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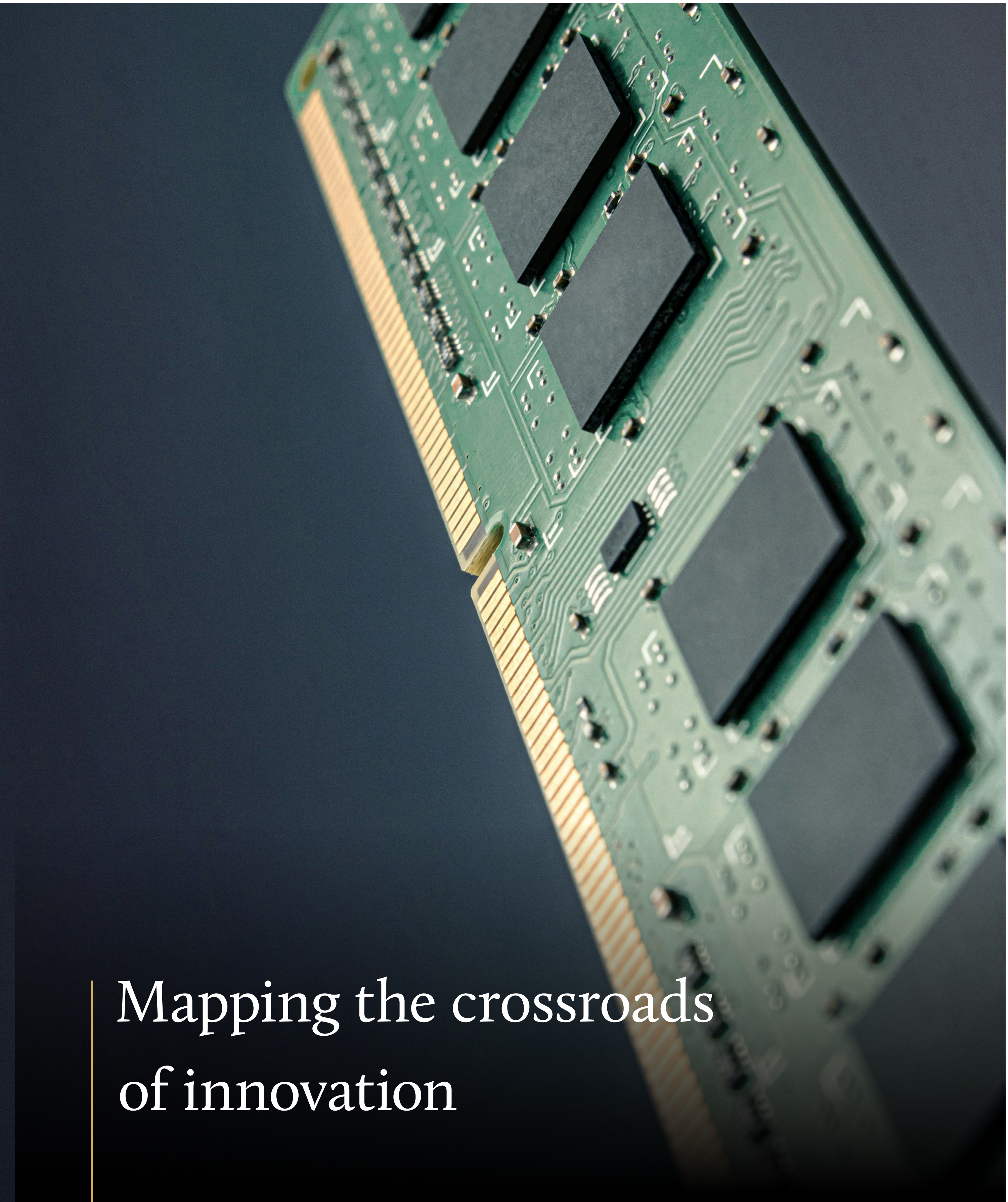

Mapping the crossroads of innovation

THEMATIC INVESTMENTS

Q4 2025

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Looking back on our thematic investments

This report offers an in-depth analysis of the performance of our Thematic Investments offering, providing investors with valuable insights into the key drivers shaping each of them. By examining the broader market trends alongside sector-specific developments, it also delivers a forward-looking perspective on potential growth opportunities in the coming quarter.

The fourth quarter of 2025 unfolded under a shifting mix of macro forces and thematic currents. Global growth remained steady, supported by benign inflation reports and front-loaded AI investment, while geopolitical risk persisted amid tentative progress towards a Ukraine–Russia peace framework that remains unresolved. The Federal Reserve delivered its third consecutive rate cut, bringing policy rates to 3.50–3.75%, but signaled a data-dependent path ahead as speculation over a new Fed chair added uncertainty to the outlook.

Equity markets extended gains in the final quarter of 2025 propelled by resilient corporate earnings, easing policy, and the AI investment cycle, but concerns over valuation, concentration risk, and diminished breadth prompted strategists to advise selective diversification beyond mega-cap tech. We saw this narrative of a broadening of market participation and rotation away from some speculative AI plays especially towardss the end of Q4-2025.

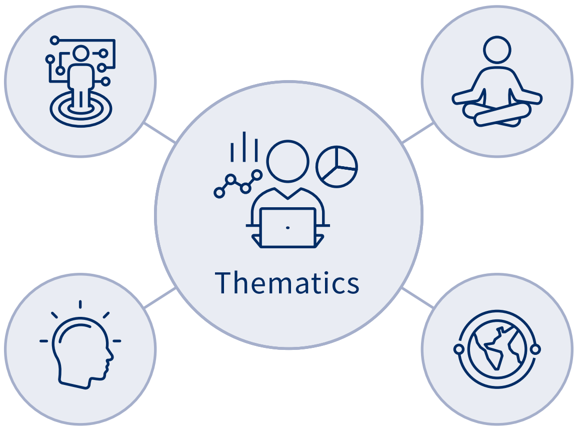
Looking ahead to 2026, the outlook for thematic investments appears constructive. Easing monetary conditions, improving market breadth, and accelerating capital allocation towards transformative sectors such as AI, sustainability, and health innovation provide a favorable backdrop. These trends, combined with potential geopolitical stabilisation efforts and a gradual normalisation of policy, reinforce our conviction that our four thematic pillars remain well-positioned to capture opportunities in 2026.

