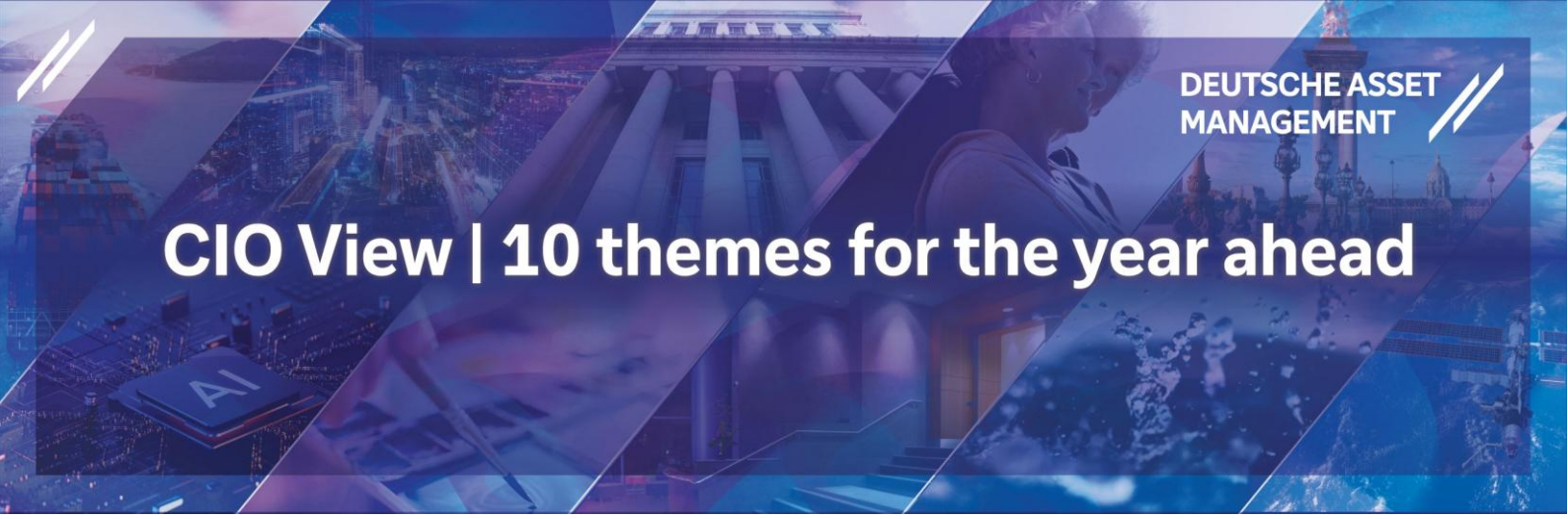
DEUTSCHE ASSET MANAGEMENT

CIO View

CIO Special | 10 themes for the year ahead

October 27, 2026

Marketing material



10 themes for the year ahead

Welcome to what is now the fourth edition of our 10 themes for the year ahead. Once again, this is not about exotic risk scenarios, but about what we believe will be the most important drivers over the medium term. It should come as little surprise that geopolitics, artificial intelligence (AI) and monetary policy are among them.

But that does not mean that these themes cannot continue to surprise and keep markets on their toes. Let us start with geopolitics and the continuing element of surprise in America's reinterpretation of foreign policy. Markets have adjusted to a trade policy environment where new tariffs may be announced with little lead time. But the attack on Iran in February represents a new dimension. In addition to the suffering of those directly affected, the rest of the world has since been grappling with higher energy costs, meaning higher inflation, and higher interest rates. As the U.S. administration's future course and possible ways out of the conflict remain unclear, markets will have to continue dealing with this uncertainty. Just as they will have to deal with the ongoing shift in global centers of power and alliances.

What does this mean for the transatlantic relationship and its dependencies? How can resource-dependent Europe become more self-sufficient? And which major power will emerging markets have to orient themselves toward in the future? Asia, at least, holds a trump card in being a dominant supplier in the AI value chain.

And the AI-related spending continues to expand. This is reflected in investment in new data centers as well as demand for computing power, most recently driven by the broader adoption of AI agents. But who ultimately benefits from this growth? As we have explained before, those companies positioned at the bottlenecks of the AI value chain. This can include the "old economy," such as areas involved in the construction and expansion of data centers. Or, as reflected in their profits and market valuations, semiconductor manufacturers. No fewer than three chipmakers are among the ten largest constituents of the S&P 500. They now generate far more free cash flow than their largest customers, the hyperscalers. The daily fluctuation in the market value of a single chip stock can exceed the entire market capitalization of the European automotive sector.

For those who consider this concentration in AI beneficiaries in the U.S., or in South Korea excessive, it is worth noting that structural growth can also be found in other markets, including Europe. Not, however, in the sectors that long defined Europe, such as autos, but rather in what we call the "New Europe:" companies benefiting from long-term trends such as electrification, defense and infrastructure investment, rather than from the economic cycle. Their stock-market performance need not shy away from comparison with that of some AI pioneers. Indeed, Europe could even be among the beneficiaries of the next stage of AI.

Europe could also benefit from structural reforms, such as the pension reform now being advanced in Germany, which could ultimately also help deepen domestic capital markets.

For the time being, however, the U.S. continues to be home to the most liquid markets and remains the pacesetter for the financial world. This is also why the U.S. Federal Reserve remains the decisive central bank. That makes the policy approach of its Chair, who has been in office since May, particularly relevant to investors.

There is also the potential for unexpected opportunities in two areas far removed from the seats of central banks, where we see substantial economic potential: space and water. We then return firmly back down-to-earth to look at the structural changes in the U.S. real estate market.

That makes for plenty of reading material, which we hope provides a better sense of where we see opportunities and risks for investors in the coming year. And of everything that, from today's perspective, lies within the realm of possibility. But since investors have to learn anew every year that even the "impossible" can happen, I can only close with the golden rule of prudent investing: broad diversification of assets is the most effective way to guard against severe losses arising from the uncertainties of the future.



Vincenzo Vedda

Global Chief Investment Officer

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#1 | Europe & America: The tensions that bind

Breaking up is hard to do once the costs of going it alone become clear. “America First” might ultimately remind Americans why they built strong alliances in the first place.

Marriages are sometimes appreciated most when one spouse walks out and slams the door, leaving the other to discover what had long been taken for granted and what they now need to provide for themselves. With that in mind, could Donald Trump end up strengthening transatlantic relations?

One way to think about the likely longer-term fallout of recent transatlantic tiffs is Brexit. That other famous politi-cal divorce of the past decade produced two unexpected results. Britain left the European family household, yet its politics became more like its neighbors: more fragmented and volatile than before 2016. Meanwhile, the rest of Europe proved surprisingly resilient. No member followed Britain to the divorce court. Rather than inspire copycats, Brexit advertised the costs of leaving the European Union to voters everywhere.

Trump's America First policies may ultimately remind decision makers why the post-war transatlantic order endured. The institutions and alliances created after 1945 were designed to provide stability beyond the political leaders of the day. This helped underpin decades of economic integration, investment and growth.

Yet as the decades passed, the benefits of a rules-based order, particularly in trade, increasingly came to be taken for granted. The costs of protectionism are easy to forget after decades of openness, but far harder to ignore once barriers begin to rise again.

President Trump's second term is providing just such a reminder with a strong foreign policy agenda. Some reflect genuine imbalances and frustrations that have accumulated beneath the surface of the transatlantic relationship. Yet it would be a mistake to view the post-war settlement as a one-way transfer of benefits. Europe gained security and access to markets. But the United States also won, gaining reliable allies, investment opportunities and an economic order rooted in broadly shared political values that reinforced its global influence. Only when those arrangements are questioned do the costs of disrupting them become apparent.

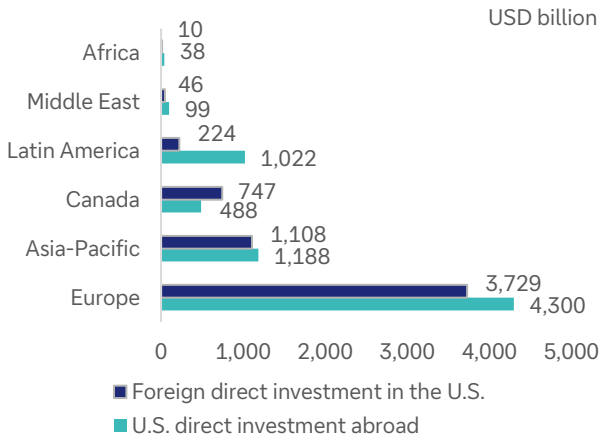
The depth of the transatlantic relationship is measured not only in defense commitments or trade flows. It is embedded in decades of cross-border investment, corporate ownership and integrated capital markets. European companies employ millions of American workers, while U.S. firms remain among the largest investors across Europe.

