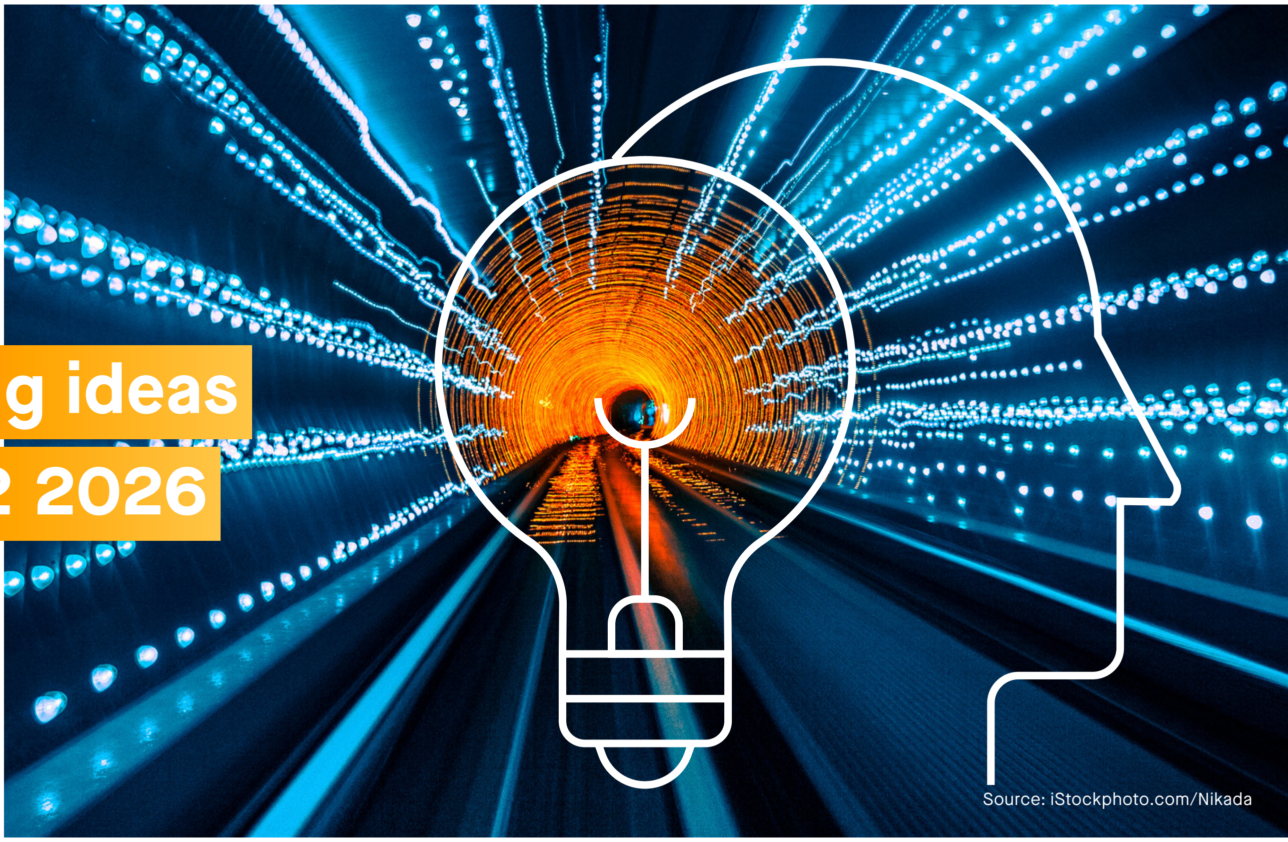
Our big ideas for H2 2026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Two things are true in 2026: innovation is advancing at an unprecedented pace, and the cost of deploying new technologies is falling rapidly.

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Drug discovery, which once took years, can now be accelerated into months. Launch costs have declined dramatically, while automation is expanding across nearly every industry, reshaping how businesses operate and create value. At the same time, key constraints are becoming more pressing: power, critical materials, arable land, and grid capacity. Our twelve investment ideas focus on the opportunities created where rapid innovation meets these real-world constraints.

