FUNDAMENTAL EQUITY QUARTERLY

Q3 2026

THIS EDITION'S HIGHLIGHTS

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P10 Equity Day: Using AI at Robeco

Robeco's biannual Equity Day brought together fundamental, thematic and quant equity teams to share ideas and extend collaboration. This time we focused on the development of AI tools for ideation, research and portfolio management.

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P11 China's auto tech

Portfolio manager Clément Chamboulive from the Robeco Smart Mobility strategy visited China at the end of April to attend the Beijing Auto Show, where he found technology progress continues at breakneck speed.

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ASIA: THE AI LOCUS

+14.4%

MSCI JAPAN

Japan equities have transcended the Iran war to maintain upward momentum year to date. Data year to 26 June close (USD, Price return).

+119.7%

MSCI KOREA

Blast off as Korean DRAM manufacturers reach for the stars in 2026. Data year to 26 June close (USD, Price return).

+55.73%

MSCI TAIWAN

Taiwan's semiconductor ecosystem underpinned a powerful H1 2026. Data year to 26 June close (USD, Price return).

US: HYPERSCALERS STALL

+7.25%

MSCI US

Solid performance year-to-date hiding wide sector dispersion. Data year to 26 June close (USD, Price return).

+3.54%

MSCI TECH 125

Some hyperscalers and SAAS names have struggled in 2026 offsetting US semiconductor strength. Data year to 26 June close (USD, Price return).

-2.38%

MSCI FINANCIALS

A weak year to date with proposed credit card rate caps proving a negative . Data year to 26 June close (USD, Price return).

Past performance is not guarantee of future results. The value of your investment may fluctuate.

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Reaching for the stars

Since our last edition the sheer pace of change and development has remained astounding, and for professional investors exhilarating at the same time. The fury of the Iran war has abated as we hoped, so far with relatively benign impact on the wider global economy. The technology sector has rocketed through a breathtaking 10-week rally, topped with the record-breaking SpaceX IPO.

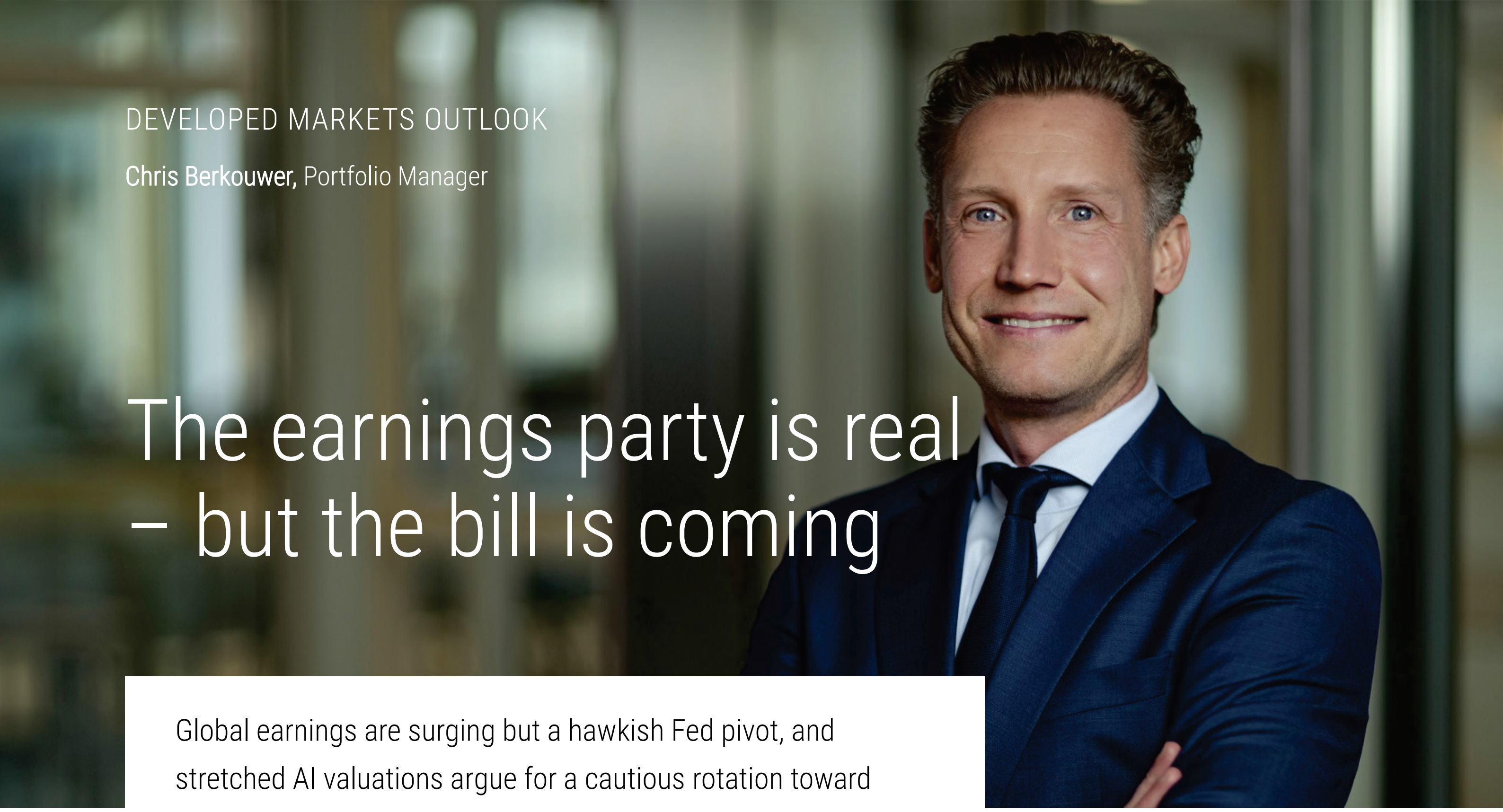
Combined with still strong US economic data, sentiment remains constructive and so is our base case for equity markets. There is a lot of excess cash in the system which the real economy cannot easily absorb; record high profit margins fuel broad-based strong earnings momentum, and consumer spending remains strong thanks to the wealth effect and tax incentives.