This is illustrated by 60% of U.S. foreign direct investment heading to Europe[1], and a similar proportion going the other way. It is these financial linkages that receive far less attention than tariff disputes, yet they may prove more durable than political disagreements. Unwinding the economic ties that bind the two sides of the Atlantic would be considerably more difficult and prohibitively costly.

The important question is whether current grievances lead to lasting separation or to a rebalancing of responsibilities within the alliance. We see today’s confrontations ultimately making the transatlantic relationship stronger, not merely more transactional. A Europe better able to look after itself would be a more capable partner, not least in confronting threats from both Russia and China. Should Washington eventually seek reconciliation, Trump may end up having weakened an old alliance of habit, only to provoke a stronger alliance of choice.

The lesson from the Brexit saga is not that separation, or the mere threat of it, inevitably makes every union stronger. It is that a crisis forces partners to decide what a relationship is really for. Political friction can cause volatility and lasting damage. But by exposing the costs of acting alone, a more likely longer-term consequence of all the heated political rhetoric is a more balanced, more resilient and ultimately stronger alliance that remains the backbone of the Western economic and security order.

U.S. direct investment position by region in 2025



Sources: U.S. Bureau of Economic Analysis, DWS Investment GmbH as of 7/21/26

Already, cooperation in defense, supply chains, energy, technology and critical infrastructure appears to be deepening. The result may be renewal, rather than an end to the transatlantic era. Trump may have set out to put America First, but one of his unintended legacies may be to remind America why it chose to seek allies in the first place.

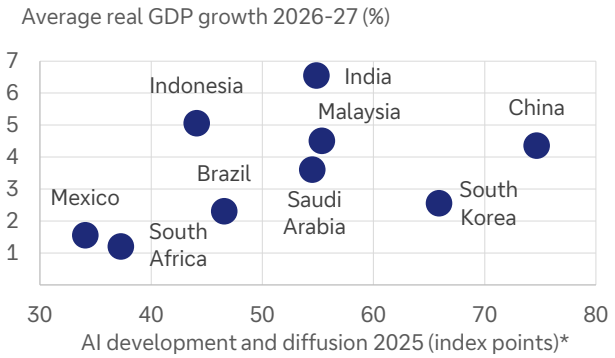
#2 | EM: Still the engines of global growth

Why emerging markets matter for growth, resources and the energy transition

In the 20th century, North America, Europe and Japan primarily shaped the global economy. In the 21st century, this balance has gradually shifted towards Asia and the wider emerging world. Emerging and developing economies already account for 61% of global gross domestic product (GDP) on a purchasing-power-parity basis. The IMF expects them to grow by 3.8% in 2026, compared with 1.7% for advanced economies.[1] As many developed economies face aging populations, slower productivity growth and rising debt, emerging economies are gaining importance in growth, trade and investment. Rather than a simple transfer of power, the world appears to be moving toward a more multipolar landscape, with several regions shaping demand, production and capital flows.

Much of future global growth is likely to originate outside traditional industrialized economies. Younger populations, rising incomes, urbanization and infrastructure investment are driving growth across the developing world. India is among the fastest-growing major economies, while Southeast Asia benefits from supply-chain diversification as companies seek additional manufacturing hubs.

Growth and technology: drivers of future competitiveness



Sources: Oxford Insights Government AI Readiness Index 2025; IMF World Economic Outlook Update, July 2026; DWS Investment GmbH as of September 2026. *The score is measured on a 0–100 scale with higher scores indicating stronger AI development and wider adoption

The importance of emerging markets extends beyond economic growth. Many of them possess the resources and industrial capabilities needed for digitalization, electrification and renewable energy. They supply a large share of the world's critical minerals, while China leads in industries ranging from solar modules to batteries and other technologies essential to the low-carbon transition. Much of future energy demand growth is also likely to originate in emerging markets. Without their participation, neither resilient supply chains nor global climate objectives are likely to be achieved.

"The key question is which economies are producing the goods and services the world actually needs," says *Ivy Ng, DWS's Chief Investment Officer for APAC*. Demographics and natural resources can create opportunities, but do not guarantee long-term success. Population growth does not automatically generate prosperity, nor does rapid economic expansion ensure superior investment returns. What matters is whether countries implement reforms, build strong institutions and integrate themselves into the most important global value chains of their time.

AI and automation add another dimension. For decades, a large and growing labor force was seen as an economic advantage. In an increasingly technology-driven world, however, productivity may matter more than population size. AI readiness varies widely across emerging economies. China has scale in AI, patents and advanced manufacturing, Taiwan remains critical to advanced-chip production and Singapore has strong AI infrastructure and public-sector adoption. India benefits from a large technology workforce and digital scale, although infrastructure and formal job creation remain constraints. Economies reliant on routine services and entry-level knowledge work may face greater displacement risks.

Future economic strength may therefore lie not with the most populous economies, but with those most successful at combining growth, competitiveness and reform. Countries that combine technological capabilities with strong institutions and access to capital may be best positioned to move into higher-value activities, while others risk losing part of their labor-cost advantage.

For investors, strong economic growth does not guarantee strong capital-market performance. Equity returns also depend on profitability, valuations, governance, market structure and investor participation. The same need for selectivity applies in credit. India's renewable-energy sector, for example, benefits from government targets and substantial equity investment, supporting long-term credit fundamentals, although tight spreads currently favor carry over valuation upside. Country and sector selection therefore matter more than headline GDP growth: opportunities can differ substantially both between economies and within them.

Emerging markets are not homogeneous: political stability, regulation and capital-market maturity can matter as much as growth. Their growing global importance may increase their relevance for investors, but does not warrant indiscriminate exposure. Long-term outcomes are likely to depend on selecting countries where reform and competitiveness translate growth into stronger companies and capital markets.

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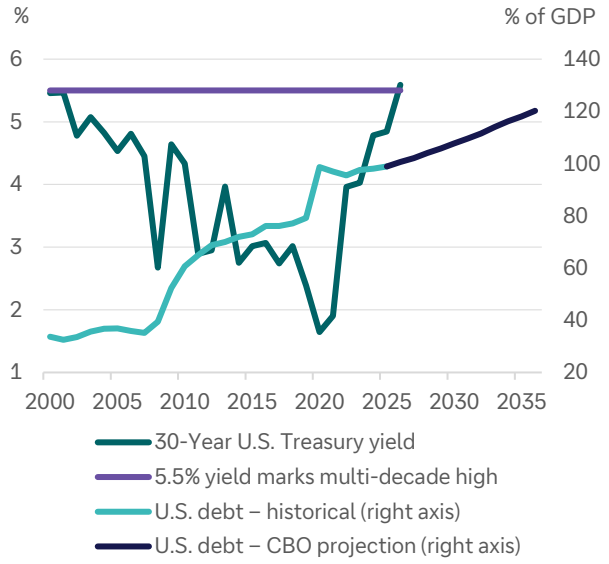
#3 | Fed policy: The end of cheap money

For years, interest rates were low and liquidity abundant. Renewed inflation pressures, however, could now usher in a period of higher capital costs and a new yield environment

For years, the direction seemed clear: whenever the economy stumbled, central banks cut interest rates, liquidity flowed into markets and bond yields returned to lower levels. As a result, many investors continued to expect a return to the playbook of the 2010s, even after the recent inflation shock. Yet that assumption is increasingly being called into question. *"The likely lesson from the past 20 years was that the Federal Reserve would step in whenever necessary. Under the new Fed Chair Kevin Warsh, those days may be numbered, except in severe crises, of course. Fiscal policy is stepping out of the long shadow of monetary policy and receiving more attention regarding sustainability."* says *Christian Scherrmann, Chief U.S. Economist at DWS.*

Budget deficits remain elevated, government debt continues to rise, and the financing needs of the public sector are becoming increasingly important. The key question today is no longer whether the Federal Reserve will raise rates one more time. More important is where yields ultimately settle over the longer term.

A new era of higher borrowing costs?