DIGITAL FRONTIERS

- ARTIFICIAL INTELLIGENCE
- DATA CENTRES
- CYBERSECURITY
- THE CLOUD
- INDUSTRY 5.0
- BLOCKCHAIN

THE FUTURE OF BODY & MIND

- HEALTH, WEIGHT LOSS AND WELLNESS
- SILVER ECONOMY

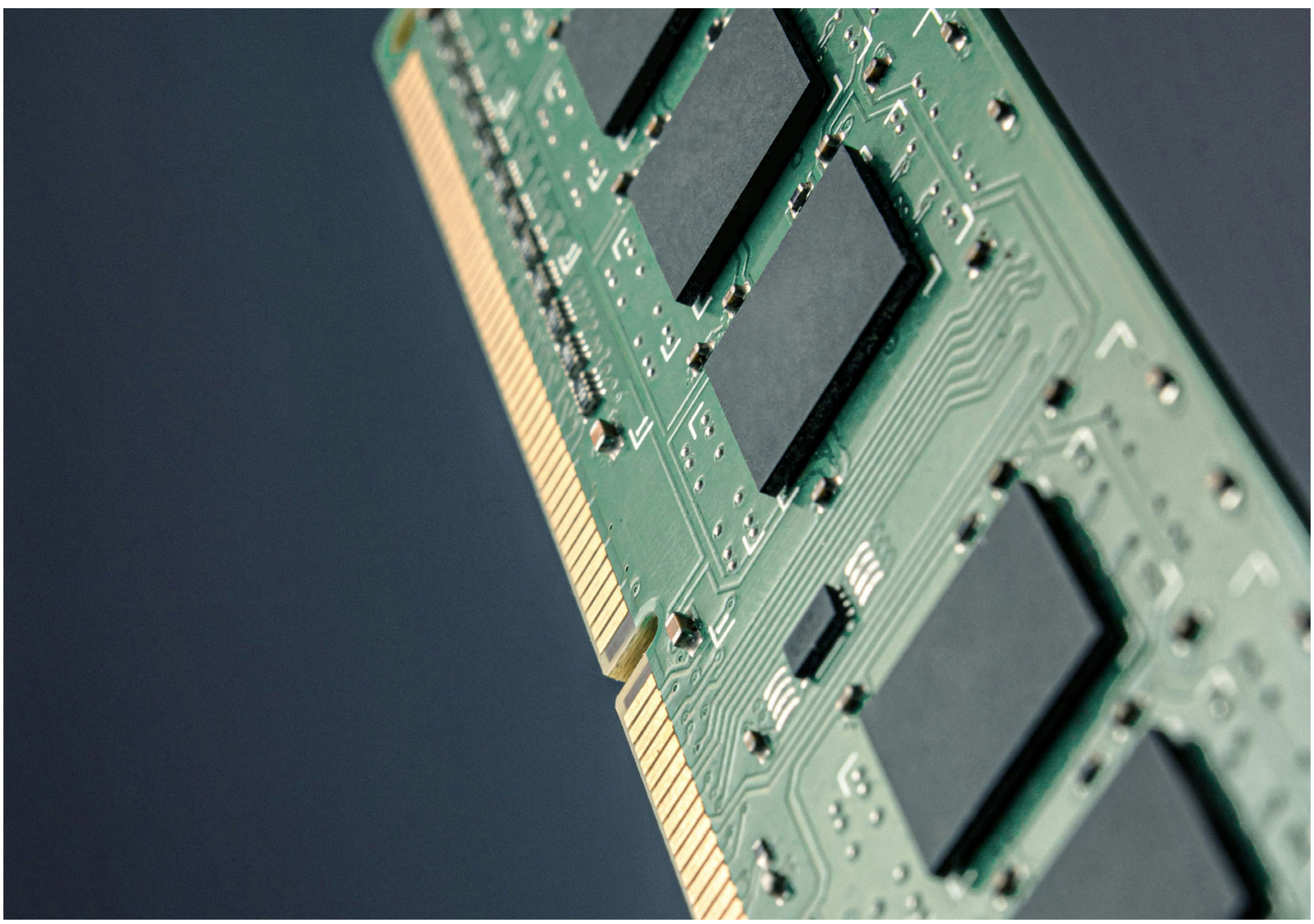


ENTERTAINMENT & LIFESTYLE

- SOCIAL AND INTELLIGENT COMMERCE
- STREAMING AND INTERACTIVE ENTERTAINMENT
- SPORTS, TRAVEL AND EXPERIENCE

SUSTAINABILITY

- BLUE GOLD
- ENVIRONMENTAL INVESTING



Key trends at the heart of our thematic investments

Over the next decade, we expect society to undergo profound transformation driven by multiple developments including technological advancements. Our four thematic investment categories – Digital Frontiers, The Future of Body & Mind, Entertainment & Lifestyle, and Sustainability – are designed to capture the value creation emerging from these shifts, offering differentiated opportunities for long-term growth. As this evolution unfolds, we remain mindful of potential divergences and challenges, shaped by demographic transitions, technological disruption, and an increasingly complex geopolitical environment.

DIGITAL FRONTIERS

Infrastructure and Innovation: Building the backbone for AI and digital transformation

Accelerating AI adoption continues to drive demand for compute power and specialised hardware, reinforcing the importance of infrastructure providers. Data centre expansion remains robust, supporting growth in power, cooling, and automation equipment, though elevated expectations and cost pressures warrant selectivity. Hyperscalers lead the AI race with record capex, but investor focus is shifting towards monetisation and capital efficiency.

Cybersecurity emerges as a critical growth pillar amid escalating AI-driven threats and regulatory scrutiny, despite near-term valuation headwinds. Industry 5.0 advances highlight the convergence of AI, robotics, and human-centric automation, creating opportunities in industrial technology and semiconductor ecosystems. Blockchain adoption progresses through tokenisation and stablecoin integration, even as crypto market volatility persists.

Overall, these trends reinforce long-term opportunities across AI infrastructure, cloud platforms, cybersecurity, and digital transformation, with efficiency and scalability as key differentiators for investors.

ENTERTAINMENT & LIFESTYLE

AI-Powered Commerce and Content: Innovation meets uneven momentum

The Entertainment & Lifestyle landscape is being reshaped by two powerful forces: intelligent commerce and immersive content. Social shopping is surging in Western markets, fueled by AI-driven personalisation, voice-enabled transactions, and seamless integration of commerce into social platforms, blurring the lines between engagement and purchase. Meanwhile, streaming and gaming are converging as platforms seek deeper consumer immersion, with blockbuster deals signaling a race to secure premium IP and interactive experiences. Yet, this innovation wave faces uneven momentum globally: regulatory tightening and macroeconomic softness in China temper growth, while rising infrastructure costs and competitive pressures challenge profitability in gaming and hardware. Overall, the sector reflects a dynamic balance of disruption and adaptation, as companies pivot towards AI, personalisation, and experiential ecosystems to capture evolving consumer expectations.

THE FUTURE OF BODY & MIND

Science-Driven Wellness and Beauty: A convergence accelerating growth

The Future of Body & Mind is being reshaped by the fusion of health, beauty, and clinically proven solutions. Demand for advanced skincare and minimally invasive aesthetics is surging, driven by consumers prioritising confidence and longevity. At the same time, breakthroughs in weight management therapies are redefining wellness, creating ripple effects across lifestyle sectors. These trends highlight a powerful shift towards science-backed innovation, where health and beauty intersect to meet evolving expectations for efficacy, personalisation, and holistic well-being. While growth prospects remain strong, the sector faces growing pains, from supply constraints to competitive pressures, underscoring the need for strategic agility in this rapidly transforming landscape.

SUSTAINABILITY

Water and Decarbonisation: Structural strength amid investor caution

Sustainability themes continue to show long-term resilience, even as near-term investor sentiment remains uneven. Water infrastructure and reuse projects are gaining momentum globally, supported by regulatory clarity, innovation in desalination, and corporate initiatives to offset consumption. Institutional capital is flowing steadily into large-scale projects, underscoring confidence in water as a critical resource, while retail participation lags, leaving thematic ETFs under pressure. In parallel, decarbonisation efforts are accelerating through grid modernisation, renewable integration, and strategic partnerships tied to surging energy demand from digital infrastructure. Policy support and corporate commitments reinforce structural growth, but selective valuations and affordability concerns highlight the need for disciplined capital allocation. Overall, sustainability remains a story of strong fundamentals tempered by cautious flows, as investors balance long-term imperatives with short-term market dynamics.