Idea #1

Global robotics and automation: AI advances are making automation a global strategic priority

Robotics and automation remain one of the strongest long-term growth themes in global equities, underpinned by persistent labour shortages, rising wages, and rapid advances in AI. The best way to capture the theme is through diversified exposure across the value chain, spanning industrial robotics, logistics, surgical systems, sensing technologies, and intelligent software. Falling AI costs, combined with government backing across the US, Europe, and China, are accelerating adoption into higher-margin applications. US and European manufacturing PMIs have moved back above 50 after three years in contraction, reviving the capex cycle that drives automation demand. Principal risks include geopolitical tensions disrupting US-China supply chains, semiconductor shortages, and longer-than-expected timelines for AI commercialisation in robotics.

Idea #2

Space: A long-term theme gaining momentum

The space economy is projected to triple to USD 1.8tn over the next decade, driven by growing commercial use of satellite infrastructure and emerging opportunities in space-based data centres as an alternative to earth-based AI infrastructure. Commercial operators are becoming increasingly cost-efficient: SpaceX has reduced launch costs through reusable rockets, lowering refurbishment costs to approximately USD 10mn versus USD 100mn for new rockets. The key risks include significant concentration risk given dependence on a small number of dominant players, regulatory hurdles, launch failures, and higher-than-expected refurbishment costs.

Idea #3

Digital infrastructure: AI is driving a multi-year buildout of critical digital infrastructure

Digital infrastructure has become the backbone of the AI economy. Surging demand for compute capacity, combined with power and grid constraints, is creating a multi-year buildout cycle supported by accelerating hyperscale capex expected to grow materially through 2030. High barriers to entry, strong occupancy, and long-term leasing provide significant pricing power, while governments prioritising sovereign AI infrastructure add further tailwinds. With US interconnection queues now running four to seven years, incumbents holding powered sites own capacity that new entrants cannot replicate. Principal risks lie in higher interest rates pressuring data centre REIT valuations, and advances in computing architecture or a shift toward edge computing reducing demand for traditional large-scale facilities.

Idea #4

Chinese innovation: A national strategy to lead in future industries

China's 15th Five-Year Plan commits around USD 2tn to key strategic industries. Strong investment is expected across semiconductors and AI, advanced manufacturing and automation including humanoid robotics, green technology, healthcare and drug development, and urban air mobility, all underpinned by large domestic market scale, strong policy support, and a focus on innovation. Principal risks are US export controls on semiconductors, regulatory unpredictability, overcapacity risk from state-led investment, and weak domestic consumer confidence.

Idea #5

Agricultural commodities: Structural scarcity in agriculture

Agricultural commodities are worth close attention in 2026. Disruptions across the Middle East are constraining fertiliser shipments through the Strait of Hormuz, elevated gas prices are pushing production costs higher, and farmers are scaling back application rates in response. As fertiliser costs climb and supply tightens, yields come under pressure across corn, wheat, soybeans, coffee, and cotton. Climate stress, shrinking arable land, and water shortages point to a structural rather than temporary squeeze. Within a portfolio, agricultural commodities offer inflation protection, low correlation to stocks and bonds, and a valuation that appears underpriced relative to the constraints at play.

Idea #6

The new age of energy: Strategic materials in the electrification era

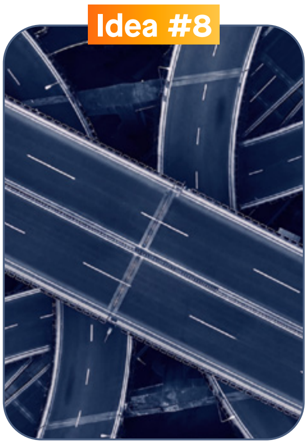
Electrification is set to transform energy and materials demand over the next several decades. US data centres alone are expected to triple electricity consumption by 2030, from around 220 to 600 TWh. Against this backdrop, nuclear emerges as the only viable means of keeping the grid reliable and low-carbon at scale. Copper faces already tight supply, and rare earths represent a strategic constraint without which advanced technology cannot be built. Governments are treating these materials as national security issues, managing access through export controls and strategic stockpiles, creating a demand floor that responds far less to price than in the past. Risks include gains in computing efficiency tempering power demand, new mine supply weakening the scarcity narrative, and nuclear and grid projects stalling amid permitting delays.