Sources: Congressional Budget Office, Bloomberg Finance L.P., DWS Investment GmbH as of 9/30/26

Several factors could keep yields above the exceptionally low levels of the previous decade. The U.S. economy remains resilient, while new technologies, geopolitical shifts and expansionary fiscal policy are increasing demand for capital. At the longer end of the Treasury curve, elevated issuance and a higher term premium may continue to exert upward pressure. However, higher real and nominal yields also tighten financial conditions and can become self-limiting as they weigh on consumers, housing, weaker borrowers and economic growth.

Higher yields need not necessarily be a problem. The key question is whether productivity, economic growth and corporate earnings can keep pace with rising borrowing costs. If not, tighter financial conditions and valuation pressure could increasingly become a headwind.

The impact is also likely to vary across asset classes. Investments with high valuations and earnings expectations stretching far into the future appear particularly vulnerable to higher yields. By contrast, companies with stable cash flows, strong balance sheets and significant pricing power may prove more resilient. Credit markets could also see greater dispersion.

Nevertheless, it would be premature to draw an outright negative conclusion. Markets have already shown that they can absorb higher yields better than many expected. Productivity gains driven by artificial intelligence could help offset part of the increase in capital costs. However, the capital-intensive AI investment cycle is itself contributing to inflation and may be vulnerable if tighter financial conditions persist – Chair Warsh specifically called out record new issuance, demand and tight credit spreads. Ultimately, the crucial question is whether returns generated by the real economy can grow faster than the cost of capital.

For *George Catrambone, Head of Fixed Income Americas at DWS*, this is the key issue: *"It is not the level of yields alone that determine whether higher rates become a problem, but rather what is driving them. If yields rise because of stronger growth and solid fundamentals, investors can adapt. If, however, they are driven by larger deficits, inflation and higher term premium, the pressure on consumers, businesses and valuations increases significantly."* This could mark the transition from a liquidity-driven market environment to one driven more by fundamentals. Corporate quality, capital discipline and careful duration selection may once again move to the forefront of investment decisions.

The Fed's next phase is likely to be shaped primarily by inflation, while fiscal stimulus, deficits and Treasury issuance may exert separate pressure on longer-term yields. Debt levels alone do not prevent the Fed from lowering its policy rate. Recent experience shows that high rates can expose financial vulnerabilities even when fiscal stimulus supports growth. For fixed-income investors, greater dispersion may create attractive opportunities for selective positioning.

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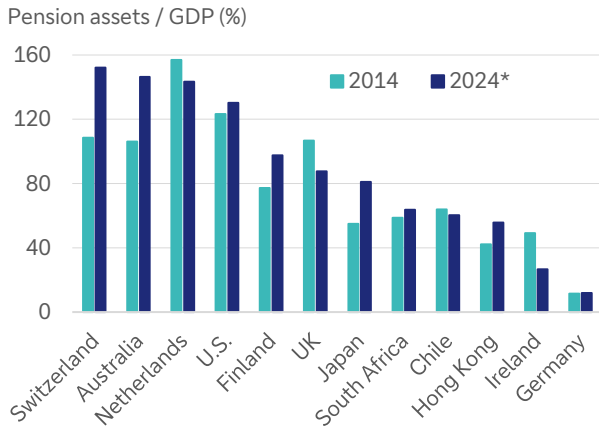
#4 | Can pension reform change how Germans invest?

Germany's pension system relies heavily on current contributions, with relatively little capital invested to fund retirement. Pension reform could channel more capital into equity markets

Germany's pension system could be on the verge of significant change. A new retirement savings account, the "Altersvorsorgedepot," has already been approved.[1] A second, more far-reaching reform remains under discussion and would add a funded component to the statutory system.[2]

Germany's pension debate usually centers on the system's long-term sustainability. An ageing population makes reform particularly pressing. Yet the implications of the reform currently debated could extend well beyond pensions. Could Germany make the transition from a nation of savers to a nation of investors?

Pension assets vs. GDP: Germany starts from a low base



Sources: Thinking Ahead Institute, Global Pension Assets Study 2025. * 2024 figures were estimates at publication of the study; selected countries shown for readability.

German households hold the bulk of their savings in bank deposits and other conservative investment products. Equities, by contrast, are still playing a relatively limited role. Meanwhile Germany's pension system relies heavily on pay-as-you-go financing, while funded elements remain comparatively small by international standards.

Reform of private retirement savings has already been approved. Beginning in 2027, the government-supported Altersvorsorgedepot will expand the range of retirement products available to savers. For the first time, investments without a mandatory capital guarantee will be permitted, broadening the investment scope to include more return-oriented assets such as exchange-traded funds (ETFs) and mutual funds.

While the Altersvorsorgedepot gives private retirement savers greater investment flexibility, the proposed funded pension component could have a much larger impact on capital markets. Germany's Pension Commission has recommended supplementing the statutory pension system with a capital-funded pillar. Under the proposal, additional contributions of 2 percent, estimated at 35 billion euros per year, would be levied gradually and invested in capital markets over the long term.[3] If implemented, the proposal could create a substantial and steadily growing pool of investment capital.

Germany's share of global pension assets is small relative to its economic size. Although Germany accounts for more than 4 percent of global economic output, it represents only around one percent of global pension assets. Countries such as the Netherlands, Sweden, Switzerland and the U.S. have developed significantly larger funded pension systems. The proposed reform could begin to narrow that gap by gradually building a pool of pension capital invested over the long term.

International comparisons reveal a striking pattern: countries with larger equity markets relative to their economies often have higher gross-domestic-product (GDP) per capita. Germany ranks around the middle of the pack on both measures. The relationship does not prove that larger equity markets cause greater prosperity. But well-developed capital markets can help finance investment and innovation, supporting productivity and long-term growth.

The proposed reform's immediate effect on pension benefits may be limited. Over time, however, it could strengthen Germany's capital markets and help households build retirement wealth. *"More money will flow into capital markets, but the more important question is how that money will be invested,"* says *Rene Penzler, Head of Investment Solutions at DWS*. While German retirement products have traditionally emphasized guarantees and capital preservation, the reforms could give long-term, return-oriented investment a greater role.

Ideally, the reform could improve companies' access to equity capital, facilitate the financing of innovative businesses and give households a greater opportunity to participate in global market returns. Other countries demonstrate the potential of such a shift. For example, Sweden and the Netherlands have spent decades building structures that support both retirement provision and the development of their capital markets.

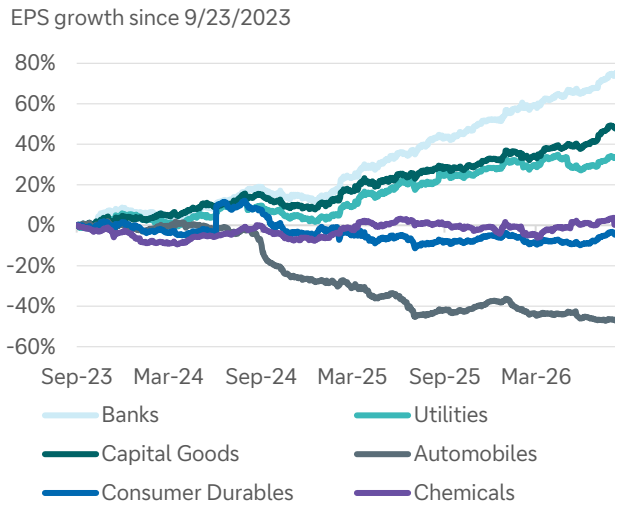
A similar transformation in Germany may take time. The Altersvorsorgedepot is an important first step, but we think a broader shift requires a funded component in the statutory pension system as well.

#5 | New Europe can hold its own

Europe has little to do with AI, making its stocks easy to ignore. Think so? This misconception is wrong in three ways, creating opportunities for investors. The "New Europe" has much to offer

Even investors who are positive on the AI boom may be concerned about its concentration in equity indexes, particularly in the U.S. Despite offering exposure to a broad range of sectors, the S&P 500 remains heavily tilted toward a relatively small group of technology and AI-related companies. Its ten largest constituents account for nearly 40% of the index, roughly twice the share of the top ten holdings in the Stoxx Europe 600. Three of the top ten are cyclical semiconductor companies, and most of the remainder are closely tied to AI infrastructure, cloud computing and digital platforms. Technology companies account for more than 50% of the S&P 500 earnings. By comparison, Europe's market leadership is distributed across a broader mix of sectors and business models. This could be interesting for international investors looking for diversification.[1]

"New Europe" earnings are growing faster*



Sources: Bloomberg Finance L.P., DWS Investment GmbH, as of September 2026. *Sectors based on MSCI Europe Index

In our view, however, Europe's appeal extends well beyond diversification. Not only is it also home to a wide range of companies that benefit directly or indirectly from the AI boom. More importantly, the structure of Europe's equity market has evolved in recent years – for the better. Innovative, adaptable and higher-margin sectors are gaining weight relative to more challenged industries. We call these two sides of the market "New Europe" and "Old Europe."

