Our Investment Themes mid-year update 2026

BNP PARIBAS
WEALTH MANAGEMENT

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Our 2026 Investment Themes mid-year update

Overview: no respite from geopolitical turbulence

Energy security once again top of the agenda

The Russia-Ukraine war has highlighted the urgency for Europe and Asia to strengthen energy security. The Iran conflict and the closure of the Strait of Hormuz have accentuated this critical need.

Some countries were better prepared for the latest surge in energy prices. China, for example, since 2022, has been investing massively in nuclear and renewable electricity generation as well as industrial battery storage systems. Moreover, it has built up its strategic oil stockpiles to 200 days worth of domestic consumption, thereby reducing its risk of disruption to oil imports. Meanwhile, Europe has diversified its energy sources by investing further in solar and wind power and building Liquefied Natural Gas terminals to accommodate more LNG cargoes from North America.

Despite such efforts, all regions remain exposed to volatile global energy prices. Even the US is not immune to oil supply disruptions given its mismatch of light sweet crude oil production and the need of domestic refineries to import heavier grades of crude oil. This allows the production of a variety of oil products and petrochemicals to satisfy domestic needs. A long-term consequence of the Iran conflict will be the accelerated investment in all manner of energy infrastructure, from nuclear & renewable energy generation and battery storage in Europe and Asia, to the construction of oil & gas pipelines in Saudi Arabia and the United Arab Emirates to allow energy exports from the Gulf, thus avoiding the Strait of Hormuz.

AI: the Good, the Bad and the Ugly

The gap in stock price performance between the perceived winners and losers of AI disruption has widened dramatically in 2026 YTD. On the one hand, memory chipmakers, humanoid robots, and electricity infrastructure investment represent three AI-related subthemes that have performed strongly (+26% to +184% in the year to 1 June). On the other, Software As A Service providers have suffered from the perceived risk of disruption from new AI software coding tools released by the AI company, Anthropic (Claude Code). US software stocks have collapsed 24% since November 2025.

We can conclude from this greater dispersion within the broader tech sector that: i) investing in the AI megatrend via a broad tech-heavy index (e.g. the Nasdaq 100) is an increasingly inefficient way to capture exposure to the AI theme, and ii) investing in targeted AI-related subthemes can provide more effective exposure to long-term AI "winners".

Effective diversification through commodities

Since the COVID-19 pandemic market lows six years ago, commodities have far outpaced stocks, bonds and real estate as seen in prior periods of sustained inflation volatility in the 1970s and 1980s. Indeed, the Bloomberg Equal-Weight Commodity Index has appreciated 74% in USD over this period (ca. 19% annualised return) while global bonds have lost money even after coupon payments. Precious metals, industrial metals, soft commodities and (now) energy have all delivered at different points in time. In a multipolar world where geopolitical friction continues to escalate, commodities are a key component of a truly diversified investment portfolio.

We invite you to go further by reading more about the mid-year update of our investment themes.