01

Digital frontiers

Artificial Intelligence

The pick-and-shovels play

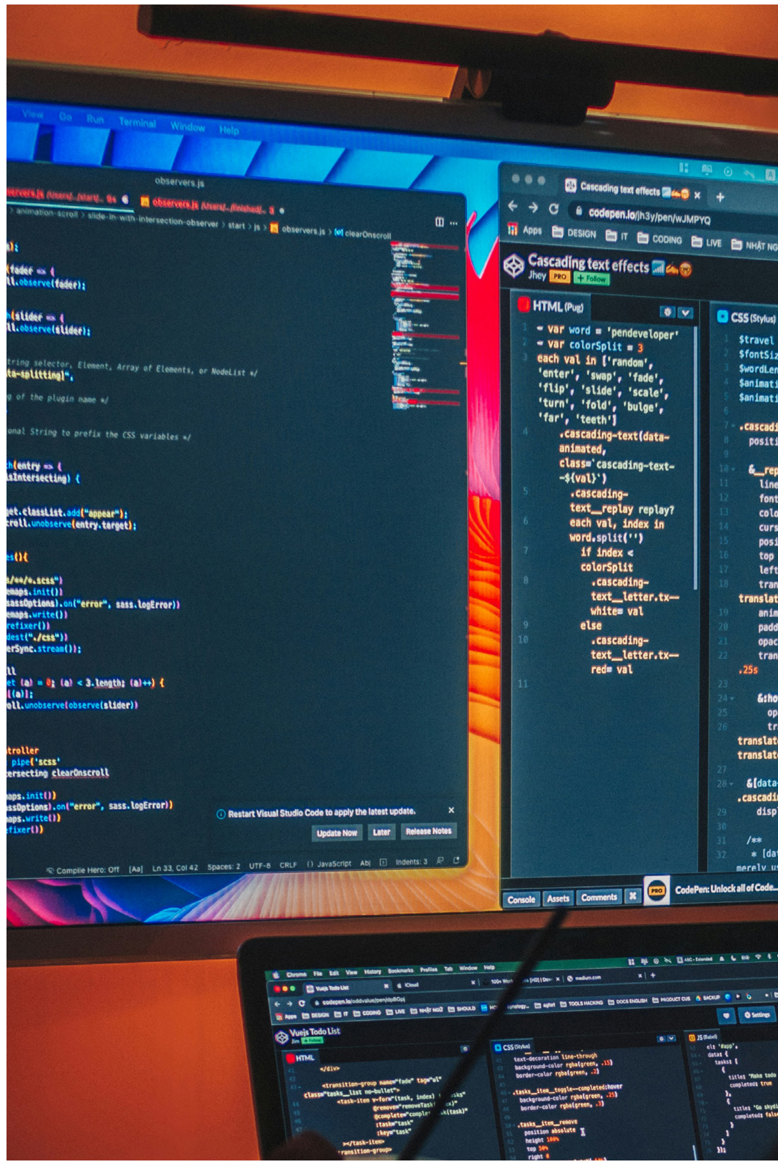
The fourth quarter of 2025 reflected an ongoing debate over whether the main winners of the AI boom so far, the so-called “pick-and-shovel” companies will remain the winners going forward. "Pick-and-shovel" companies refer to hardware and design suppliers powering AI infrastructure. Spending by big tech remained strong but is shifting towards efficiency and custom chips. Overall, fundamentals appear robust, but latent vulnerabilities, such as increased capital discipline among hyperscalers, intensifying competition in certain areas, and a reality check on valuations, are testing investors. Another major factor in the space is the China factor: the country's strategic initiatives in Q4 2025 significantly accelerated the AI sector by boosting state-backed investment in industrial AI deployment (such as “dark factories”), piloting modular governance frameworks, and achieving hardware strides, pushing China’s core AI industry past CN¥1 trillion.

Nvidia remains the backbone of AI computing, reporting another record quarter and introducing its Rubin architecture for 2026, which promises better energy efficiency and faster networking for large AI clusters. AMD gained traction with its MI300X GPUs, shipping under multi-year deals with OpenAI and Microsoft, thereby strengthening its position in AI.

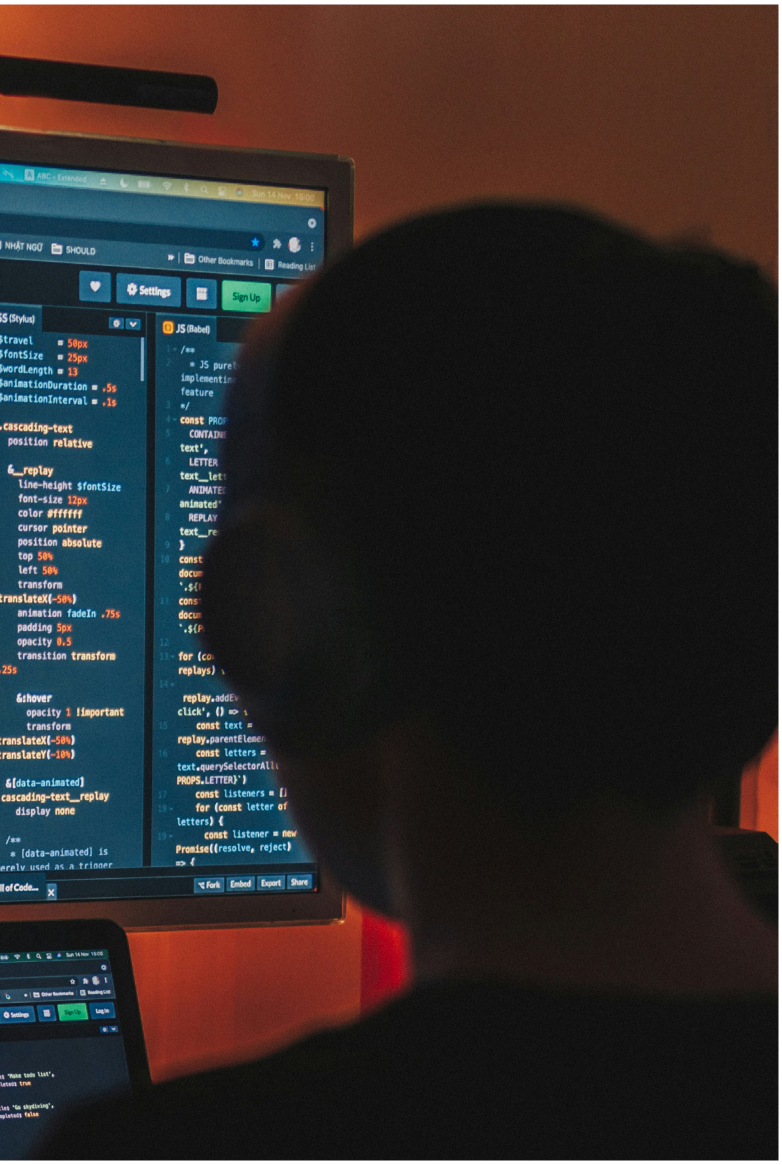
Broadcom gained further prominence as it is seen as central to the industry’s move towards specialised chips. Cloud providers increasingly want ASICs, custom chips that run AI workloads faster and more efficiently. Broadcom secured major orders and new clients, and demand from Google is expected to surge in 2026. The company delivered strong results with better-than-expected revenue, AI sales, and a record backlog. However, shares dipped after hours, primarily because guidance sounded cautious and expectations were very high following a significant rally into December. Management emphasised that the USD73 bn AI backlog represents a floor and should continue to grow. Despite short-term volatility, the outlook remains encouraging, as Broadcom is well positioned to benefit from accelerating AI demand into 2026 and beyond.

On the manufacturing side, TSMC reported that AI chips now account for more than 60% of its advanced production, and it expects strong growth to continue. ASML booked solid orders and is set to benefit as memory makers such as SK Hynix, Samsung, and Micron expand capacity for memory-chip products in response to record pricing.

Overall, these companies, including Nvidia, AMD, Broadcom, TSMC, ASML, and Cadence, are direct beneficiaries of AI



infrastructure spending, supported by strong revenue growth, healthy or improving margins, and robust free cash flow generation. The main uncertainty is whether cloud providers can sustain this level of investment, but near-term visibility remains high and supportive. Competition is also intensifying as large tech firms develop their own custom chips, making efficiency a top priority and reinforcing the importance of suppliers like Broadcom.



Data centres

Sustained datacentre buildout momentum remains intact, but investor expectations are high

Q4 2025 confirmed resilient demand for datacentre infrastructure, although elevated expectations limited upside surprises. Investment is expanding beyond core areas such as power, cooling, and connectivity into newer categories including power distribution and AI servers. Performance was mixed, with Caterpillar emerging as the clear standout due to strong execution and order momentum, while others lagged for various reasons.