Old Europe was tilted towards consumption, exports and efficiency gains, with sectors such as autos, chemicals and consumer goods at its core. These industries remain important pillars of the European economy, but the key drivers of growth are changing.

By contrast, New Europe is increasingly defined by investment, resilience and strategic autonomy, reflected in themes such as electrification, industrial modernization, consolidation in financial services, infrastructure spending, defense and digitalization. This shift is most visible in the sectors we like most: industrials, banks, semiconductors and utilities. Together, these New Europe sectors now make up roughly 40% of the Stoxx Europe 600, up from around 25% in 2015. These sectors' earnings have also grown much than those of traditional sectors in recent years, as illustrated in our chart.

AI is a strong example. While the U.S. and China continue to dominate its development, Europe could benefit from the next stage of the cycle: broader adoption of AI across manufacturing and services. Europe's competitive advantage may lie less in building globally dominant AI platforms and more in applying new technologies across its highly developed and diverse industrial base. Around one in seven companies in the Stoxx Europe 600 is already benefiting from AI-related investment.[2]

The changing sector mix is only one reason we remain constructive on European equities. Germany's reform agenda could further support an economy already showing signs of a modest recovery. Reforms, particularly to reduce bureaucracy, could spill over to the rest of Europe and speed up the implementation of the Draghi report.[3] Meanwhile, European companies are already benefiting from a rising commitment for public investments across the continent, including in defense and initiatives to strengthen strategic autonomy.

Europe's potential growth rate remains relatively modest at 1% to 1.5%, partly because of demographics. This makes the international reach of European companies all the more important, with 55% of revenues generated by Stoxx Europe 600 constituents coming from outside Europe. Recent earnings improvements also suggest Europe is more than just a cheaper alternative to the U.S. Much of that momentum comes from sectors associated with New Europe. *"Europe has no reason to hide,"* says *Benjardin Gärtner, Head of Equities at DWS*. *"Over the past four years, the Stoxx Europe 600 has kept pace with the S&P 500, thanks in part to the index's changing sector composition.[4] I also like the fact that companies are becoming more confident when it comes to share buybacks."* We expect average earnings growth to return to double-digit levels in 2026 and 2027, marking a strong rebound after three years of stagnation.

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#6 | From AI adoption to investment returns

A little less conversation, a little more action: don't worry about demand. Worry about returns

According to Alphabet CEO Sundar Pichai, "2026 is officially the year of the agent. AI agents turn our consumer and enterprise products into collaborators that can take complex actions on your behalf."[1] AI is moving from being mainly a chatbot answering questions to being an agent carrying out tasks, which may plan a sequence of actions, use tools and check its own work. These additional steps can require several rounds of computation, hence significantly boosting demand for token usage and thus compute capacity.

Why is the rise of AI agents so important? First, they are a major driver of token usage. And second, their rise shows how fast AI is evolving and shifting the focus from pure investment towards monetization.

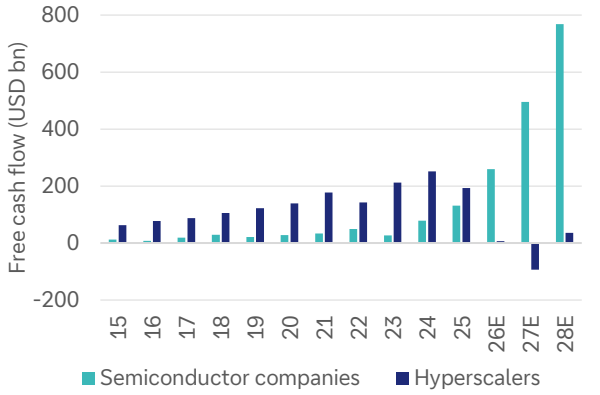
Speaking of monetization: among the main beneficiaries of the AI boom so far are semiconductor (chip) companies. Encouragingly for shareholders, chip companies generate not only strong earnings, but also free cash flow, with consensus estimates pointing to a sharp rise in the latter through 2028, as our chart shows.[2] Chip companies are not only profiting from the enormous buildout of AI infrastructure, namely datacenters. They are also benefiting from their position at a bottleneck in the AI supply chain, which can take years to alleviate considering the costs and time re-quired to build new chip factories.

This brings us to a core AI investment consideration: while the entire AI ecosystem can record high top-line growth, those sitting at bottlenecks will tend to have higher margins, which also help free cash flow. But it seems to come at the expense of the financial position of hyperscalers, which are driving the investment wave. This may concern some investors because hyperscalers are shifting from asset-light platforms that generated ample cash for investment and shareholder distributions toward capital-intensive businesses increasingly dependent on external financing.[3] This could prove temporary if hyperscalers' cash flows recover as growing AI and cloud revenues justify the upfront investment.

In our view, agents have the biggest potential to drive AI revenue in the future. AI labs develop and train the models that businesses then use to build agents, while the labs themselves buy computing capacity, mostly from hyperscalers, to run them. With AI agents proliferating rapidly, hyperscalers' compute capacity should remain well utilized for the time being.[4] Falling costs per token or more efficient token usage should be of little concern, provided they stimulate enough additional demand to ultimately drive top-line revenue growth.[5]

Rising usage alone is not enough, however; customers must see outcomes worth paying for. In our view, efficiency gains alone will no longer suffice. AI will increasingly need to deliver better solutions to existing problems, accelerate innovation and product development, or enable new ser-vices at lower cost and with superior outcomes – which is exactly what we expect AI to deliver in the future.

AI build-out: Diverging free cash flow



Sources: Bloomberg Finance L.P., DWS Investment GmbH as of 9/30/26. Chart shows aggregate data for five companies in each category. Please check the footnote for forecast comparability.[6]

We believe that, with agentic AI, the AI deployment cycle is shifting from pure infrastructure buildout toward the application layer. Tech leadership could therefore broaden beyond semiconductors and computing infrastructure toward cloud, software and cybersecurity. As agents gain access to company data and the ability to act, safeguards, orchestration and governance become more important, which in turn could support yet more investment in AI and computing capacity.

In short: AI demand continues to surge. But companies supplying the buildout and those earning durable returns from AI may not be the same. In the words of *Benjardin Gaertner, Global Head of Equity at DWS*, *"While we remain constructive on the scale and duration of this shift, lasting leadership will depend not simply on who serves the next wave of AI demand, but on who can turn it into trusted products, durable revenues and attractive cash returns."* Assessing which companies are fundamentally positioned for lasting success is only the first step. Investors may also want to consider valuation and timing. After all, even as chipmakers may be entering their most profitable years yet, by October 2026, semiconductor-heavy indices had fallen by more than 20% from their June peaks.[7]

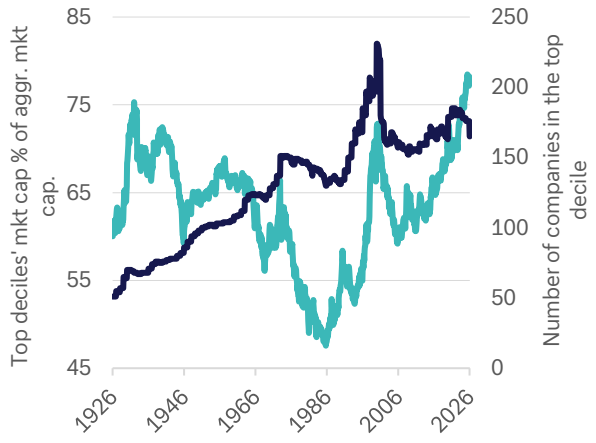
#7 | Building resilient portfolios in an AI world

Capturing the upside of AI's transformative investment cycle without relying on it

For much of the period after the global financial crisis 2008/09, the prevailing concern was not a shortage of capital, but a shortage of productive uses for it. Speaking at Jackson Hole, Federal Reserve Chair Kevin Warsh suggested that AI may be changing this backdrop: "The potential for substantially higher growth is on the rise. Ever-expanding pools of capital are pouring into AI-related infrastructure of all sorts[1]." AI is therefore more than a technology-sector opportunity. It is also built upon a broader physical and financial ecosystem of enormous dimensions.

