

# ROBO Index 1Q25 Commentary

*As of March 31, 2025*

The world is quickly recognizing the strategic importance of modern industrial independence. Despite tariff-related volatility, substantial global investment mandates are emerging, potentially totaling hundreds of billions, if not trillions, positioning ROBO constituents at the forefront of manufacturing modernization. Companies in Manufacturing and Industrial Automation, though currently experiencing compressed performance, stand to benefit similarly to how COVID accelerated cloud adoption. Notably, 2025 consensus projections indicate strengthening profitability ahead, with higher overall earnings and an increased percentage of profitable portfolio companies, following 18 months of flat-to-declining performance.

ROBO declined 9.2% amid market pressures in Q1 2025. Food & Agriculture, Integration, and Sensing showed resilience with positive returns, while Healthcare faced headwinds from uncertain US policy. **Koh Young** had a strong start to the year as their neurosurgical robot, piloted in South Korea for years, received FDA approval. The Compute subsector, currently sold off with other semiconductors, should, in our view, start seeing an increase in demand driven by embedded intelligence enabled by new AI technologies, as well as major reshoring initiatives.

Over a trillion dollars have been planned in CapEx and R&D expansion announcements over the past year, not only from domestic (US) companies but also from non-US domiciled companies looking to gain favor with the current administration and avoid tariffs. We believe priority will remain with companies involved in more critical areas such as energy, military, chips/servers, and healthcare. Outside the US, we are seeing a continued investment shift towards areas like India, Mexico, and Vietnam. **Foxconn**, for example, is planning to more than double its iPhone production capacity in India this year.

We are witnessing exponential progress in multiple forms of automation, from AMRs to humanoids to drones, creating new service markets addressing labor shortages and aging populations. As global nations accelerate domestic production initiatives, market opportunities continue expanding for industrial automation solutions.

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**vettafi.com** | 1330 Avenue of the Americas, New York, NY 10019

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