Dell shares have been subdued as investors increasingly focus on the impact of surging memory prices, a key cost input for servers, which could squeeze margins and potentially slow AI server adoption, despite the company demonstrating improving profitability and raising long-term growth targets in its Q3 2025 results. Caterpillar stood out, being fully sold out of gas turbines for datacentres, reflecting robust demand for backup power solutions and underscoring its strong market position with limited competition. Eaton's backlog remains healthy, but a revenue miss and cautious tone weighed on sentiment. Schneider posted solid growth but guided towards the lower end of its revenue range, disappointing investors. Legrand saw the sharpest quarterly decline due to weakness in its broader portfolio outside datacentres; roughly 75% of its revenue tied to commercial buildings offset datacentre strength. However, our checks confirm that the datacentre growth narrative remains intact, supported by its whitespace portfolio (racks, PDUs, cabling) and strong demand trends in Europe and North America.

While near-term volatility and project timing create noise, fundamentals appear intact. Some analysts argue that datacentre capital expenditures could rise another 50% next year, which could benefit hardware plays across the semiconductor value chain. Hyperscalers and colocation providers continue to race to add capacity, and previously delayed whitespace investments are accelerating sharply. We expect healthy growth across power, cooling, and automation equipment as AI infrastructure scales globally, though we note more challenging comparables following a strong 2025. Importantly, innovation in the sector continues and stands to influence data centre growth: in October, Nvidia announced its Vera Rubin platform featuring liquid-cooled rack systems optimised for warmer "free-cooling" methods, which reduces reliance on traditional chillers and improves energy and water efficiency. This is critical for AI data centres because high-performance GPUs generate enormous heat, and efficient cooling enables denser deployments, lower operational costs, and sustainable scaling for large AI workloads.

DEEP DIVE

Data centres

Cybersecurity

AI security accelerates as threat landscape intensifies and valuations weigh on sector

The cybersecurity sector entered late 2025 with strong technological momentum but increasing market pressure. AI-native startups, including 7AI, Clover Security, Cynomi, Descope, and Mitiga, secured major funding rounds and launched tools aimed at automating alert triage, developer security, hiring Virtual Chief Information Security Officers (vCISOs), and AI-agent identity management. Their rapid growth highlights rising demand for autonomous security capabilities.

This innovation came amid record-breaking data breaches, with attacks increasingly targeting mid-sized firms, healthcare systems, utilities, and service providers. Ransomware groups shifted towards pure extortion, exfiltrating sensitive data and disrupting backup systems to force payments. Supply-chain compromise also remained a central risk, as attackers leveraged third-party vendors and managed service providers to move laterally into corporate networks.

At the same time, persistent skills shortages strained security teams: 88% of cybersecurity professionals reported staffing gaps, while most sought AI-related upskilling to address evolving threats.

Despite strong demand, cybersecurity stocks underperformed in Q4. A broad rotation from high-growth software into value sectors pressured valuations, while cautious guidance and softer execution from several vendors weighed further on sentiment. Overpaid M&A concerns, one-time expenses, slower customer expansion, and temporary margin pressure created additional stock-specific headwinds.

Palo Alto Networks continued to dominate headlines following its USD25 bn acquisition of CyberArk, a transformative deal that is expected to close in the first half of 2026. While investors balked at the steep valuation and pushed the stock lower, analysts stressed that integrating identity security meaningfully strengthens Palo Alto's already comprehensive end-to-end security platform.

CrowdStrike also delivered a strong quarter, posting record revenue, rising annual recurring revenue, and robust free cash flow. However, despite the solid operational performance, the market reacted cautiously. A temporary GAAP net loss tied to one-time expenses, softer-than-usual upsell activity, and heavier investment into new initiatives weighed on the share price.

Zscaler reported another solid period, with healthy growth and record operating margins fueled by accelerating adoption of AI-driven security and Zero-Trust solutions. Even so, a modest dip in gross margins, stemming from a lower-margin government deployment, and guidance that pointed to more back-half-loaded growth in FY26 left investors measured in their response.

Fortinet showcased ongoing product enhancements and continued momentum in operational-technology security, an area of increasing strategic importance. Yet the company faced its own headwinds: muted guidance, the slowest service-revenue growth in a decade, and concerns tied to a newly disclosed FortiCloud Single Sign-On (SSO) vulnerability collectively dampened sentiment.

Overall, cybersecurity remains a structurally strong sector, supported by AI adoption, rising attack volumes, and regulatory pressure, but elevated valuations and mixed execution have made investors increasingly selective. The long-term growth trajectory remains intact, even as near-term sentiment proves more volatile.

DEEP DIVE

Cybersecurity

The Cloud

A clear winner in Q4-2025

The fourth quarter of 2025 confirmed that hyperscalers remain at the centre of the AI infrastructure race, but investor sentiment has become increasingly selective—in fact, Alphabet was the only hyperscaler to impress investors in Q4-2025. Overall, hyperscalers continued to spend aggressively on compute capacity and platform innovation, with record capex across the board as firms move further into the deployment phase. Investors, however, are increasingly questioning the speed of monetisation, returns, and efficiency of capital spending.

Oracle remained in the spotlight after its stock fell when quarterly results revealed ballooning off-balance-sheet lease commitments (now USD250 bn) and a mismatch between longer-duration lease obligations and much shorter OpenAI contracts. This raised concerns about flexibility, execution risk, and long-term economics. As such, we see Oracle as a higher-risk, more capital-intensive "balance-sheet-as-a-service" model and prefer higher-quality names such as Alphabet, Amazon, and Microsoft.

Amazon's AWS showed signs of improvement, and our recent conference discussions and expert conversations reinforce our view that AWS is positioned for a growth re-acceleration in 2026, as enterprise GenAI workloads move from pilots to full-scale deployment. Reports that Amazon may invest USD10 bn in OpenAI at a USD500 bn valuation highlight its strategy to secure long-term cloud commitments and showcase its customised Trainium chips as a viable alternative to traditional GPUs. While the timing raises questions, this move could help AWS lock in demand and reduce supply constraints.

Microsoft delivered another strong quarter for Azure, though the narrative continues to centre on monetisation and OpenAI's roadmap to generate meaningful revenues in the coming years. Overall, we believe Microsoft's diversified enterprise base and ability to backfill AI capacity make it a core long-term winner.

Alphabet was the clear standout. Once considered an AI laggard, Google has transformed from an "ugly duckling" into a "beautiful swan," with full vertical integration and aggregator-level dominance. The latest version of Gemini received strong praise from users and investors, marking a significant improvement over prior versions and showcasing leadership relative to competing ChatGPT models. The new Gemini release has been integrated across Search, Workspace, and Cloud, while Google's TPU infrastructure offers structural cost advantages versus peers reliant on Nvidia GPUs. Combined with near-universal distribution, Google can roll out Gemini to billions of users instantly, potentially commoditising OpenAI's model advantage. We view Google as the most reliable compounder over the next three years.

Despite these operational wins, hyperscaler stocks did not rally as strongly as earlier in the year. Monetisation of GenAI workloads remains back-loaded, and heavy capex continues to weigh on near-term free cash flow and margins. Investors are increasingly focused on return on capital—when spending outpaces revenue capture, valuation multiples tend to stall.

Meanwhile, sentiment towards software names began to improve in December. Salesforce delivered an encouraging update, with more than 5,000 Agentforce deals closed and record operating and free cash flow. Its results and unified AI-and-data platform suggest that 2026 could mark an inflection point. By contrast, ServiceNow fell 12% on reports of a potential USD7 bn Armis acquisition, sparking concerns about funding and strategy, concerns we believe are overstated.