This creates a portfolio challenge: The top decile in market capitalization (cap) accounted for 78% of aggregate U.S. equity-market value in July 2026, close to the upper end of the long-run range[2]. At the same time, the number of companies in the top decile declined to 165. Elevated market-cap concentration is therefore occurring alongside a narrowing company base, increasing benchmark dependence on the largest businesses. Investors may consequently hold many securities while remaining heavily exposed to a narrow set of underlying economic drivers.

U.S. equity-market concentration



Source: Kenneth R. French Data Library, DWS Investment GmbH as of July 2026.

The risks appear fourfold: First, heavy AI investment may not generate enough revenue or productivity gains to justify its cost. AI could transform the economy without every company involved delivering attractive shareholder returns[3]. Second, apparently reasonable valuations may depend on demanding profit forecasts. Semiconductor companies, for example, may look affordable on forward multiples but become expensive if earnings disappoint[4]. Third, building AI requires vast amounts of capital, whether raised through debt or equity. By competing for a finite pool of funding, the buildout could raise financing costs for technology companies, utilities and suppliers, favoring those with stronger balance sheets[5]. Finally, AI may succeed without today's perceived winners remaining its principal beneficiaries. Investors must assess not only whether AI delivers, but also which companies will be the most likely to ultimately capture the value.

Diversification[6] would be an appropriate response in our view: It should start within the AI ecosystem by distinguishing between the companies financing investment and those whose earnings depend on that spending[7]. Companies benefiting from AI and independent structural trends may offer greater resilience. Grid investment for example is also supported by electrification and ageing infrastructure; automation by labor scarcity and reshoring; and cybersecurity by the continuing digitalization. These businesses remain linked to AI, but their growth need not depend on AI alone.

Consider different earnings drivers outside the AI value chain: Financials are influenced by interest rates, credit growth and economic activity; Health Care by demographics and innovation cycles; Defense by security spending; and selected small- & mid-caps by domestic economic conditions. Government bonds may help hedge against a disinflationary growth shock, whereas Energy, Infrastructure and other Real Assets may prove more resilient in an inflationary shock. Diversification therefore requires a view not only on the asset, but also on the macroeconomic risk it is intended to hedge[8].

Geography can provide another layer of diversification: but only where it introduces genuinely different economic drivers. Buying foreign companies exposed to the same AI spending cycle likely offers limited benefits[9]. European markets provide greater exposure to industrials, financials and defense, Japan to corporate reform and automation, and selected emerging or resource-rich economies to domestic growth and commodity cycles.

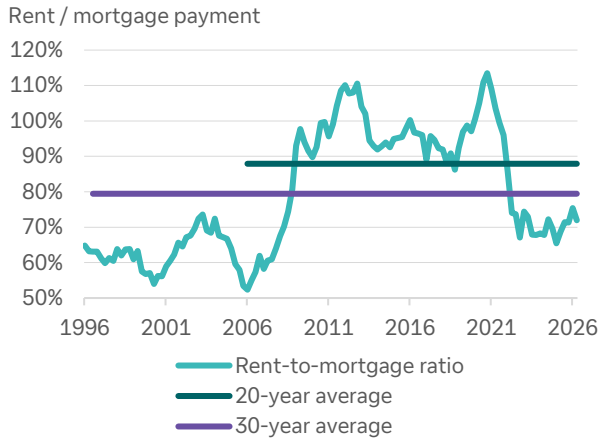
In conclusion: We remain constructive on AI as a long-term investment theme. Indeed, one of the greatest risks may be underestimating the scale or duration of the potential productivity transformation. The most effective AI hedge may therefore not be a position against the technology, but a diversified portfolio that retains exposure to its upside while remaining resilient should the identified risks materialize. As *Henning Potstada, Global Head of Multi Asset at DWS*, puts it: *"In the AI era, true diversification should be measured less by the number of holdings than by the diversity of the economic engines driving portfolio returns."*

#8 | U.S. real estate in transition

How the shift from employment to productivity growth is reshaping the market

Real-estate markets generally benefit from economic growth. For individual property sectors, however, it is not only the pace of growth that matters but also the source of that growth. This is where a structural shift is emerging in the United States. Population growth has slowed to its lowest level in more than a century[1], while investment in Artificial Intelligence (AI), data centers and digital infrastructure is accelerating. As a result, future growth may rely less on workforce expansion and more on productivity gains. For real estate, this distinction matters: sectors linked to consumption and goods flows may benefit, while property types that depend directly on employment growth could face greater challenges.

Renting has regained a clear cost advantage



Sources: Census Bureau (rent), National Association of Realtors (mortgage), DWS Investment GmbH as of June 2026

The U.S. economy has continued to expand despite historically weak job creation, suggesting productivity is playing a growing role. Lower birth rates, an aging population and weaker immigration are constraining labor-force growth, while AI is improving efficiency and supporting investment. Higher productivity can ultimately translate into stronger profits, incomes and spending, helping sustain growth even as workforce expansion slows. *"The key issue for real estate is no longer just how fast the economy grows, but what drives that growth,"* says *Todd Henderson, Head of Real Estate for the Americas at DWS*. "Demographics and AI may support overall activity, yet their impact will vary significantly across property sectors."

For the office sector, this may prove to be a difficult combination. Long-term office demand ultimately depends on the number of office-based jobs. Slower growth in the working-age population therefore limits a key source of demand, while AI could further reshape employment patterns across traditional office occupations. Future job growth may increasingly occur in healthcare, research and specialized technology fields rather than conventional office industries. Employment in several major office-using sectors has already weakened since late 2022.[2] The office market is therefore likely to remain highly bifurcated. Prime buildings in leading locations may continue to attract tenants and command strong rents, while conventional assets outside the top tier could face increasing structural pressure.

Residential real estate presents a different picture. Demand for housing depends less on population growth than on household formation, and the number of households has been increasing faster than the population for years. Smaller household sizes and more single-person households suggest this trend may continue. Meanwhile, the cost of buying a home has risen much more rapidly than rents. Higher house prices and elevated mortgage rates have made renting comparatively attractive. If AI-driven productivity gains boost household incomes, demand for larger and higher-quality homes could increase, particularly within the premium segment.

Industrial real estate could also benefit from the changing growth mix. Smarter supply chains may reduce inventory requirements and improve warehouse utilization. However, AI is simultaneously creating new sources of demand. Data-center development is increasing demand for industrial space, while the conversion of industrial land to digital infrastructure can constrain supply elsewhere. Continued e-commerce growth should provide an additional tailwind. Because online retail remains significantly more logistics-intensive than traditional retail, these trends should support demand for modern warehouse and distribution facilities.

The retail sector may also be better positioned than many assume. Even a further rise in e-commerce does not necessarily imply weaker demand for retail property. Many stores now serve as both shopping destinations and fulfilment hubs. In addition, a growing share of rental income is generated by service-oriented tenants such as restaurants, fitness providers, healthcare operators and personal-care businesses rather than traditional merchandise retailers. These activities are likely to benefit from both an aging population and rising incomes.

The key takeaway is not that demographics and AI will pull the economy in opposite directions. Rather, they are changing where growth comes from and how it is generated. For real-estate markets, that shift matters. Based on current trends, industrial properties, service-oriented retail assets and higher-quality residential real estate appear relatively well positioned, while conventional office buildings outside the prime segment may face greater structural challenges.

#9 | Transformation shifts where water matters most

How water runs through the real economy and can create new winners and losers

Across the world, a growing number of countries are discovering that reliable access to water can no longer be taken for granted. Shipping disruptions in Panama, groundwater depletion in India, pressure on the Colorado river in the United States and recurring droughts across Europe all point to the same conclusion: water is emerging as a constraint on trade, food security, industrial production and growth.

Yet water remains one of the most underappreciated resource challenges facing investors. While energy security has dominated political attention and capital allocation in recent years, water has received comparatively little focus. This imbalance is becoming increasingly difficult to justify. Water is not simply another environmental issue, it is a critical input for many of the transformations that governments and companies are attempting to accelerate, from electrification and digitalization to advanced manufacturing and more sustainable agriculture.