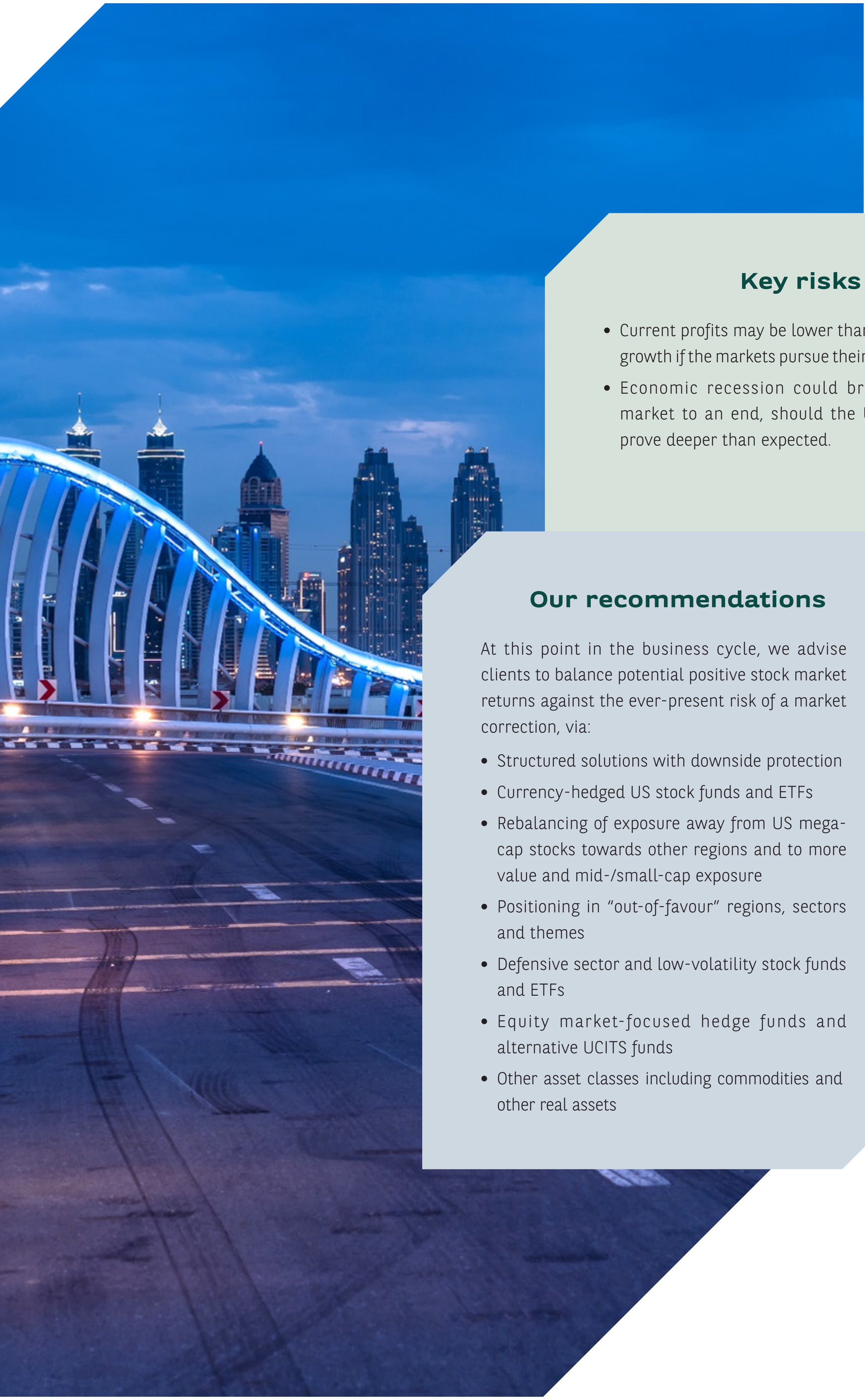
1

Ride the bull, but guard the gains

Nervous bull

The first few months of 2026 set the scene for an unpredictable and volatile environment. Remarkably, the stock bull market has remained resilient despite the Iranian conflict and the record disruptions to the world's energy supply, especially oil and gas. Despite the spike in geopolitical uncertainty, the stock bull market is entering its fourth year and reaching new highs.

Investors should recognise that during this volatile period, maintaining exposure to stocks while limiting downside risks remains key. This can be done by hedging and diversifying in the stock market.



Key risks

- Current profits may be lower than the markets' growth if the markets pursue their performance.
- Economic recession could bring this bull market to an end, should the US slowdown prove deeper than expected.

Our recommendations

At this point in the business cycle, we advise clients to balance potential positive stock market returns against the ever-present risk of a market correction, via:

- Structured solutions with downside protection
- Currency-hedged US stock funds and ETFs
- Rebalancing of exposure away from US mega-cap stocks towards other regions and to more value and mid-/small-cap exposure
- Positioning in "out-of-favour" regions, sectors and themes
- Defensive sector and low-volatility stock funds and ETFs
- Equity market-focused hedge funds and alternative UCITS funds
- Other asset classes including commodities and other real assets

2

Beyond algorithms, the new AI frontiers

The AI revolution gathers pace: new possibilities albeit creative disruption

In 2026, investors are increasingly pricing the Good, the Bad and the Ugly in terms of the acceleration of AI progress. The fast pace of development and rollout of new AI tools promises to expand the possibilities of technology, while boosting productivity and driving greater innovation.