DEEP DIVE

The Cloud

Industry 5.0

AI, robotics, and human-centric automation redefine manufacturing

From September through December 2025, Industry 5.0 developments accelerated across leading industrial technology firms, marking a clear transition from traditional automation towards augmented autonomy and human-centric operations. Siemens reported solid Q4 results, with revenue up 6% to EUR21.4 bn and record free cash flow of EUR5.3 billion, even as orders softened. The company advanced its Industry 5.0 strategy through the rollout of agentic AI within its Xcelerator platform, enabling multi-agent orchestration across factories and driving autonomous task execution under human-guided co-pilots.

Analog Devices delivered a standout quarter, with revenue surging 26% year-on-year to USD3.08 billion, fueled by industrial automation and communications demand. Its high-performance analog technologies remain pivotal for power-efficient computing and robotics, reinforcing ADI's role in enabling AI-driven automation and connectivity. Honeywell, meanwhile, expanded its Industrial Digital Suite with AI-infused modules for proactive cybersecurity and operational technology defense. Its Digital Prime platform now offers real-time simulation capabilities, allowing clients to "test before deploy" and optimise plant throughput, underscoring the shift towards digitally assisted autonomy.

Dassault Systèmes continued to push the boundaries of virtual-physical integration. Building on strong software growth, the company introduced 3D UNIV+RSES, a solution merging multiple virtual twins with AI services to enhance design, manufacturing, and lifecycle efficiency. Executives highlighted the embedding of generative design and companion AI agents within the 3DEXPERIENCE platform as a cornerstone of Industry 5.0 innovation. Infineon Technologies also made headlines, projecting AI server revenue to double within three years and spearheading the EUR70 mn EU-funded AIMS5.0 project. This initiative focuses on sustainable, human-centric factories, with applications ranging from exoskeleton brain interfaces to predictive supply-chain models and edge AI for chip production.

Although typically not classified as a part of this section, Tesla's Q4 developments deserve mention. The company refined hybrid human-robot production at Gigafactory Shanghai, achieving roughly 95% automation and 40-second cycle times, while deploying advanced AI-enabled robots for complex assembly tasks. Tesla also advanced its Optimus humanoid roadmap under "Master Plan 4," positioning robotics as a core growth pillar, and accelerated work on its next-generation AI5 chip, co-developed with TSMC and Samsung, which promises a dramatic leap in compute power and efficiency to support autonomy and robotics.

Collectively, these moves highlight a defining Industry 5.0 trend: the convergence of AI, robotics, and digital ecosystems to create intelligent, sustainable, and human-centric industrial operations.

DEEP DIVE

Industry 5.0

Blockchain

Regulatory clarity meets market volatility amid structural adoption

In the fourth quarter of 2025, blockchain developments reflected a mix of regulatory progress, market volatility, and structural adoption trends. Regulators in the U.S. provided clearer guidance on stablecoin compliance and custody rules, reducing uncertainty for payment networks and institutional players. Meanwhile, jurisdictions such as the EU and Singapore finalised frameworks for tokenised deposits and digital asset custody, paving the way for broader adoption of blockchain-based financial services.

Crypto markets, however, faced significant turbulence. Bitcoin experienced one of its steepest quarterly corrections since 2022, plunging from around USD126,000 in October to the USD81,000–86,000 range by late November, a drop of roughly 35%. This sell-off was driven by macroeconomic risk-off sentiment linked to Federal Reserve policy shifts, as well as leverage unwinds and forced liquidations in decentralised finance. Despite the volatility, key support levels held into December, and inflows into spot Bitcoin ETFs signaled ongoing institutional interest. Coinbase felt the impact of reduced trading volumes during the correction, pressuring near-term revenue, though stablecoin transfers and institutional on-chain activity remained resilient.

Beyond price action, blockchain innovation continued to advance. Tokenisation pilots gained momentum in sectors like real estate and trade finance. At the same time, the rise of Layer-2 scaling solutions, which are built on top of main blockchains (Layer 1) to enable faster and cheaper transactions, and cross-chain interoperability projects drove the development of enterprise-grade applications. Stablecoins dominated transaction volumes, reinforcing their role as the backbone of blockchain-based payments. Traditional payment giants Visa and Mastercard strengthened their strategic pivot towards blockchain rails: Visa reported strong Q4 results and expanded support for stablecoins across multiple blockchains, while Mastercard pursued an acquisition of Zerohash to deepen its stablecoin infrastructure capabilities. These moves, combined with positive analyst sentiment and AI-blockchain synergies, underscored the mainstream integration of crypto-enabled payment systems.

Overall, Q4 2025 was defined by contrasting narratives—short-term crypto market volatility versus long-term infrastructure progress. While Bitcoin's correction highlighted macro-driven risks, the continued embrace of blockchain by global payment leaders and the rise of tokenisation and interoperability projects reaffirmed the technology's structural momentum. Stablecoins and institutional adoption remain central pillars, signaling that blockchain's evolution towards utility and resilience is firmly underway.

DEEP DIVE

Blockchain

Entertainment & lifestyle

Social and Intelligent Commerce

AI-driven personalisation surges as China faces regulatory and macro headwinds

The fourth quarter of 2025 reinforced the strong momentum in social and intelligent commerce, as AI-driven personalisation, voice shopping, and conversational interfaces continued to reshape consumer behavior. U.S. social commerce sales are projected to reach USD115 bn for the year, marking a 15% increase year-on-year, supported by influencer-led marketing, seamless in-app checkout, and deeper integration of e-commerce into AI assistants. Meta emerged as a notable player in this space, leveraging its platforms to embed commerce features within social ecosystems, aligning with the broader trend of blending social engagement and transactional convenience.

In contrast, Chinese internet and e-commerce giants faced headwinds during the quarter. Consumer spending remained subdued despite earlier signs of stabilisation, with retail sales growth slowing in October and November amid property market stress and muted confidence. Alibaba reported modest revenue growth of around 5–7% year-on-year, driven by a 34% surge in cloud services powered by its AI platform QCWEN, but profitability declined sharply due to heavy investment in data centres and consumer subsidies, resulting in negative free cash flow. JD.com delivered stronger top-line growth of nearly 15% year-on-year, supported by logistics and marketing services, yet profitability was pressured by investments in new ventures such as food delivery. Tencent, however, benefited from a friendlier regulatory environment and accelerated monetisation of AI across its social and entertainment ecosystem, with WeChat deepening embedded commerce features to drive engagement and transactions.

Regulatory developments in China added another layer of complexity, as authorities introduced mandatory labeling for AI-generated content, cybersecurity law amendments, and stricter data and fintech standards. While these measures increase compliance requirements, they also provide clearer operating frameworks for tech platforms, signaling a shift towards normalised oversight rather than ad-hoc crackdowns. Overall, Q4 highlighted a divergence between Western markets, where social commerce adoption surged and Meta strengthened its position, and China, where macroeconomic softness and regulatory adjustments tempered growth despite ongoing investment in AI and cloud infrastructure.

Streaming and Interactive Entertainment

Netflix's USD82.7 bn Warner Bros. deal reshapes digital entertainment

The fourth quarter of 2025 was pivotal for the streaming and interactive entertainment sector, dominated by Netflix's landmark acquisition of Warner Bros. for approximately USD82.7 bn. This deal, announced on December 5, would position Netflix as a major force in gaming by bringing Warner Bros. Games and its portfolio of premium IPs, including Batman: Arkham, Mortal Kombat, LEGO titles, and Hogwarts Legacy, under its umbrella. The acquisition accelerates Netflix's evolution from a mobile gaming newcomer into a top-tier gaming contender, granting access to world-class development studios and enabling the company to bundle exclusive titles with its streaming service. While regulatory scrutiny and antitrust reviews are expected to extend the timeline by 12 to 18 months, the strategic rationale is clear: Netflix gains a powerful content engine, cross-sell opportunities with HBO, and a competitive edge in engagement as streaming and gaming converge. Despite investor skepticism over whether this move signals a defensive pivot amid rising competition from platforms like TikTok and YouTube, Netflix's disciplined approach to bidding and its strong fundamentals suggests the deal could be EPS-accretive by year two, with meaningful synergies across streaming and gaming ecosystems.