The challenge is that these transformations reshape where water is needed. The case for cleaner power could not be simpler when it comes to water since our chart shows that for each unit of electricity, wind and solar require far less water than the thermal and nuclear plants they might replace. But the transition creates new demands elsewhere. For example, the extraction and processing of critical minerals needed for batteries, transmission networks and renewable technologies are highly water-intensive, and much of that mining sits in already water-stressed regions.

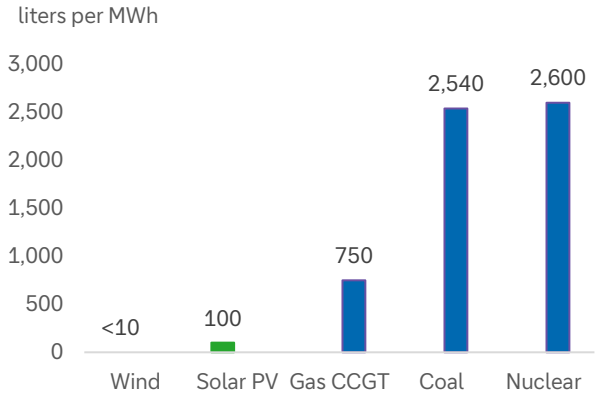
Digitalization adds a further layer of complexity. The rapid build-out of data centers to support artificial intelligence requires water both directly for cooling and indirectly through the electricity needed to power increasingly sophisticated computing infrastructure. Semiconductor manufacturing carries similar exposure. Chip fabrication ranks among the world's most water-intensive industrial processes. Yet many of the regions attracting new investment, supported by industrial policy and reshoring incentives, are already experiencing significant water stress. Arizona in the arid southwestern United States is perhaps the most frequently cited example, but it is far from unique.

For investors, the implication is that water is increasingly likely to be repriced. *"Unlike energy, water has historically been underpriced, rarely traded and chronically underinvested,"* says *Michael Lewis, Head of Research ESG*. As scarcity becomes more visible, the economic value of secure water access is likely to increase, creating two distinct opportunity sets.

The first lies in risk identification. Companies operating in water-intensive sectors such as utilities, chemicals and food production may face rising input costs and tighter regulatory requirements. In some cases, facilities located in water-stressed basins could experience curtailments or become stranded altogether. Water intensity is therefore emerging as an important lens through which to assess business resilience, revealing vulnerabilities that traditional carbon-focused analysis may overlook.

The second lies in solutions. Addressing water scarcity requires substantial investment in treatment and recycling technologies, leakage reduction, desalination, precision irrigation, monitoring systems and water-related infrastructure. Since access to water for businesses, municipalities and households is not discretionary, this creates the potential for a more durable and less cyclical source of demand.

Water withdrawn during electricity generation



Note: CCGT = combined-cycle gas turbine; PV = photovoltaic; MWh = megawatt-hour. Sources: Macknick et al (2012) and Renewable and Sustainable Energy Reviews, Jin et al (November 2019).

This may change the approach to climate investing which has typically been viewed through the lens of reducing greenhouse gas emissions. Now attention may shift towards adaptation. The question is therefore not just how economies decarbonize, but how to keep them functioning in a world of higher temperatures, more volatile weather and growing resource constraints. Water resilience sits at the heart of that challenge.

As physical climate risks intensify, investment in water quality, efficiency, recycling and infrastructure is likely to grow. Such solutions can strengthen economic resilience while supporting rivers, coastal ecosystems and the broader blue economy. In a warming world, water may prove as important to economic security as energy.

 This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Alternative investments may be speculative and involve significant risks including illiquidity, heightened potential for loss and lack of transparency. Alternatives are not suitable for all clients. Source: DWS Investment GmbH | October 27, 2026

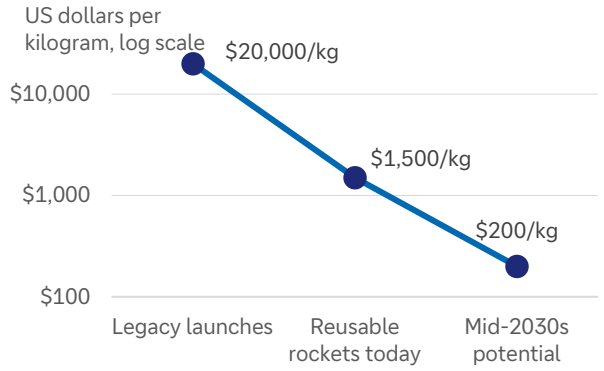
#10 | Space: The next infrastructure layer

Why communication, data and computing power may increasingly be delivered from space

For decades, space was largely the domain of governments, the military and a handful of scientific missions. Today, that picture is changing rapidly. Falling launch costs, reusable rockets and increasingly capable satellites are opening up new economic opportunities. Space is gradually evolving from a niche for scientific exploration into an infrastructure platform on which entire industries could increasingly depend. The question is becoming less about building cities on Mars and more about which services and infrastructure can be delivered efficiently from orbit. In that sense, the future of space may look less like science fiction and more like a network of data centers, communications systems and digital services operating above Earth.

"The key bottleneck for the entire space economy remains the ability to launch rockets frequently and reuse them at substantially lower cost," says *Sebastian Werner, Head of Growth Equities Americas at DWS*. Many observers see this as the industry's defining inflection point. Like railroads, power grids and the internet before it, space could become a new infrastructure layer for communication, data processing and other services. Lower-cost access to orbit could enable entirely new business models, just as digital platforms and cloud services emerged alongside the internet.

Launch cost to low Earth orbit set to fall dramatically



Sources: BofA Global Research (Note: The current-cost point is plotted at the midpoint ($1,500/kg); forward estimates are illustrative and uncertain), DWS Investment GmbH as of September 2026

Satellites already play a critical role in communications, navigation, weather forecasting and security applications. In the years ahead, they could further improve connectivity in remote regions, link aircraft and ships to global networks and provide backup connectivity when terrestrial systems fail. Earth observation is becoming increasingly important. Satellites collect information on weather events, wildfires, floods, agricultural yields and supply chains. Combined with artificial intelligence, these data can generate insights that help businesses, governments and insurers make better decisions. The economic value is still created largely on Earth, even if the technology enabling it operates in space. At the same time, technological competition between the U.S. and China is likely to accelerate investment in space infrastructure, communications, defense and computing.

The next phase of development may involve applications that still appear futuristic today. These include orbital data centers, manufacturing facilities operating in microgravity and, over the longer term, even the use of resources beyond Earth. Growing demand for computing power could be particularly important. As artificial intelligence requires ever larger amounts of energy and processing capacity, some observers argue that orbit-based computing infrastructure could have long-term potential. Whether such visions become commercially viable will depend largely on further declines in transportation costs and continued technological progress. As a result, many of these business models are more likely to become relevant in the 2030s and 2040s than in the immediate future.

For investors, this creates a much broader opportunity set than simply rocket manufacturers. Potential beneficiaries include satellite operators, communications providers, Earth-observation and data-analytics companies, defense contractors, semiconductor manufacturers and specialized infrastructure and energy-technology firms. Business models built around recurring revenues from connectivity, data and services may prove particularly attractive. Still, investors may want to remain selective. Not every technological vision translates into a successful business model, and high levels of investment do not guarantee sustainable profits. Commercial viability depends on reliable, reusable rockets and timely launches, which may require resolving technical challenges, securing substantial funding and obtaining regulatory approvals.

By 2050, space could play a role similar to the internet today, as an invisible layer of infrastructure supporting large parts of the economy. Communication, navigation, data processing and Earth observation could become routine services delivered from orbit. Much like railroads, power grids and mobile networks transformed earlier eras, space infrastructure may give rise to entirely new business models that are only beginning to emerge today. Perhaps the most important change would be the least spectacular, as space would no longer be viewed as a separate industry, but as an integral part of the infrastructure on which much of the global economy relies. In that world, the success of the space economy would be measured by how seamlessly space-based services become embedded in economic activity.

Footnotes

Theme 1: Europe & America: The tensions that bind

[1] U.S. Bureau of Economic Analysis (July 2026). Direct investment by country and region.

Theme 2: EM: Still the engines of global growth

[1] IMF, World Economic Outlook Update as of July 2026

Theme 4: Can pension reform change how Germans invest?