However, the market looks expensive on just about all traditional valuation metrics. And it would not be the first time that high profile megacap IPOs herald the top of a bull market. When the Bank for International Settlements, the central bank of central banks, warns about 'shadow borrowing' and 'circular finance' in the AI community of companies, we are closely studying where the risks are building. In any case, free cash flow generation is shifting from the hyperscalers to memory companies and other hardware suppliers, making it questionable if the companies which spend large amounts of capital on the AI build-out will see a decent return on their investment. Emerging Markets are a clear beneficiary.

More perspectives on this topic in the outlook for Developed and Emerging markets equities from Chris Berkouwer and Wim-Hein Pals respectively. We also interview Mutlu Gundogan from the Robeco Smart Materials strategy about his investment journey. We get an assessment of terrestrial vs. orbital datacenter investment from Michael Studer of the Robeco Smart Energy strategy. In addition, we have trip notes from the space-age Beijing Auto Show, and include a recap of our internal progress in utilizing AI from our recent Equity Day meeting. Finally we get an assessment of how emerging markets are taking the opportunity to drive the energy transition, a topic which may be the most important of all.

The northern hemisphere summer is sweltering so far. Warm wishes for successful investments in the second half of 2026!

Kees Verbaas



Chris Berkouwer, Portfolio Manager

The earnings party is real – but the bill is coming

Global earnings are surging but a hawkish Fed pivot, and stretched AI valuations argue for a cautious rotation toward cyclicals, value, and international diversification rather than chasing momentum.

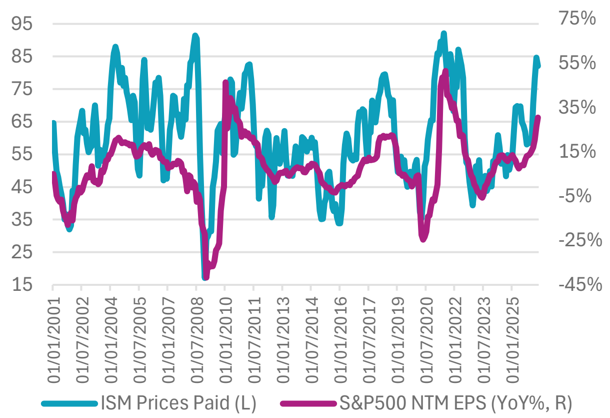
The earnings surge

Let's start with the good news, because there's a lot of it. The earnings backdrop right now is, frankly, quite extraordinary. Forward earnings for the S&P 500 are running near +29%[1], and this isn't just a mega-cap mirage; mid-caps are around +18% and small-caps near +24%. The last time we saw numbers like these we were clawing out of the financial crisis or the pandemic. The difference is we don't have a recession this time. That's what makes the cycle so unusual: a rising-tide-lifts-all-boats earnings surge with no crater to climb out of, powered by lagged rate cuts, a hefty fiscal package (Trump's 'One Big Beautiful Bill' legislation in the US), and the AI capex firehose. Add it up and you get multiple points of GDP growth in combined stimulus landing more or less at once. For the next few months, that earnings momentum should keep stocks moving higher. Now the catch...

The thing about earnings this strong

Earnings growth this powerful will almost always travel with a companion you'd rather not invite: inflation. The two move together because they're both consequences of a hot economy. ISM prices-paid gauges are sitting at levels that have historically front-run a pickup in core inflation (see Figure 1). This pipeline pressure is already showing up in stickier core services, housing disinflation that's basically tapped out, tariffs, and an oil scare out of the Middle East that could take six to nine months to fully bleed into core prices. The uncomfortable historical nugget: when S&P earnings growth runs north of 20%, the Fed has ended up tightening in roughly seven of the last eight episodes. Which brings us to rates.

Figure 1: Higher earnings = higher prices



Source: BMO Capital Markets, Bloomberg

Central banks: from tailwind to headwind

This is the regime change almost nobody is positioned for. The global easing cycle is over, and the live question is no longer "how many cuts" but "will they hike?" The labor market the Fed fretted about last year has healed; job growth has picked up and the unemployment rate is flat versus a year ago, when policy was 75 bps tighter. Meanwhile the inflation problem has quietly worsened, and new Fed Chairman Kevin Warsh has leaned hawkish, hammering price stability and sounding skeptical that AI will ride to the rescue with disinflation. Some major banks, including Bank of America, now pencil in three 25 bps hikes before the year-end, which would take the policy rate back toward 4.25-4.50%. Remember, going from cuts priced in to hikes priced in is a genuine shift, and it will land hardest on the longest-duration corners of the market.

[1] BMO Capital Markets estimate, June 2026

"If inflation is firming and the Fed is leaning hawkish, cyclicals and value tend to do well

The AI/momentum problem

Here's where it gets interesting. The relentless march of momentum names – AI front and center – is starting to rhyme with the run into March 2000. AI is now about the most crowded consensus long on the board. The main difference from the dotcom era is that the fundamentals are real this time: US Tech's economic profit is around 10x its 2000 level, and Tech ex-US now out-earns all of listed Europe combined. So it isn't pure hype. Having said that, the hyperscalers are pouring so much into capex that returns on capital are coming under pressure, while the rest of the AI food chain is priced for profits nobody has ever actually delivered. In a higher-for-longer world, Tech is increasingly a geared duration bet. When discount rates were anchored at post-GFC lows, paying up for far-off growth made sense; it looks a lot more stretched now. Layer on the AI-sovereignty wildcard that includes protectionism, export controls, Europe's dependence on US technology, China building its own stack for the East – and the world's most crowded trade has more ways to wobble than consensus admits.