Meanwhile, Nintendo faced significant headwinds despite robust demand for its new Switch 2 console, which shipped around 10 million units through September. Shares fell nearly 20% in December due to soaring memory prices,, erasing roughly USD14 bn in market value, as soaring memory costs pressured margins. Prices for high-performance memory chips jumped sharply last quarter. DRAM (Dynamic Random-Access Memory), which provides fast, temporary storage for active processes, rose about 41%, mainly because AI data centers need more of it. Meanwhile, NAND flash, a type of non-volatile storage used in devices like SSDs (Solid-State Drives), increased by 8%, squeezing hardware makers' profits close to zero or even into losses. SSDs are storage devices that use NAND flash instead of traditional spinning disks, making them faster and more reliable. These cost dynamics leave Nintendo with difficult choices: absorb margin compression, raise console prices at the risk of dampening demand, or lean more heavily on game and digital revenue streams to offset hardware pressures. The situation underscores a broader competitive shift as Netflix's entry into premium gaming intensifies rivalry in the digital entertainment ecosystem, challenging Nintendo to adapt its strategy amid rising costs and evolving consumer expectations.

Sports, Travel and Experience

From tracks to trips: Experience-driven spending power

The fourth quarter of 2025 was one of the strongest seasonal periods for the Sports, Travel & Experience sector, buoyed by holiday demand and robust consumer spending. Uber stood out with exceptional cash flow generation, reinforcing its valuation appeal even as investor sentiment was clouded by the growing presence of autonomous vehicle competitors. Waymo's rapid expansion into five major U.S. metro areas and its surge to 450,000 paid robotaxi rides per week underscored the long-term threat to ride-hailing economics, while Tesla and Zoox advanced pilot programs in select cities. However, these developments remain early-stage, with regulatory approvals, infrastructure readiness, and safety validation likely to delay full-scale disruption for years. In the meantime, Uber's ability to generate strong free cash flow during peak holiday season highlights its resilience and positions it as a compelling investment despite near-term noise and limited positive catalysts.

In travel, the conversation increasingly revolves around AI-powered trip planning agents from Google, OpenAI, and Expedia, which promise end-to-end itinerary management and dynamic booking capabilities. While these platforms have sparked concerns about the future role of online travel agencies, their real-world penetration remains minimal, with task accuracy estimated at less than 1%. Booking Holdings acknowledged the risk during its Q4 commentary but emphasised its competitive advantages in scale, brand trust, and proprietary data. The company has already launched its own AI trip planner tools and is actively negotiating partnerships with major AI providers to ensure relevance in an evolving landscape. Analysts generally view these threats as longer-term rather than immediate, given the complexity of integrating payments, inventory, and customer service into AI-driven platforms. For now, Booking Holdings continues to benefit from strong seasonal travel trends and consumer confidence, while investing in AI capabilities to future-proof its business.

Sportswear brands also capitalised on experience-driven spending. Nike delivered solid Q4 results, supported by strong demand for performance apparel and direct-to-consumer channels, while continuing to invest in digital engagement and sustainability initiatives to reinforce brand loyalty. On Holdings, which we added to our Sports, Travel and Experience thematic this quarter, and address in a more in-depth highlight in this report, maintained its momentum with double-digit revenue growth. This was fueled by premium positioning and expanding global reach, particularly in running and outdoor categories. Both companies demonstrated resilience amid macro uncertainty, leveraging innovation and brand strength to capture discretionary spending during the holiday season.

Overall, Q4 highlighted a sector balancing innovation and disruption against strong holiday-driven fundamentals. Uber's cash flow strength, Booking Holding's proactive AI strategy, and the robust performance of Nike and On Holdings underscore that, despite emerging risks from autonomy and intelligent agents, leading players remain well-positioned in the near term, with compelling valuations and strategic levers to navigate future challenges.

03

The future of body & mind

Health, Weight Loss and Wellness

Growth with growing pains

The Weight Loss, Wellness, and Skincare sector closed 2025 with major strategic moves and competitive shifts that underscore the convergence of health, beauty, and science-backed solutions. L'Oréal made a decisive statement by increasing its stake in Galderma, the Swiss-based dermatology leader, signaling its ambition to dominate the premium skincare and medical aesthetics market. This investment strengthens L'Oréal's foothold in high-growth categories such as injectables, fillers, and prescription skincare, areas that are increasingly appealing to consumers seeking clinically proven results. Galderma itself continues to gain traction globally, leveraging its strong portfolio in dermatology and aesthetics to capitalise on rising demand for minimally invasive treatments and advanced skincare solutions. Analysts view L'Oréal's deeper involvement as a strategic pivot towards science-driven beauty, positioning the company to capture synergies between consumer skincare and professional aesthetics.

In the weight loss segment, Eli Lilly extended its lead over Novo Nordisk, driven by the runaway success of its GLP-1 therapies for obesity and diabetes. Lilly's ability to scale production and maintain supply reliability has been a critical differentiator, allowing it to meet surging global demand while Novo grapples with capacity constraints and competitive pricing pressures. Lilly's pipeline strength and aggressive investment in manufacturing infrastructure reinforce expectations that it will remain the dominant player in this transformative category well into 2026. The weight loss drug market continues to reshape consumer health priorities, creating ripple effects across wellness and lifestyle sectors as demand for effective obesity treatments accelerates.

Overall, the quarter highlighted a powerful convergence of wellness and beauty trends. L'Oréal's increased stake in Galderma reflects the growing importance of dermatology and aesthetics in the beauty ecosystem, while Eli Lilly's leadership in obesity treatment cements its role as a key driver of the global wellness revolution. Galderma's strong positioning in medical aesthetics complements these dynamics, underscoring how science-backed solutions are redefining consumer expectations across skincare and health. With strategic investments and innovation at the forefront, this sector is poised for continued growth as companies align with evolving consumer priorities in health, confidence, and longevity.

Silver Economy

Sonova faces strategic crossroads amid market skepticism and portfolio debate

This sector has been relatively quiet during the fourth quarter of 2025, but there have been some developments for Sonova, one of the global market leaders in HI (Hearing Instruments), AC (Audiological Care, retail), CI (Cochlear Implants), and CH (Consumer Hearing, Headphones/consumer).

Sonova closed Q4 2025 as a hotly debated MedTech name, with investors split between skepticism and optimism. Bears cite hearing market challenges, rising tech competition, and concerns over Consumer Hearing and Cochlear Implants diluting quality. Consensus sees FY25/26 results missing forecasts, and Sonova's 19x forward P/E versus Demant's 15x looks vulnerable. Bulls argue Sonova is growing twice the market rate, with new leadership accelerating innovation and regional simplification, plus early wins from products like Infinio Sphere and Virto R Infinio. A key catalyst could be portfolio simplification, potentially spinning off Consumer Hearing or CI, to sharpen focus and unlock valuation upside. Shares trade at multi-year low P/E and 20% below historical norms, making the spring 2026 strategy update a potential turning point.

04

Sustainability

Blue Gold

Institutional momentum persists as retail flows lag behind

Blue gold is proving far less alluring to investors than real gold, as enthusiasm for water-related investments remains muted despite structural growth in the sector. Sustainable funds continued to see heavy outflows in Q3 2025, with roughly USD55 bn redeemed from ESG strategies, signaling persistent caution across the broader sustainability space and spilling into Q4. While thematic funds overall attracted inflows, water-themed ETFs were not among the top gainers, and detailed Q4 flow data suggests only modest activity. This contrasts with the long-term expansion of water-focused funds, which have grown from USD59 bn in assets in 2020 to nearly USD94 bn by early 2025, supported by institutional commitments and infrastructure spending. Surveys indicate that nearly all senior water-sector leaders plan to maintain or increase investment, with some deploying over USD500 mn into projects, underscoring strong structural momentum even as retail investor sentiment lags.