Idea #7

Biotechnology: Real innovation meets big pharma desperation

Biotech is carrying real momentum. Innovation is materialising across oncology, genetic diseases, psychiatry, and obesity treatments, generating revenue and expanding margins today. AI is reshaping the fundamental economics of the sector: drug discovery could be compressed from years to months, success rates are improving, and R&D costs per asset are falling. This matters at a moment when big pharma faces a USD 300bn patent cliff between 2025 and 2030, driving aggressive acquisition of smaller biotech companies. The political backdrop has also turned more favourable, with drug pricing pressure easing and the FDA accelerating approvals. Risks include renewed pressure on drug pricing, the return of tariffs, or disruption at the FDA undermining revenue visibility.

Idea #8



HALO (Heavy assets, low obsolescence): owning the assets AI cannot replace

HALO offers a way to think about companies that AI is unlikely to render obsolete. Their value resides in physical assets and infrastructure that cannot be replicated by software, spanning energy, utilities, transportation networks, industrial facilities, and natural-resource assets. These businesses are defined by long asset lives, enormous replacement costs, and demand that does not disappear. They can deploy AI to operate more efficiently while retaining ownership of the critical real-world infrastructure that constitutes barriers to entry algorithms cannot overcome. Within a portfolio, HALO assets offer a competitive advantage that rests not on owning the best software, but on owning the asset and executing well operationally. Risks include regulatory changes squeezing utility returns and higher interest rates compressing infrastructure valuations.

European mid-cap equities: Europe's overlooked engine of growth

European mid-cap equities are strongly exposed to the domestic economy and should benefit from EU fiscal stimulus, a recovery in manufacturing activity, and improving credit growth. Germany's infrastructure and defence spending programmes provide additional support, and mid-caps tend to have stronger sensitivity to an economic upturn than large caps. Their higher share of domestic revenues also offers some protection from US tariffs. Valuations support the argument: European mid-caps trade at around 15 times forward earnings with expected earnings growth of around 15% compared with 12% for large caps, meaning investors can access higher growth without paying a premium. Main risks are sustained energy price increases and a stronger euro reducing export competitiveness.

US small and mid-cap dividend growers: Where earnings growth meets reliable income

US small and mid-cap dividend growers offer exposure to high-quality domestic companies well positioned to benefit from a broadening of US earnings growth. Steady dividend growth acts as a signal of quality, reflecting strong cash generation, solid balance sheets, and sustained earnings momentum. SMID-cap dividend growers still trade at a meaningful discount to large caps despite similar growth prospects, creating potential for a valuation re-rating. The main risk is an earnings downturn or slowdown in US growth weakening corporate cash flows and putting pressure on dividend sustainability.

Short-duration high yield: A defensive way to earn carry

Short-duration high yield targets sub-investment grade corporate bonds with maturities of one to five years, allowing investors to capture attractive credit carry while keeping interest rate sensitivity limited. The income appeal is supported by persistently elevated yield levels, still high relative to historical norms. Default expectations remain contained, and a large share of the market is rated BB, the highest tier of the high-yield universe, suggesting stronger average credit quality than is often assumed. The short duration profile further improves the risk-reward balance by reducing exposure to interest rate volatility. The main risks are widening credit spreads, rising defaults in a weaker growth environment, and refinancing pressure if market conditions tighten.

Cat bonds: Uncorrelated income by design

Cat bonds are insurance-linked securities that transfer extreme natural disaster risk to capital markets, providing investors with a floating return combining an insurance risk premium and a collateral yield. Their relatively short maturities and active secondary market make them a scalable and transparent source of returns largely uncorrelated with traditional financial assets. The investment case is supported by a global insurance protection gap sustaining strong demand for risk transfer, attractive risk-adjusted spreads, and a return profile in which drawdowns are driven by discrete events that can be repriced over time rather than resulting in permanent capital loss. Main risks include catastrophe clustering leading to simultaneous losses, model risk in catastrophe pricing, liquidity stress following major events, and lower interest rates reducing collateral yield.

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