growth here over the next three years, as AI shifts from experimentation to deployment and as consumer adoption rises. Adoption rates among US businesses have jumped, according to the Ramp AI index—nearly 45% of US companies now have paid subscriptions to AI models, platforms, and tools, up from around 25% at the start of last year. We continue to monitor companies that can demonstrate clear productivity gains, cost savings, or new revenue streams from their tools. A Microsoft-commissioned IDC study finds that early adopters of AI at the application layer are generating around USD 3.70 in returns for every USD 1 invested.

We see further upside in AI-linked stocks—a core driver for our positive equity market view—albeit with market leadership likely transitioning away from the enabling layer increasingly toward applications. Investors heavily concentrated in AI enabling layer stocks should therefore consider spreading exposure. Overall, a diversified approach across the layers should allow investors to benefit from

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further investment in core infrastructure, as well as from software innovation and real-world adoption, while reducing exposure to any single segment's volatility.

Power and resources

Rapid AI adoption is driving US electricity demand higher, with data centers projected to add as much power demand as Sweden currently consumes per year by 2030. Data centers could account for up to 9% of total US electricity use by 2035 (compared to around 4% today), and the EIA expects wholesale power prices to be 23% higher on average in 2025 than in 2024. While AI is a key driver, significant growth in the pipeline of megaprojects should also add to broader electricity demand growth in the coming years.

Policy support for clean energy remains robust in the EU and China, with the EU Green Deal and China's Five Year Plan channeling hundreds of billions into grid modernization. In the US, selected provisions of the Inflation Reduction Act remain, but the Bipartisan Infrastructure Law and the OBBB Act have superseded many elements, making policy support more mixed and subject to ongoing legislative changes.

The power and resources sector is attracting strategic investor focus as higher demand drives new capital investment across the electricity value chain. Global grid investment likely reached around USD 500bn in 2026. For this year, we maintain high conviction in the data center supply chain and see the potential for a recovery in economically sensitive end-markets. Supportive factors include likely declines in financing rates, US tax incentives, and increased fiscal support in Europe.
Over the long term, demand for new technologies such as AI-driven grid management and modular nuclear reactors is expected to rise, though small modular reactors are unlikely to be a material revenue driver before the mid-2030s.

Meanwhile, a tightening supply of raw materials is both a challenge and an opportunity. For example, we expect copper demand to rise by close to 3%, likely pushing prices above USD 13,000/mt in 2026 as the market deficit expands to 87,000 metric tons (from 53,000 metric tons in 2025).
Our preferred investment approach emphasizes regional and sectoral diversification as the power and resources value chain evolves. While our theme was initially concentrated on data-center-linked electrical equipment, we have broadened it to include companies supporting grid modernization and supplying critical raw minerals.

Longevity

As technology and infrastructure reshape the way we live and work, we believe another powerful force is emerging at the intersection of demographics and innovation: the longevity opportunity that helps people live longer, healthier lives.

By 2030, we estimate that annual revenues in the global longevity market could reach USD 8tr, up from USD 5.3tr in 2023, with health care alone representing a USD 2.2tr opportunity. We see particularly strong potential growth in the obesity, oncology, and medical device markets.
For global obesity drugs (GLP-1s), we expect producers to grow revenues at around 12% CAGR through 2030, driven by rapid adoption given clinical benefits (with delivered 15-22% weight loss in trials and reduced cardiovascular/kidney risks) and expanding insurance coverage.

The anticipated launch of oral GLP-1 drugs in 2026 is set to broaden patient access and accelerate market growth, making obesity management a central pillar of the longevity opportunity.

We expect oncology pharma to grow at an 8% CAGR by 2030. Aging demographics and earlier diagnoses underpin robust demand. Next year will also see potentially pivotal clinical readouts in certain types of antibody treatments, antibody-drug conjugates (ADCs), and oral SERDs (Selective Estrogen Receptor Degraders, a class of drugs used to treat breast cancer).

We also anticipate medical devices, especially diabetes and surgical devices, will grow revenues at mid- to high-single-digit rates. Advances in continuous glucose monitoring (CGM) and minimally invasive surgery should support strong demand.

We favor a diversified approach across sectors poised to benefit from demographic shifts. Health care stands out as a primary driver of longevity, given its essential role in serving an ageing population. Other segments—such as consumer markets, financial services, and real estate—also present opportunities, though some are still adapting their business models to address the needs of this expanding demographic.

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Neutral – We do not expect outsized returns or losses. Hold longer-term exposure.
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Least attractive – We consider this asset class to be among the least attractive. Seek more favorable alternative opportunities.

Appendix

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