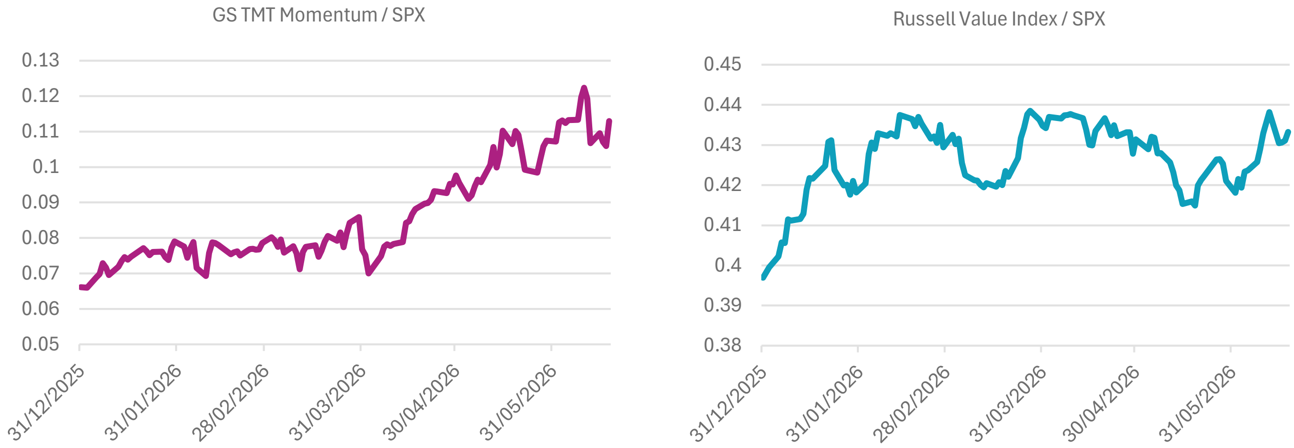
So where do you actually look?

The interesting part of an overheating, broadening tape is that the laggards finally get a turn. If inflation is firming and the Fed is leaning hawkish, cyclicals and value tend to do well – they've already beaten defensives by double digits over the past year, and high-beta has come roaring back. The opportunity set outside the magnificent few looks genuinely interesting. Europe is also the most de-correlated major region from US Tech, which makes it a natural hedge for anyone nervous about concentration. The region is rich in the cyclicals and quality defensives (Pharma, Utilities) that suit this backdrop, though its old dependence on US technology is a real vulnerability if AI sovereignty becomes a fault line. Japan's reflation-and-reform story still has legs, with the caveat that a normalizing BoJ and a firmer yen are the swing factors. And emerging markets – China's home-grown AI build-out and Asian cyclicals especially – are the highest-beta way to play a softer dollar and a broadening tape.

The shape of the next quarter(s)

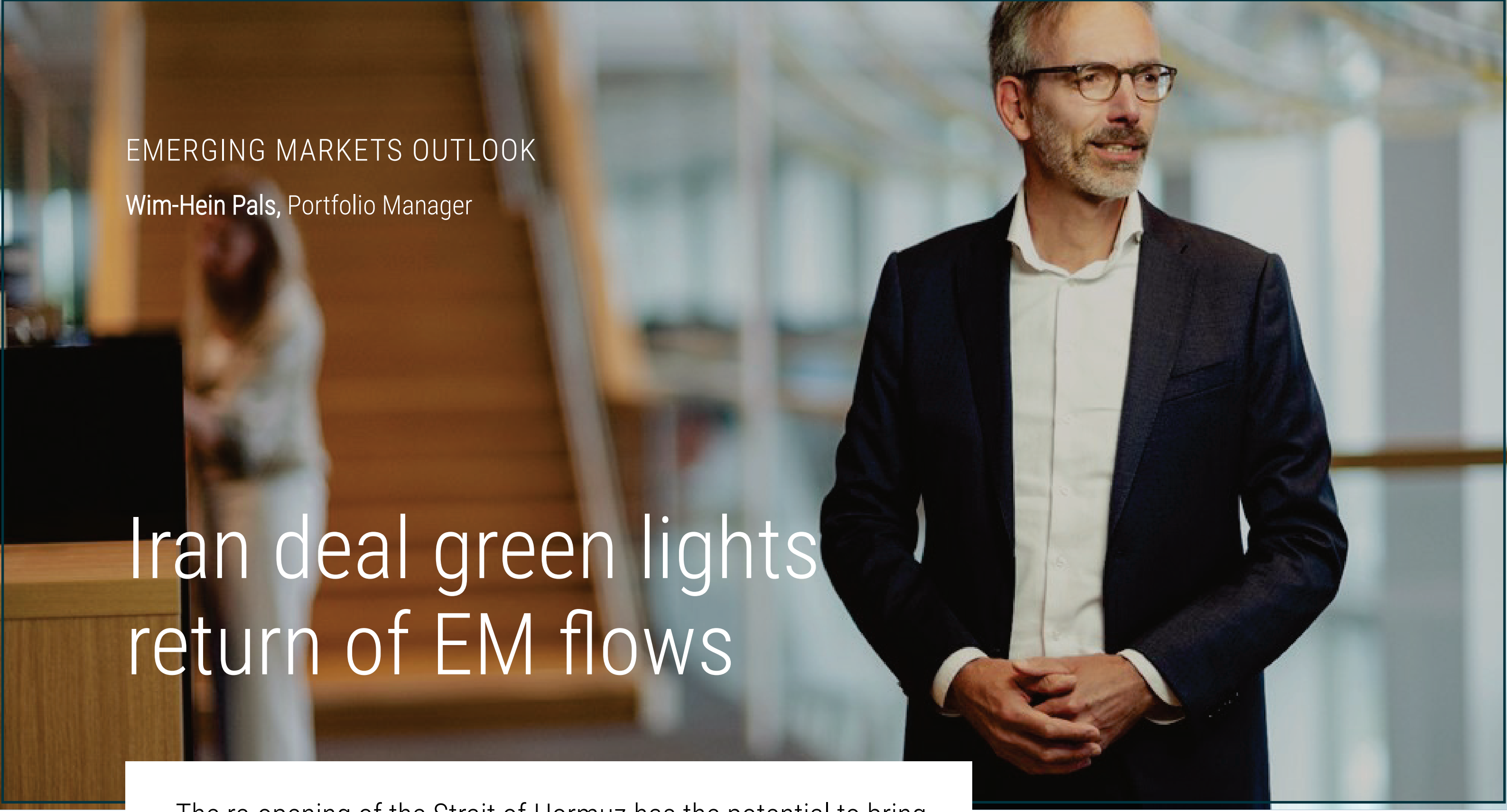
The base case from here is still an up-but-bumpy path for global equities, with the rates-geopolitics-AI triangle as the key swing factor. For now, earnings are simply too good and the stimulus is still washing through – before the bill comes due. Given the valuation backdrop, any setbacks on the US-Iran 'deal', growing headwinds as core inflation gains momentum, or a more sober tone by central banks, could translate into air pockets. Companies with real moats, low cash-flow volatility, and decent dividends are the kind of ballast that holds up if the multiple-compression story shows up. In portfolio terms, that argues for a tilt toward quality growth and AI-linked names, but with more respect for rate sensitivity and less bravado in the most expensive corners of the market. Cyclicals and value should weather that better than long-duration Tech. None of this is a crash call; it's a call for broadening, rotation, and a little humility about the most crowded trade in the world. Enjoy the party; just stand near the door.