The flip side is the threat of creative destruction to swathes of well-established industries, undermining stable business models and questioning the future of highly-paid white-collar jobs. Investors have rapidly differentiated between i) technology hardware suppliers which benefit from huge AI data centre investment, and ii) technology and service companies at risk from AI disruption to their core business models. We see several opportunities emerging from this AI disruption selloff.

Key risks

- AI adoption and monetisation are slower than expected, especially if some bottlenecks mentioned in this theme are complex to resolve.
- Massive investment by hyperscaler companies in AI may result in poor returns on investment due to intense global competition. If returns on investment are lower than anticipated, the rollout of AI might be delayed.
- A recession could lead to a reduction in AI budgets, potentially hindering the progress of AI implementation and slowing down the realisation of the potential benefits.
- Security aspects likely to become more important in the whole AI ecosystem.

Our recommendations

A theme focused on the next stage of AI and what it will require.

- Power generation, transmission infrastructure, energy storage (batteries)
- Nuclear power
- High-end chips designed for data transfers, storage and computing; sensors
- Certain metals and special materials, such as copper, lithium, aluminium, titanium, lightweight composites, some rare earth elements
- Efficient cooling systems, water-related technologies
- Cybersecurity
- Robotics and humanoids-related hardware and software
- New (Agentic) AI applications in Healthcare, Finance and other industries.

3

Welcome to the new age of scarcity

The new age of limited resources

The current Iran conflict has reemphasised the importance of securing the supply of critical minerals and energy. Restrictions of maritime traffic through the Strait of Hormuz, a critical waterway for global trade, have resulted in shortages and higher prices for many raw materials, including energy, fertilisers, sulphur, helium and strategic industrial metals. Even if Strait of Hormuz traffic resumes in the short term, supply shortfalls will persist for several months as production slowly returns to pre-conflict levels.

Despite the strong performance of the broader commodity complex since 2022, in our view, most investors remain underexposed to this geopolitically-sensitive asset class. Moreover, the conflict has highlighted the need for energy-importing regions, such as Europe and Asia, to invest heavily to become more self-sufficient in energy and to secure greater sources of oil and natural gas from outside the Gulf.

Key risks

- A slowdown in demand for commodities in the event of an economic recession.
- Reduced investor appetite for safe-haven assets (precious metals) if geopolitical tensions ease.
- Commodity prices are subject to volatility, as there is an element of speculation involved.
- Some supply disruptions that have boosted metal prices could prove only temporary if shuttered or paused mining capacity is brought back online.

Our recommendations

A theme focused on:

- Precious metals
- Strategic metals
- Energies critical in technology
- Renewable energy production and storage
- Companies extracting and refining the above commodities
- Companies active in water purification and infrastructure
- Structured solutions based on precious/industrial metals or mining companies

4

Infrastructure is the backbone of the modern economy

The global age of infrastructure

Several megatrends are underpinning investment in infrastructure: i) the pressing need for energy security in Europe and Asia; ii) progressive electrification of the world economy; iii) growing demands of digitalisation, and iv) structural growth in air and rail transport. On top of these, there is an urgent need to rebuild essential infrastructure in Ukraine and the Middle East.

Infrastructure assets offer resilience, long-term visibility, inflation protection and effective portfolio diversification. In times past, infrastructure was generally the preserve of sovereign wealth funds, endowments and pension funds, but that is no longer the case. Investors today can choose from an increasingly broad range of investment vehicles, from listed infrastructure ETFs to semi-liquid evergreen private infrastructure funds.

Key risks

- Governments' debt levels could limit infrastructure spending.
- Infrastructure is sensitive to inflation and interest rate hikes.

Our recommendations

This theme focuses on stocks (listed funds, infrastructure funds or specialised funds and ETFs), real estate and private assets.

- Investment in AI infrastructure (direct or indirect): electrification of data centres, clean water
- Investment in energy infrastructure: the need for new renewable energy infrastructure, nuclear and LNG
- Building materials
- Transport infrastructure
- Industrial metals used in infrastructure
- Private infrastructure funds including semi-liquid evergreen funds

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