On the ground, Q4 saw continued investment in municipal and industrial water infrastructure, with U.S. and Canadian spending tied to water reuse, stormwater resilience, and PFAS compliance. Regulatory clarity improved with streamlined permitting and stricter drinking water standards, while innovation accelerated through desalination and reuse projects, including a major solar-powered facility in the Philippines. Corporate sustainability initiatives also gained traction, with tech giants like Microsoft and AWS implementing on-site water reuse to offset data-centre consumption. Public utilities such as Veolia delivered steady revenue and margin growth, and Xylem posted earnings above expectations despite cautious guidance for 2025. Overall, while institutional and project-level momentum remains strong, retail flows and ETF demand suggest that blue gold is still struggling to capture investor imagination, leaving water as a resilient but underappreciated niche within the thematic investment landscape.

Environmental Investing

Decarbonisation momentum meets selective valuations across utilities and clean energy leaders

Environmental investing entered Q4 2025 with strong momentum, driven by accelerating decarbonisation targets, grid modernisation, and strategic partnerships across the sector. Utilities and clean energy leaders announced multi-billion dollar capital plans and multi-billion-dollar capital plans, while tech-linked power agreements underscored the growing role of AI-driven demand in shaping infrastructure investment. Investor confidence was buoyed by policy support and ESG recognition, but valuations in some areas began to reflect these structural tailwinds, prompting a more selective approach heading into 2026.

Some brokers turned more constructive on E.ON, citing regulatory and earnings tailwinds, arguing that the market underestimates the benefits of German network regulation, which could significantly boost profitability for E.ON, Europe's largest distribution network operator. Risks appear priced in, but potential gains from regulatory easing and improved capital allocation, especially from Q1 2026, are not fully reflected. Political support for grid infrastructure, underscored by the German government’s stake in Tennet, further strengthens the sector’s outlook.

By contrast, Iberdrola faces a tougher path to replicate its stellar run. After a 35% YTD rally and years of high-single-digit earnings growth, consensus already reflects its strong fundamentals. While the company delivered robust FY25 results and visibility through FY28, its growth outlook, 7.5% EPS CAGR, appears priced in. For 2026 to deliver another exceptional performance, Iberdrola would need a double-digit upgrade in underlying growth, which seems unlikely given normalising gas prices, flat Engineering, Procurement, and Construction EBITDA, and emerging affordability risks in the U.S. Northeast.

NextEra Energy continues to position itself as a leader in clean power and grid infrastructure, leveraging strategic partnerships with Big Tech to capture surging AI-driven electricity demand. In December, the company signed a 25-year PPA with Google to restart the Duane Arnold nuclear plant and power new data centre campuses using a mix of renewables, storage, nuclear, and gas. NextEra also announced plans to supply 15 GW of power for U.S. data centre hubs by 2035 and outlined a USD74.6 bn capex program for 2025–2029, spanning renewables, battery storage, and landfill-gas-to-electric projects. These moves underscore its ambition to dominate the next wave of electrification and digital infrastructure growth.

Schneider Electric reinforced its reputation as a sustainability leader, releasing its Q3 2025 "Sustainability Impact" dashboard and earning recognition as the world's most sustainable corporation by Corporate Knights. The company is targeting net-zero by 2050, with interim goals including 50% carbon cuts from top-tier suppliers by 2025 and a 25% absolute value-chain emissions reduction by 2030. Biodiversity initiatives, deforestation-free sourcing, and water conservation complement these efforts. Financially, Schneider announced extended annual growth targets of 7–10% through 2030, a EUR2.5–3.5bn share buyback, and enhanced margin forecasts, highlighting a strategy that aligns sustainability with shareholder returns.

Opportunistic Thematic: On Holdings (ONON)

The company

On Holdings, founded in Switzerland in 2010, has grown into a premium global sportswear brand best known for its innovative running shoes and expanding lifestyle and apparel offerings. Its proprietary technologies—such as CloudTec® cushioning and Speedboard® propulsion—differentiate the brand within performance footwear. These technologies relate specifically to shoes engineered for running or for training, racing, and long distance use.

ON's focus on premium performance shoe franchises such as the Cloudsurfer, Cloudmonster, and Cloudboom drives both brand ethos and profitability, in contrast to lower margin lifestyle shoes. The company generates over 50% of its revenue in the US, and more than 90% of total revenue comes from footwear, with the remainder contributed by apparel and accessories, which are still relatively new categories. On operates across Direct to Consumer (DTC), wholesale, and digital channels, with DTC expansion driving structural margin improvement.

Why we like ON

On is positioned as a long-term compounder in the global sportswear market, benefiting from secular trends in health, wellness, and athleisure. With its disciplined execution, pricing power, and innovation led premium strategy, On has emerged as a successful challenger in an industry dominated by large incumbents such as Nike and Adidas.

Q3 2025 results underscore this positive momentum: net sales grew 24.9% in CHF versus the previous year (+34.5% in local currency) to CHF 794 million, beating expectations. The recently introduced apparel items saw significant growth, and Asia Pacific revenues more than doubled, driven by strong demand in China and Japan. Gross margin expanded to 65.7%, a record high, while adjusted operating margin reached 22.6%, lifting net income margin to 15%—both significantly ahead of peer Nike.

Overall, we appreciate that the On brand commands strong pricing power, with products typically priced above USD150 and discounted to a lesser extent than those of competitors, supporting margins well ahead of peers. Endorsements from world-class athletes and cultural icons amplify its appeal: Roger Federer remains a key ambassador, while recent signings—Ditaji Kambundji (European champion hurdler) and Sydney Schertenleib (rising Swiss soccer star)—reinforce performance credibility and lifestyle positioning. Collaborations with celebrities such as Zendaya extend the brand into fashion-forward segments.

Catalysts

Recent concerns about U.S. growth have eased after On delivered a strong Q3 2025 and raised its FY25/FY26 guidance. The FY2026 outlook remains conservative at ~23% growth, leaving room for positive surprises. Management has reiterated its disciplined approach, prioritising brand equity over aggressive wholesale expansion—a strategy that supports sustainable growth and margin tailwinds. We anticipate continued U.S. resilience and pricing tailwinds through 2026, alongside a strong holiday season performance.

We also expect new product launches in 2026, and expansion in lifestyle footwear and apparel categories should offer incremental growth beyond performance running, while Asia Pacific—particularly China—remains underpenetrated and poised for acceleration. Margin expansion is supported by DTC growth, pricing power, and operating leverage.

On trades at 28x forward P/E, with earnings projected to grow at a CAGR of over 50% over the next two years. Despite macro uncertainty and fashion cyclicality, On appears undervalued relative to its growth profile. With premium positioning, disciplined execution, and structural margin tailwinds, On stands out as one of the most attractive long term growth stories in global sportswear.