Figure 2: June saw non-AI stocks join the rally



Past performance is not guarantee of future results. The value of your investment may fluctuate.

Source: Bloomberg, CLSA. Data to 18 June 2026. SPX refers to S&P500 index. GS TMT Momentum refers to Goldman Sachs Technology, Media, and Telecom Momentum index.



EMERGING MARKETS OUTLOOK

Wim-Hein Pals, Portfolio Manager

Iran deal green lights return of EM flows

The re-opening of the Strait of Hormuz has the potential to bring back the EM trades that have been put aside since mid-April and paves the way for more balanced performance within EM.

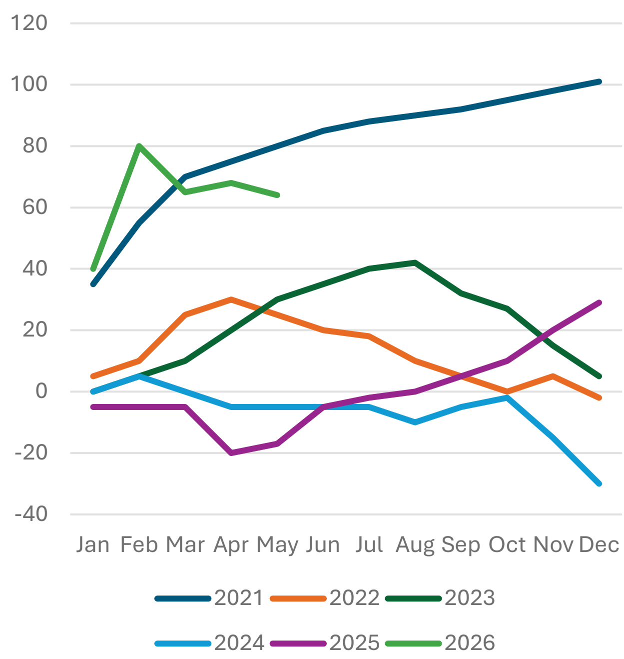
Tech still the focus

The strong rally in Korea and Taiwan on the back of AI exposure is unlikely to be derailed by a flip in the geopolitical set-up. While the opening of the Strait of Hormuz could renew demand for high-beta commodity plays, it is unlikely to significantly impact price action for EM ex-Tech. Performance of EM ex-Tech would need to be bolstered by lower yields in the US and a window of currency stability to allow for a resumption of EM flows. A noteworthy example here is that of Brazil, which continued to outperform post the conflict due to its energy export profile and being geographically remote from the Middle East. However, the market sold off with a full-fledged comeback of US tech giants, the trimming of the domestic easing cycle and increased uncertainty about the October election.

Oil decline helps but USD key

The declining energy prices could lower inflation (expectations), moderating pressure on central banks to tighten, which is a key tailwind for EM. A moderation in the US dollar, or a reversal to weakness versus key EM currencies, could re-ignite flows into EM. Fund flows reached a peak of USD 83 bln and lost 23% of that over the past few weeks as the dollar strengthened and mega IPOs drained global liquidity. Taking a conservative assumption of inflows resuming at just a quarter of the weekly pace seen in 2026 before the conflict, then 2026 is still on track to surpass the previous record inflows of USD 101 bln in 2021, as illustrated in Figure 3.

Figure 3: Fund flows (USD bln) into EM equities tracking much better than in the last four years



Source: EPFR Global, June 2026.

"Trade is coming back onto the agenda

Global equity AuM currently dedicated to EM stands at 5.7% versus an 11.8% share of EM in the MSCI ACWI index and against a 10-year historical share of 6.4%. That said, we are watchful of risks in isolated pockets, such as the leveraged products in Korea, momentum crowding in Taiwan, as well as China Tech into IPOs.

We are underweight China and Taiwan

In our Fundamental Emerging Equities portfolio, we continue to be overweight South Korea, as it remains fundamentally attractive with strong earnings (revisions), low valuation parameters, and structural reforms. South Korea remains driven by a higher-for-longer memory upcycle, but we highlight that non-tech plays are also attractive due to the wealth effect of the KOSPI rally and governance reform beneficiaries. Taiwan benefits from its pure-play exposure to the global AI buildout, although it is overpriced in a lot of instances. At these valuation levels, our fundamental EM portfolios are very underweight in Taiwan.

We are also underweight China given the headwinds of geopolitics, persistent overcapacity in a lot of sectors, ranging from property to EVs and solar panels to steel. We prefer thematic exposure in AI infrastructure, advanced manufacturing, energy security, and healthcare innovation. While a peace deal and lower oil could bring some much-needed relief to Southeast Asian equities, we remain cautious there too.