[1] bundestag.de „Bundestag beschließt das Altersvorsorgedepot", 3/27/26

[2] Deutsches Aktieninstitut „Kapitalgedeckte Komponente in der Gesetzlichen Rentenversicherung wichtiger Schritt für Zukunftsfähigkeit", 6/22/26

[3] Ihre Vorsorge, "Die Kapitalrente: So funktioniert die Pflichtvorsorge für Arbeitnehmer und Rentner," 8/16/26

Theme 5: New Europe can hold its own

[1] All data from Bloomberg Finance L.P., as of October 5, 2026, unless stated otherwise.

[2] BofA Global Research, "Is AI momentum starting to cool?", European Equity Strategy; 6/26/26.

[3] Joint European Disruptive Initiative, "Draghi Tracker," Update #5, September 2026.

[4] When currency adjusted. In local currencies, the Euro Stoxx 50 was at par with the S&P 500 over the past 4 years.

Theme 6: From AI adoption to investment returns

[1] Note from Sundar Pichai within Alphabet Annual Report 2025 (dated April 2026).

[2] The chart shows the aggregate free cash flow (FCF) of five hyperscalers, Alphabet, Meta, Amazon, Microsoft and Oracle, and five semiconductor companies, Nvidia, TSMC, Broadcom, Micron Technology and AMD.

[3] Bank for International Settlements, Financing the AI infrastructure boom: on- and off-balance sheet borrowing, BIS Quarterly Re-view, 16 March 2026. The analysis documents hyperscalers' increasing reliance on borrowing as capital expenditure rises, with gross corporate bond issuance exceeding USD 100bn in 2025. It also notes rising credit-default-swap spreads, particularly among lower-rated hyperscalers, reflecting increased debt supply and uncertainty over investment payoffs

[4] Recent prices for renting AI computing power offer a near-term indication that demand for capacity remains firm. Silicon Data's H100 rental term curve shifted materially higher between November 2025 and March 2026 and remained broadly near that higher level in June 2026. These are rates for renting GPU capacity, not prices received by semiconductor manufacturers; the observation does not establish how long current pricing conditions will persist. Source: Silicon Data, H100 Rental Price Term Rate Curves, as of June 25, 2026.

[5] Jevons paradox means that when technological improvements make a resource or service cheaper or more efficient, consumption can increase so strongly that total resource use rises rather than falls. AI could exhibit a Jevons-paradox dynamic: falling inference costs may stimulate enough additional usage to increase, rather than reduce, aggregate compute demand.

[6] The free-cash-flow forecasts are based on the estimates available for each company and forecast year, rather than a fixed panel of contributors followed through 2028. Across the five semiconductor companies, the number of contributing estimates totals 127 for 2026E, 130 for 2027E, 109 for 2028E. For the five hyperscalers, the corresponding totals are 161, 159, 139. Across all ten companies, this represents an average of approximately 29 estimates per company in 2026E and 2027E, falling to 25 in 2028E.

[7] Since reaching their historic high in June, the SOX (Philadelphia Semiconductor Index) has lost 24% and the semiconductor-heavy South Korean KOSPI 39%. Source: DWS Investment GmbH, Bloomberg Finance L.P.; as of 10/19/26.

Theme 7: The winner may not take it all

[1] Kevin Warsh, "The New Frontier," remarks at Jackson Hole, August 28, 2026.

[2] The market-capitalisation share is calculated using the number of companies and average firm size in the largest Fama-French capitalisation decile. The company-count series shows the number of companies assigned to that decile. Figures relate to the US equity universe covered by the underlying Fama-French dataset.

[3] The evidence from corporate users remains at an early stage: one analysis of S&P 500 and FTSE 100 disclosures found that only around three in ten large companies could point to at least one realised, quantified AI result, with deployments disclosed far more frequently than verified outcomes. Based on The AI Value Gap, AI Value Realisation Index: About and methodology, Q2 2026 data through 18 August 2026. The provisional dataset covered 532 companies across the S&P 500 and FTSE 100; approximately 15% of the sample had yet to report.

[4] Forward 12-month S&P 500 earnings now stand nearly 90% above the cyclically adjusted earnings base, placing the premium close to the upper end of the available history. This does not establish that consensus forecasts are unattainable, but it illustrates how strongly apparently reasonable forward multiples depend on the delivery of exceptional earnings growth. Sources: Bloomberg Fi-nance L.P., Robert Shiller; DWS calculations. Premium calculated as (Forward Earnings/Cyclically adjusted earnings - Cyclically ad-justed earnings represent the trailing 10-year average of real earnings based on Robert Shiller's data.

[5] Alphabet, for example, has described its ability to fund investment through operating cash flow, debt and equity while maintaining a strong balance sheet as a strategic advantage. Elsewhere in the ecosystem, stronger companies are considering financial support for

less creditworthy participants, potentially lowering their funding costs but also creating new interdependencies and contingent risks. Sources: Alphabet, Investor Presentation June 2026, 3 June 2026, opening remarks; Bank for International Settlements "Financ-ing the AI infrastructure boom: on- and off-balance sheet borrowing," BIS Quarterly Review, 16 March 2026

[6] Diversification neither assures a profit nor guarantees against loss.

[7] Hyperscalers may be able to adjust capital expenditure if expected returns weaken; suppliers with concentrated exposure to that spending may have less flexibility. The relevant question is therefore not only which companies benefit from AI, but how dependent their revenues, earnings and valuations are on continued hyperscaler spending.

[8] AI is also no longer exclusively an equity-market story. As investment requirements rise, financing increasingly affects corporate bond markets, infrastructure lending, utilities and private capital. The AI cycle can therefore influence credit spreads, duration expo-sure and broader financial conditions. Portfolio diversification must consequently extend beyond stock selection and consider how the same investment cycle is represented across asset classes.

[9] The objective is not geographic diversification for its own sake, but diversification across sector structures, currencies, policy re-gimes and sources of earnings.

Theme 8: When productivity replaces population growth

[1] Congressional Budget Office, "The Demographic Outlook: 2026 to 2056" as of January 7, 2026.

[2] Bureau of Labor Statistics as of May 2026.

Theme 10: Space: The next infrastructure layer

*Note: The current-cost point is plotted at the midpoint ($1,500/kg); forward estimates are illustrative and uncertain.

Glossary

Introduction of the 10 themes 2026

Artificial intelligence is the theory and development of computer systems able to perform tasks normally requiring human intelli-gence.

Emerging markets (EM) are economies not yet fully developed in terms of, amongst others, market efficiency and liquidity.

Free Cash Flow (FCF) is a measure of financial performance calculated as operating cash flow minus capital expenditures. It shows how much cash a company is able to generate after deducting the money required to maintain or expand its asset base.

Hyperscalers are large cloud service providers, which can provide services such as computing and storage at enterprise scale.

Market capitalization is the total market value of a company's outstanding shares, calculated by multiplying the share price by the number of shares outstanding.

Monetary policy focuses on controlling the supply of money with the ulterior motive of price stability, reducing unemployment, boosting growth, etc. (depending on the central bank's mandate).

The S&P 500 is an index that includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

Theme 1: Europe & America: The tensions that bind

Brexit is a blend of "Britain" and "exit" and refers to the United Kingdom's withdrawal from the European Union.

Critical infrastructure: Systems and assets whether physical or virtual, that are vital to a country such that the incapacity or destruction of such systems and assets would have a debilitating impact on national economic security, public health and/or safety.

The European Union (EU) is a political and economic union of 27 member states located primarily in Europe.

Foreign direct investment (FDI) aims at establishing or having control of an enterprise in a foreign country, unlike indirect investment in a sector through financial instruments.

Theme 2: EM: Still the engines of global growth

Artificial intelligence is the theory and development of computer systems able to perform tasks normally requiring human intelli-gence.

Carry (of an asset) refers to the net return or cost of holding an asset over time, typically derived from income such as interest or dividends minus any associated financing or holding costs. A carry trade is an investment strategy that seeks to capture this carry by exploiting differences in yields or interest rates between assets, typically by funding at a lower rate and investing in assets with higher returns.

Critical Minerals: Minerals such as lithium, copper, nickel and cobalt that are essential for batteries, electric vehicles, renewable energy and modern technologies.

Digitalization: The increasing use of digital technologies to transform businesses, industries and everyday life.

Emerging markets (EM) are economies not yet fully developed in terms of, amongst others, market efficiency and liquidity.

Fundamentals are data giving information about the general well-being of companies, securities or currencies and serving for the subsequent valuation of these as an investment opportunity.

The gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

The International Monetary Fund (IMF), created in 1945 and headquartered in Washington, D.C., is an organization of 191 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

Productivity measures how much economic output is produced for a given level of inputs (such as capital and labor).

Purchasing power parity (PPP) is a technique used to determine the relative value of currencies, whereas the purchasing power in both currencies is the same.

The spread is the difference between the quoted rates of return on two different investments, usually of different credit quality.

Valuation attempts to quantify the attractiveness of an asset, for example through looking at a firm's stock price in relation to its earnings.

Theme 3: The end of cheap money

A budget deficit is created whenever the spending in a public budget exceeds the income within a given time period.

Dispersion describes the variation in performance or returns across different investments, sectors or issuers.

Duration is a measure expressed in years that adds and weights the time periods in which a bond returns cash to its holder. It is used to calculate a bond's sensitivity towards interest-rate changes.

Fiscal policy describes government spending policies that influence macroeconomic conditions. Through fiscal policy, the government attempts to improve unemployment rates, control inflation, stabilize business cycles and influence interest rates in an effort to control the economy.

Economic stimulus refers to government actions, typically through fiscal and monetary policy, aimed at encouraging private sector economic activity to boost growth.

Inflation is the rate at which the general level of prices for goods and services is rising and, subsequently, purchasing power is falling.

Liquidity refers to the degree to which an asset or security can be bought or sold in the market without affecting the asset's price and to the ability to convert an asset to cash quickly.

Monetary policy focuses on controlling the supply of money with the ulterior motive of price stability, reducing unemployment, boosting growth, etc. (depending on the central bank's mandate).

In economics, a nominal value is not adjusted for inflation; a real value is.

Primary issuance is the sale of newly issued securities, such as bonds or shares, directly by an issuer to investors.

In economics, a real value is adjusted for inflation.

The term premium is the expected return on an investment minus the return that would be earned on an investment with a shorter term/maturity.

Treasuries are U.S. government debt securities, including Treasury bills, notes, bonds, and inflation-protected securities.

The U.S. Federal Reserve, often referred to as "the Fed," is the central bank of the United States.

Yield refers to the income generated by an investment, such as interest or dividends, usually expressed as an annual percentage of its value.

Yield curve shows yields on comparable fixed-income securities across different maturities.

Theme 4: Can pension reform change how Germans invest?

The Altersvorsorgedepot (AVD) is a state-subsidized private retirement savings account in Germany, available from 2027, that allows investment in funds, including exchange-traded funds (ETFs), and other eligible securities without a capital guarantee.

An exchange-traded fund (ETF) is a security that tracks an index or asset like an index fund, but trades like a stock on an exchange.

The gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

A mutual fund combines funds from many investors with the intention of purchasing securities.

Theme 5: New Europe can hold its own

Artificial intelligence is the theory and development of computer systems able to perform tasks normally requiring human intelli-gence.

Cloud computing encompasses technologies and services that offer the dynamic and flexible use of a third party's IT infrastructure.

Concentration refers to the degree to which a portfolio, market, or index is exposed to a limited number of securities, issuers, sec-tors, or positions.

Cyclical describes an economic variable, sector, or asset whose performance rises and falls in line with the business cycle.

Digitalization: The increasing use of digital technologies to transform businesses, industries and everyday life.

Diversification refers to the dispersal of investments across asset types, geographies and so on with the aim of reducing risk or boosting risk-adjusted returns.

The Euro Stoxx 50 is an index that tracks the performance of blue-chip stocks in the Eurozone.

The MSCI Europe Index is designed to measure the performance of the large- and mid-cap segments of 15 developed markets in Europe.

The S&P 500 is an index that includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

A semiconductor is a material with electrical conductivity between that of a conductor and an insulator.

Share buybacks are transactions in which a company repurchases its own shares.

The Stoxx Europe 600 is an index representing the performance of 600 listed companies across 18 European countries.

Theme 6: From AI adoption to investment returns

AI agents are software systems that use artificial intelligence to plan and carry out tasks toward a specific goal without requiring step-by-step human instructions.

Artificial intelligence is the theory and development of computer systems able to perform tasks normally requiring human intelligence.

Cloud computing encompasses technologies and services that offer the dynamic and flexible use of a third party's IT infrastructure.

A consensus estimate is a figure that depicts the average of different analysts' estimates about the performance of a particular asset.

Free cash flow (FCF) is a measure of financial performance calculated as operating cash flow minus capital expenditures. It shows how much cash a company is able to generate after deducting the money required to maintain or expand its asset base.

Hyperscalers are large cloud service providers, which can provide services such as computing and storage at enterprise scale.

Monetization refers to the process of generating revenue from an asset, product, service, audience, or business model.

Profit Margin is an accounting figure which describes profit in relation to revenue in percent.

A semiconductor is a material with electrical conductivity between that of a conductor and an insulator.

A token is a small unit of text, such as a word, part of a word or punctuation mark, that an AI model processes when reading or generating text.

Valuation attempts to quantify the attractiveness of an asset, for example through looking at a firm's stock price in relation to its earnings.

Theme 7: The winner may not take it all

A balance sheet summarizes a company's assets, liabilities and shareholder equity.

A decile is a method used in data analysis to categorize data into ten equal segments for comparative purposes.

Disinflationary describes a slowing in the rate of price inflation.

Emerging markets (EM) are economies not yet fully developed in terms of, amongst others, market efficiency and liquidity.

The FTSE 100 is an index that tracks the performance of the 100 major companies trading on the London Stock Exchange.

Grid investment refers to the investment made to expand and upgrade the electricity transmission and distribution networks that carry power from generators to users.

Hedge is a position or strategy used to reduce exposure to adverse price movements or other financial risks.

Hyperscalers are large cloud service providers, which can provide services such as computing and storage at enterprise scale.

Inflation is the rate at which the general level of prices for goods and services is rising and, subsequently, purchasing power is falling.

Market capitalization is the total market value of a company's outstanding shares, calculated by multiplying the share price by the number of shares outstanding.

Firms referred to as mid cap generally have a market capitalization of between $2 billion and $10 billion.

The S&P 500 is an index that includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

Reshoring: Bringing manufacturing and production back to a country's domestic economy from overseas locations.

A semiconductor is a material with electrical conductivity between that of a conductor and an insulator.

Small cap firms generally have a market capitalization of less than $2 billion.

The U.S. Federal Reserve, often referred to as "the Fed," is the central bank of the United States.

Theme 8: When productivity replaces population growth

Office: Properties primarily used as workplaces by businesses and organisations, ranging from premium buildings in major business districts to conventional office properties in other locations.

Residential: Properties used as homes, including rental housing and apartments. Demand is influenced by factors such as household formation, affordability, incomes and the relative cost of renting versus buying.

Industrial & Logistics: Properties used for the storage, movement and distribution of goods, including warehouses, distribution centres and other industrial facilities. Demand is closely connected to supply chains, e-commerce and logistics activity.

Retail: Properties where businesses provide goods or services directly to consumers, including shops, shopping destinations and service-oriented premises such as restaurants, fitness, healthcare and personal-care businesses.

Data Centres: Specialised facilities that house computing and digital infrastructure used to process and store data. In the article, growing data-centre development is highlighted as a source of demand for industrial space and land.

Healthcare: Properties used to provide healthcare-related services. In the article, healthcare is also highlighted as an area that may benefit from demographic change, particularly an ageing population.

Theme 9: Transformation shifts where water matters most

Blue economy: Economic activities linked to oceans, rivers, lakes and coastal areas that support both economic growth and environmental sustainability.

Critical Minerals: Minerals such as lithium, copper, nickel and cobalt that are essential for batteries, electric vehicles, renewable energy and modern technologies.

Digitalization: The increasing use of digital technologies to transform businesses, industries and everyday life.

Investors increasingly take environmental, social and governance (ESG) criteria into account when analyzing companies in order to identify non-financial risks and opportunities.

Reshoring: Bringing manufacturing and production back to a country's domestic economy from overseas locations.

Theme 10: Space: The next infrastructure layer

Low Earth orbit (LEO) refers to orbits at altitudes of up to approximately 2,000 kilometers above Earth's surface, where many satel-lites operate.

Microgravity, often inaccurately called "zero gravity," is the near-weightless condition experienced in orbit, where objects and their surroundings are in continuous free fall.

A semiconductor is a material with electrical conductivity between that of a conductor and an insulator.

Important information – EMEA, APAC, LATAM & MENA

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