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Performance update

Company	Recommendation	Rating	Currency	Price	FV	Upside	Quarter return (%)	YTD (%)
DIGITAL FRONTIERS								
Artificial Intelligence								
NVIDIA Corporation	**BUY**	★★★★★	USD	184.94	270	46.0%	**-0.04**	**38.92**
Advanced Micro Devices	**BUY**	★★★★★	USD	207.69	300	44.4%	**32.37**	**77.30**
ASML Holding N.V.	**BUY**	★★★★	EUR	1,095.60	1044	-4.7%	**11.46**	**37.06**
Cadence Design Systems	**BUY**	★★★★	USD	325.51	373	14.6%	**-11.01**	**4.03**
Taiwan Semiconductor	**BUY**	★★★★	USD	331.77	360	8.5%	**9.09**	**55.93**
Broadcom	**BUY**	★★★★	USD	352.21	428	21.5%	**5.11**	**50.65**
Data centre infrastructure								
Dell Technologies	**BUY**	★★★	USD	120.47	155	28.7%	**-10.90**	**11.20**
Eaton Corporation	**BUY**	★★★★★	USD	329.10	415	26.1%	**-14.66**	**-2.78**
Schneider Electric S.E.	**HOLD**	★★★	EUR	237.70	270	13.6%	**-1.14**	**-0.76**
ABB	**HOLD**	★★★	CHF	60.64	65	7.2%	**3.31**	**23.09**
Caterpillar	**HOLD**	★★★	USD	629.77	650	3.2%	**20.40**	**60.30**
Legrand	**HOLD**	★★★	EUR	127.15	142	11.7%	**-9.50**	**38.09**
Cybersecurity								
Palo Alto Networks	**BUY**	★★★★★	USD	188.88	234	23.9%	**-9.54**	**1.23**
CrowdStrike Holdings	**BUY**	★★★★	USD	466.99	588	25.9%	**-4.41**	**37.00**
Zscaler	**BUY**	★★★★	USD	216.63	301	38.9%	**-24.94**	**24.67**
Fortinet	**HOLD**	★★★	USD	78.66	86	9.3%	**-5.55**	**-15.95**
The cloud (Hyperscalers and Software)								
Amazon.com	**BUY**	★★★★★	USD	246.47	303	22.9%	**5.12**	**5.21**
Microsoft Corporation	**BUY**	★★★★★	USD	477.18	620	29.9%	**-6.45**	**15.59**
Alphabet	**BUY**	★★★★	USD	331.86	330	-0.6%	**28.84**	**66.00**
Oracle Corporation	**HOLD**	★★★	USD	204.68	230	12.4%	**-30.58**	**18.16**
Salesforce	**BUY**	★★★★★	USD	259.40	300	15.7%	**11.96**	**-20.24**
ServiceNow	**BUY**	★★★★★	USD	142.64	197	38.1%	**-16.77**	**-27.75**
Palantir Technologies	**BUY**	★★★★	USD	179.41	231	28.8%	**-2.56**	**135.03**
Industry 5.0								
Siemens AG	**BUY**	★★★★	EUR	260.75	255	-2.2%	**4.23**	**29.77**
Analog Devices	**BUY**	★★★★	USD	293.86	280	-4.7%	**10.77**	**29.76**
Honeywell International	**BUY**	★★★★	USD	208.60	245	17.4%	**-1.04**	**-6.34**
Dassault Systemes	**HOLD**	★★★★	EUR	24.48	28	14.4%	**-16.38**	**-28.28**
Infineon Technologies	**BUY**	★★★★	EUR	42.15	41	-2.7%	**13.75**	**21.27**
Blockchain								
Mastercard Incorporated	**BUY**	★★★★	USD	566.28	720	27.1%	**0.50**	**9.03**
Visa	**BUY**	★★★★	USD	343.20	398	16.0%	**2.94**	**11.76**
JPMorgan Chase & Co.	**BUY**	★★★★	USD	324.49	340	4.8%	**2.65**	**37.32**
Coinbase	**BUY**	★★★★	USD	242.98	365	50.2%	**-32.99**	**-8.92**
ENTERTAINMENT & LIFESTYLE								
Social and Intelligent Commerce								
JD.com	**BUY**	★★★★	USD	30.73	37	20.4%	**-17.95**	**-14.71**
Tencent Holdings Limited	**BUY**	★★★★★	HKD	627.50	768	22.4%	**-9.65**	**44.92**
Shopify	**BUY**	★★★★	USD	167.93	200	19.1%	**8.32**	**51.39**
Alibaba Group Holding Limited	**BUY**	★★★★	USD	166.31	196	17.9%	**-17.99**	**75.84**
Amazon.com	**BUY**	★★★★★	USD	246.47	303	22.9%	**5.12**	**5.21**
Meta Platforms	**BUY**	★★★★	**USD**	**641.97**	**804**	**25.2%**	-10.04	13.09
Streaming and Entertainment								
Netflix	**HOLD**	★★★	USD	89.41	100	11.8%	**-21.80**	**5.19**
The Walt Disney Company	**HOLD**	★★★	USD	112.82	122	8.1%	**0.04**	**3.30**
Spotify Technology S.A.	**BUY**	★★★★	USD	530.00	750	41.5%	**-16.80**	**29.80**
Nintendo Co. Ltd.	**BUY**	★★★★	JPY	9,950.00	14500	45.7%	**-17.26**	**15.64**
Sports, Travel and Experience								
On Holding	**BUY**	★★★★	**USD**	**48.91**	**56**	**14.5%**	9.75	-15.14
Booking Holdings	**BUY**	★★★★	EUR	5,391.52	6504	20.6%	**-0.63**	**8.58**
EssilorLuxottica	**BUY**	★★★★	USD	271.50	360	32.6%	**-2.21**	**16.42**

Company	Recommendation	Rating	Currency	Price	FV	Upside	Quarter return (%)	YTD (%)
Uber Technologies	**BUY**	★★★★	USD	84.67	112	32.3%	**-16.60**	**35.46**
Monster Beverage Corporation	**HOLD**	★★★	USD	77.50	75	-3.2%	**13.91**	**45.87**
BODY, MIND AND THE FUTURE								
Health, Weight loss & Wellness								
Novo Nordisk	**HOLD**	★★★	DKK	385.20	350	-9.1%	**-5.63**	**-46.42**
Eli Lilly and Company	**BUY**	★★★★	USD	1,081.00	1211	12.0%	**41.06**	**40.23**
Thermo Fisher Scientific	**BUY**	★★★★	USD	615.45	660	7.2%	**19.56**	**11.78**
Galderma Group	**BUY**	★★★★	CHF	160.00	200	25.0%	**17.21**	**61.33**
AstraZeneca	**BUY**	★★★★★	GBP	14,000.00	14800	5.7%	**23.32**	**34.57**
Givaudan	**HOLD**	★★★	CHF	3,189.00	4000	25.4%	**-2.66**	**-19.23**
Silver Economy								
Ferrari	**BUY**	★★★★	EUR	321.00	383	19.3%	**-22.57**	**-22.13**
Hermès International	**HOLD**	★★★	EUR	2,229.00	2275	2.1%	**1.87**	**-7.66**
Sonova Holding	**HOLD**	★★★	CHF	216.80	220	1.5%	**-4.39**	**-28.88**
Intuitive Surgical	**HOLD**	★★★	USD	572.75	560	-2.2%	**26.64**	**8.51**
Straumann Holding	**HOLD**	★★★	CHF	100.70	105	4.3%	**10.08**	**-17.40**
Allianz	**HOLD**	★★★	EUR	381.00	400	5.0%	**9.02**	**37.57**
SUSTAINABILITY								
Blue Gold								
Veolia Environnement	**BUY**	★★★★	EUR	29.96	34	13.5%	**2.55**	**14.68**
Ecolab	**BUY**	★★★★	USD	271.00	314	15.9%	**-3.87**	**13.20**
Veralto Corporation	**HOLD**	★★★	USD	101.90	115	12.9%	**-6.28**	**-1.59**
Geberit	**BUY**	★★★★	CHF	443.63	469	5.7%		**3.21**
Environment investing								
NextEra Energy	**BUY**	★★★★	USD	81.12	99	22.0%	**7.07**	**15.47**
Iberdrola S.A.	**BUY**	★★★★	EUR	18.26	20	9.6%	**14.65**	**44.95**
E.ON	**BUY**	★★★★	EUR	16.68	18	7.9%	**0.62**	**48.74**
Schneider Electric S.E.	**HOLD**	★★★	EUR	237.70	270	13.6%	**-1.14**	**-0.76**

Note: We have made some changes to our thematics portfolio. New names are in bold, and we have taken the following name out of our investment universe: Nike.

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Important information