Latam in a sweet spot

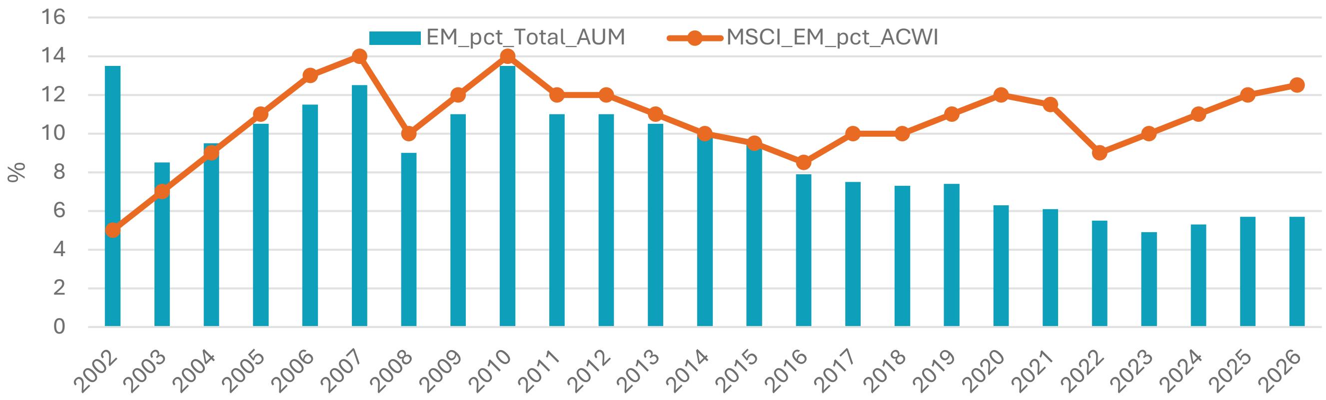
We are overweight all Latin markets except Colombia. In Latin America, Chile is a clear beneficiary of lower oil prices as it imports 100% of its oil needs. Not only that, but it also reaps the benefits from higher copper prices while valuations are attractive at this point. The story for Brazil is more idiosyncratic at this point. Some easing is still likely, but a lot shallower than initially thought. While this might be priced in, the political story is taking center stage (the incumbent is ahead in the polls by about 6 - 7%) while valuations are attractive.

The portfolio also remains overweight in Indonesia and Vietnam since both countries are blessed with high growth and attractive valuations. Furthermore, on India we remain cautious, where valuation metrics are still too high. In the rest of EM, we like South Africa, which received a boost from its terms of trade, and the gold/platinum group metals rally, as well as Greece, and Poland, which received boosts from the EU.

Trade policy and tech correction are near-term risks

Let us not forget the risks. Firstly, trade is coming back onto the agenda. The combination of new tariffs and court scrutiny points to another round of prolonged policy uncertainty and brings back the focus to supply chains. Brazil is one of the countries most impacted by tariffs of 25%, while Mexico and Canada will continue to negotiate the USMCA deal for the next year or longer. The second risk concerns the behavior of the technology sector. A correction in tech is possible as momentum is at the highest level in 40 years. While we are bullish on the sector and see weakness as an opportunity to add, a sudden deep market correction could bring considerable market disruption.

Figure 4: EM under-positioned relative to history and vs index weight in ACWI



Source: EPFR Global, MSCI, June 2026.

INTERVIEW

Mutlu Gundogan, Portfolio Manager

“Do not extrapolate

Mutlu Gundogan is co-portfolio manager for the Robeco Smart Materials strategy. Here he talks about his learning curve as an investor and the challenges of investing in assets impacted by multiple cyclical influences.

What originally got you into investing?

The first spark was [the movie] *Wall Street*. That may sound like a cliché, but it made markets feel dynamic and intellectually engaging. While the message of the film is not something to emulate, it captured an important truth: markets are driven not only by numbers, but by competition and human behavior.
What sustained my interest is precisely that dual nature. You can analyze companies rigorously – industries, cash flows, balance sheets, valuation – but markets are never purely mathematical. Psychology plays a central role. Greed can push valuations well above intrinsic value, while fear can drive them significantly below it.

These dislocations often arise because investors overweight in the short term, extrapolate recent trends too far, or underestimate structural change. Identifying and exploiting those gaps is, to me, the core of investing.

What makes a good stock?

A good stock is one where there is a clear and meaningful gap between market value and intrinsic value. That sounds straightforward, but it requires deep fundamental work.
You need to understand what a business is truly worth, what expectations are embedded in the current share price, and what could change the market’s perception. A strong company is not automatically a good stock. If expectations are already too high, even an excellent business can deliver poor returns. Conversely, a less attractive or cyclical business can be compelling if expectations are overly pessimistic.

This valuation gap can take different forms. Sometimes the market underestimates a company’s earnings trajectory. In other cases, it is a more traditional deep-value opportunity, where the business is out of favor but supported by assets, cash flows or balance sheet strength.

In practice, I look for companies where long-term fundamentals are better than the market currently assumes. Within Smart Materials, this often means exposure to structural demand drivers like electrification, resource efficiency, automation, supply chain localization, and advanced manufacturing – combined with valuations that still leave room for upside.

What’s your biggest lesson learned over the years?

Do not extrapolate.

Markets tend to project the recent past far into the future. When conditions are strong, investors assume the environment will remain favorable. When conditions deteriorate, they assume weakness will persist. Both tendencies can lead to mispricing. This is particularly relevant in materials and industrials, where many businesses are exposed to multiple cycles, such as inventory cycles, commodity cycles, construction activity, and industrial production. Extrapolating the current phase of a cycle can result in overpaying at the top or selling too cheaply at the bottom.

Mutlu Gundogan, Portfolio Manager Position

"There is a clear distinction between volatility and a broken investment case

The key is to distinguish between cyclical noise and structural change. Temporary weakness can create opportunities, while structural deterioration can undermine the investment case. The challenge is to identify which is which, and to remain disciplined in applying that judgment.

How does localization of supply chains and deglobalization fit into your strategy?

Localization has become a more prominent investment theme. For decades, supply chains were optimized primarily for cost and efficiency. While that delivered clear benefits, it also created vulnerabilities. Many Western economies became dependent on higher-risk regions for critical inputs – whether energy, intermediate goods or strategic materials. Examples include dependence on Russian gas, Middle Eastern energy, and China's dominant position in parts of the critical minerals, battery, and advanced manufacturing ecosystem.

These dependencies are now being reassessed. Governments and companies increasingly prioritize resilience, security of supply, and strategic autonomy alongside cost. This shift is driving investment in regional production, infrastructure, recycling, and automation.

For Smart Materials, this trend creates opportunities. More resilient supply chains require local processing, redundancy, testing capabilities, and advanced materials solutions. Critical minerals and enabling technologies are also gaining strategic importance.

However, deglobalization is not universally positive. It can increase costs and reduce efficiency. The key is to identify companies that benefit from the resulting investment cycle or possess scarce assets, technologies, or know-how, rather than those simply exposed to rising cost bases.

What's been your best investment ever?

The most valuable lessons have come from the worst investments, not the best ones. Successful investments can reinforce confidence, but mistakes force deeper reflection. They raise important questions: Was the quality of the business overestimated? Was the cycle misunderstood? Was balance sheet risk underestimated? Was a low valuation mistaken for genuine value?

One key takeaway is the importance of discipline in cutting losses. It is easy to become anchored to an investment thesis, particularly after investing significant time and effort. But if the underlying assumptions prove wrong or the facts change, action is required. That does not mean reacting to short-term price volatility because declines can create opportunities. However, there is a clear distinction between volatility and a broken investment case.

Capital preservation and continuous improvement of the investment process are as important as identifying winners.

If you could meet any historical figure in finance, who would it be and what would you ask?

I would choose Benjamin Graham.

His central idea – the distinction between price and value – remains fundamental. Markets can be driven by emotion, short-term thinking, and occasional irrationality, but over time intrinsic value prevails. That principle continues to underpin investment decision-making.

The question I would ask is how he would adapt value investing to a world where a large portion of corporate value is derived from intangible assets. Today, many companies generate value through intellectual property, data, brands, software, scale, and network effects rather than tangible assets alone.

Traditional value investing relied heavily on visible balance sheet strength and conservative assumptions. While these remain relevant, modern business models often require a broader definition of intrinsic value. This is particularly relevant within Smart Materials. Many companies operate at the intersection of industrial activity and advanced technology, with value rooted in process expertise, patents, customer qualification, or critical positions within complex supply chains. The challenge is to remain disciplined on valuation while recognizing that intrinsic value increasingly reflects assets that are not fully captured on the balance sheet.

ROBECO EQUITY DAY 2026

James Campbell, Investment Writer

Tooling up with AI

Robeco's semi-annual Equity Day brought together fundamental, thematic and quant equity teams to share ideas and extend collaboration. The focus was on how to build on success by leveraging Robeco's talent, proprietary IP and data through AI-powered tools.

On 18 June, Robeco's equity teams met in Rotterdam for Equity Day. The objective of Equity Day is to share investment intelligence, explore topical investment themes and renew or discover areas for cross-fertilization of ideas and processes. Kees Verbaas, Head of Fundamental Equity, Weili Zhou, Head of Quant Investing and Richard Speetjens, Head of Thematic Equities, gave business and operational overviews for the three respective investment teams. In what has been another volatile but bullish year for equity investing (so far!).

AI to aid speed and efficacy

AI has been an ongoing investment theme but the emphasis at Robeco is not just on owning great companies in the space, but also on the development of internal AI-powered tools to help investment teams work more effectively, and leverage our proprietary IP and data.

First, Mike Chen and Sebastian Schneider from Robeco's Quant research team described how they are approaching developing AI agents in the investment process, and the infrastructure, documentation and governance standards that are required to make the project successful and scalable. Their key takeaway was that agentic AI use will depend on building the right foundations, and that fiduciary responsibility meant final decision-making would always require human expertise and judgement, which came as a relief to the audience.

"Speed can be increased and the breadth of the funnel can be widened, but fiduciary accountability can never be delegated," said Chen.

AI tools in the investment process and portfolio management

Later in the session, technical updates were given on two proprietary in-house tools that are in the trial and development phase. One will help investment professionals from all asset classes in ideation, research and analysis. The second is designed for portfolio management and monitoring, providing real-time information, helping managers calibrate exposure and reducing the administrative burden. In addition, portfolio managers Koos Burema, Deyan Koychev and Dimitri Chatzoudis presented practical insights into both platforms and explored some recent use cases.

What a difference a year makes!

Compared to Equity Day in June 2025, the discussion on AI tooling has moved on from being theoretical, to reach a much more practical level. It's now clear that with the rapid development of proprietary technology and the growing number of proven usage scenarios, there is a consensus across the business that utilizing AI-powered platforms in the investment process will ultimately contribute to better client outcomes.

Robeco Smart Energy strategy team share their story

Next, the Robeco Smart Energy strategy, represented by Sanaa Hakim, Portfolio Manager and Shang Hung Chung, Equity Analyst, took the Equity Day audience through how their distinct value chain approach to investing in the energy space had evolved, and why it has garnered such interest from clients.

Asia: Reward and risk

We also enjoyed a market update from Josh Crabb, Head of Asia-Pacific Equities, Angela Qin, equity analyst from Robeco's China team, and Rob Schellekens, portfolio manager from Robeco's emerging markets team, covering the current AI-juiced rally in Asia. The key takeaway was that since the start of 2025, Asian stocks had only regained modest ground after a long period of de-rating in the previous decade. Moreover, strength through the Iran conflict and the earnings outlook given current valuations, were positive signs. However, the current concentration in semiconductor stocks is an obvious risk, with constant monitoring and calibration required.

That brought us neatly on to the final presentation of the day from the Risk Management team which updated us on practice and techniques in an evolving market and how they can support portfolio managers with 'outside-in' analysis and scenario planning. A useful end to a very interesting and fruitful afternoon.

TRIP NOTES

Clément Chamboulive, Portfolio Manager

China's auto tech on the fast track

Portfolio manager Clément Chamboulive from the Robeco Smart Mobility strategy visited China at the end of the April to attend the Beijing Auto Show, where he found technology progress continues at breakneck speed.

The Beijing and, in alternating years. Shanghai auto shows are the world's largest automotive exhibitions, making them the ideal opportunity to visit the world's leading car market to 'kick the tires'. This is the place to discover the latest innovations in autonomy, semiconductors, battery and charging technology, and ride-hailing.

Autonomous driving features becoming standard

Autonomous driving features are now the table stakes for a new vehicle model to be taken seriously in China. The majority of vehicles at the Beijing Auto Show included autonomy at level 2+ and above, where the car can autonomously make turns, change lanes, navigate intersections, and re-route itself. Whether it was a vehicle from one of the many local brands spending an hour confidently weaving its way through complex street scenes, or a robotaxi doing the same, all the instances of autonomous driving which I experienced worked very well. These features are now part of daily life and seen as a need-to-have, especially for drivers who are less confident. Level 2+ systems are for personal use and as such there was always a safety driver, who once or twice took over not because the system was not able to handle a situation it encountered, but rather to do so quickly rather than wait for the system to figure it out. The robotaxis, however, roam the roads freely.

Autonomy not just for (the) people

We mostly think about autonomy for passenger vehicles, but some of the most interesting and potentially influential developments are occurring in the non-passenger space. In Suzhou I met with a developer of custom-made robovans. Whereas robotaxi fleets currently number in the hundreds or thousands, this company already has an operational fleet which numbers around 20,000, and is rapidly growing. Robovans are being enthusiastically adopted by logistics companies, usually to bring goods from a regional distribution center to a neighborhood shop.

The last few meters remain challenging, but are not necessarily that relevant in a densely populated environment with designated collection points.

Local cars for local tastes

Innovation is not just contained to the brains of the car and the robot driver, but is also very present within new vehicle cabins. Large screens and even projectors are quite prevalent, and so are fridges. Fridges not only keep food and drinks cold, but some can also warm contents up to 50 degrees, for example baby milk.

China is the world's largest producer and buyer of cars, so its manufacturers are creating products which suit the needs of the market. As a consequence of the significant capacity created by local government policy, they are also exporting the fruits of this rapid innovation to the rest of the world.

Flash charging

On the EV charging side, the world's two largest battery makers have recently announced batteries which charge almost fully in a matter of minutes, essentially bringing charging time to parity with filling up a tank of petrol or diesel. The use of large batteries as energy storage systems at fast charging stations themselves is also growing. Crucially, this allows fast charging to be offered at places where the grid is unable to support a conventional charging point, because of grid capacity or economic constraints. The ESS battery can fill up continuously and then discharge rapidly when an EV plugs in. Tens of thousands of such stations are due to roll out in the near future, which will further consolidate EV dominance in China.

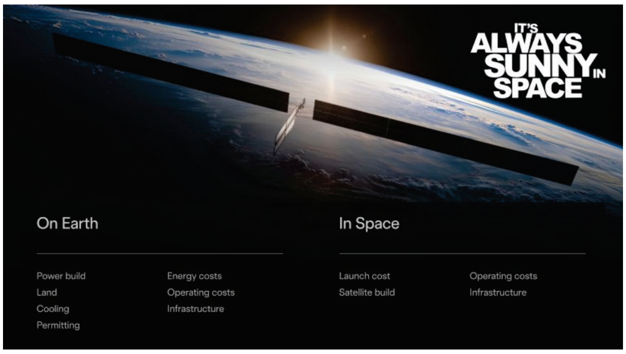
The AI power crunch is real – but the cheapest fix is still on Earth

Consensus has rushed to price orbital compute as the answer to AI's energy bottleneck, rewarding speculative launch-side plays, while treating the terrestrial power buildout as a low-growth utility story. Portfolio Manager Michael Studer of the Robeco Smart Energy strateg, sees the binding constraint, and the better risk-adjusted return, in exactly that 'boring' buildout. The mispricing is one of timing: space is a 2040s asset being valued as a 2027 one.

The power wall has arrived

Datacenter electricity use hit roughly 340 TWh in 2024, about 1.1% of global generation, and AI-specific demand is set to cross 5% of world output by 2030. The strain is most visible in the US, where AI datacenters accounted for roughly half of all electricity demand growth last year and is expected to reach 9% of total US generation by 2030, potentially becoming a critical bottleneck. Interconnection queues in hubs like Northern Virginia now run close to seven years. Importantly, this is no longer a forecast – it is a present-day supply ceiling that leads to repricing of power, land and grid access today.

SpaceX marketing makes its case…



Source: SpaceX

…but the orbital narrative is running ahead of the economics

The market has anchored on the headlines: SpaceX* IPO valuation above USD 1.7 tln with Starlink low Earth Orbit (LEO) satellite network envisioned to empower the next generation of space datacenter satellites. The energy logic is genuine – solar arrays in the right sun-synchronous orbit are five to eight times more productive than on the ground. However, the cost stack is unforgiving. Cooling is not free; with no atmosphere, heat must be radiated away, the largest structural constraint. The launch dominates capital cost – roughly USD 3.1 mln versus USD 0.38 mln for an equivalent terrestrial cluster in 2026, with launch alone nearly half of it. SemiAnalysis models Earth-space parity only in the late 2030s, and advanced-node chip supply caps both regimes regardless.

A market of haves and have-nots

This sets up a clear dispersion. The 'have-nots' are pre-revenue orbital ventures where terminal value depends on launch costs and radiator technology that is yet to scale. The 'haves' are the unglamorous enablers of terrestrial supply – grid and transmission equipment, behind-the-meter generation, and storage – where demand is contracted, near-term, and currently under-owned relative to the orbital theme. As a result, the same clean-energy supply chains (solar, power electronics, thermal management) offer a hedge: they underpin Earth's buildout now and become the input chain for space later, capturing both legs without the speculative premium.

The bottom line

We are constructive on the AI energy theme and skeptical of how the market is expressing it. Orbital compute is best held as a long-dated call option on falling launch costs, not as a near-term growth engine. Our belief is that the higher-conviction, better-priced opportunity is the terrestrial power and grid infrastructure AI must exhaust first. Space becomes the energy frontier only once Earth's runs out – and that crossover is years, not quarters, away.

*The companies named on this page are for illustrative purposes only. No inference can be made on the future development of the company. These are not buy, sell or hold recommendations.

Emerging markets unlocking value in the energy transition*

Energy storage is emerging as a critical enabler of the energy transition and a growing opportunity for emerging market companies.

Renewables, not friction-free

The global energy sector is currently undergoing its most significant structural realignment since the Second Industrial Revolution, creating an entirely new energy transition value chain in the process. While renewable penetration continues to accelerate, its ability to supply enough energy to meet growing electricity demand is being hamstrung by technological issues as well as slow permitting and grid integration complications. Renewable variability (or intermittency) is probably the most well-known of renewables' drawbacks.

On the flip side, too much price volatility has also been problematic for the energy sector. Renewables' supply is usually high during the day when demand is lower, and low when demand is high (e.g., in the early evenings). Moreover, such supply imbalances also lead to extreme price volatility, which neither utilities nor consumers want. Renewable surpluses can also lead to system voltage overload, grid instability and the risk of a complete system shutdown. To avoid damaging surges, renewables must be shut down completely (curtailment), resulting in lost revenues, lower utilization rates of costly assets, and a weaker return on invested capital for grid operators.

Unstable grids and politics

Intermittency and instability issues are now converging with macro-economic issues. Tariffs, supply chain disruptions, and regional conflicts have impacted energy infrastructure – reducing access to energy resources, stoking inflation, and endangering economic growth for countries globally, particularly oil and gas-importing countries in emerging markets and the EU. To reduce energy dependence and increase resilience, governments are prioritizing renewable installations on domestic grids and championing the services of local providers (rather than cheaper Chinese imports). Immature political institutions and maturing grids that are unable to cope with increasing demand for grid additions also create bottlenecks. Much of the existing transmission and distribution infrastructure was built decades ago for centralized power generation which flowed from coal or gas plants to consumers. Connecting clean tech with old infrastructure is tricky and costly, leading to permitting delays in both emerging and developed markets alike. Emerging markets face additional financing burdens, and lack clear regulatory or institutional approval processes. Downstream electricity demand is rising and complicating matters further, driven by electrification trends and the expansion of AI data centers. Hyperscalers are particularly ravenous energy eaters, whose demand can't wait for grid upgrades or multi year permitting processes. As a result, many countries and companies (emerging and developed) are turning to stationary energy storage as a cheap, fast, and efficient alternative.

Battery storage – solving multiple challenges

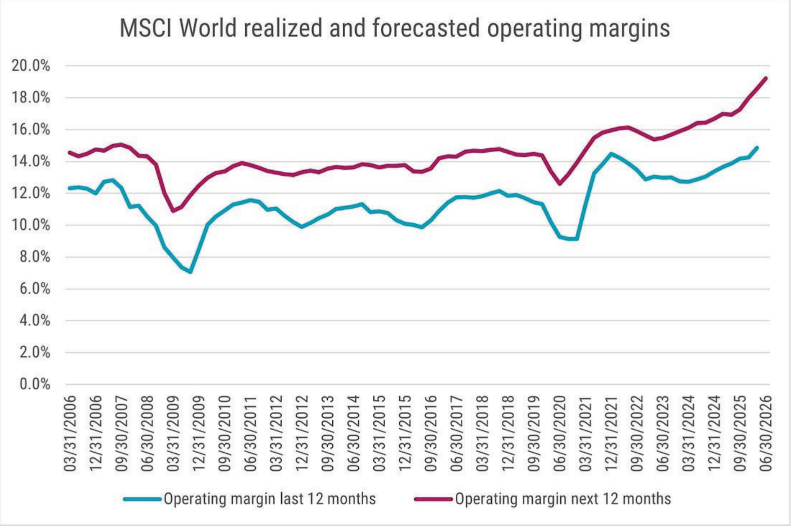
Energy storage addresses several of the energy transition's most acute challenges. By absorbing excess renewable generation when supply exceeds demand and releasing it during periods of scarcity, storage directly reduces curtailment and smooths power price volatility, improving the economics of renewables and grid stability.

Storage also provides a stop-gap solution to permitting problems and build out constraints. Strategically deployed batteries can relieve grid congestion, provide local capacity and defer multi-year transmission upgrades that are delayed by complex permitting processes in both developed and emerging markets. In this way, storage acts as a flexible, fast-to-deploy complement to traditional grid infrastructure. At the same time, storage plays a critical role in addressing hyperscalers and AI-driven power demand. Data centers require large volumes of firm, uninterrupted electricity on short timelines that unstable grids increasingly cannot deliver. Co-located storage enables on-site generation, peak management and reliability under 'Bring Your Own Power (BYOP)' models, allowing digital infrastructure to grow despite grid constraints.

*This article is an abridged version of the full analysis published on the Robeco website on 12 May 2026

Margin trends

Corporate profitability for publicly traded companies has reached record levels. Operating profit margins stood at 15% over the 12 months through the end of March 2026, supported by three main forces. First, equity indices have become more concentrated in higher-margin sectors, particularly technology and communication services, where profitability has also continued to improve. Second, corporate pricing power has proved more resilient than expected. Third, companies have captured efficiency gains through digitalization and leaner operating structures. The outlook remains constructive, with analysts expecting further margin expansion. However, forecasts should be treated with some caution: expected margins are usually higher than those ultimately realized, with only a few exceptions, such as the post-pandemic rebound in 2021.



Source: Bloomberg, June 2026

For more stunning statistics, scan for the Robeco Thematic Equities team's Daily Sketch here

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