

ROBO Index 1st QTR 2026 Commentary

As of March 31, 2026

The ROBO Global Robotics and Automation Index ended the quarter with a slight decline of 2.26%. Despite a strong earnings season and growing global sentiment for robotics and automation solutions across key national security areas (industrial and supply chain independence, energy, and defense spending), we saw an overall valuation pullback after the Iran conflict escalated at the end of February. Joint U.S.-Israeli airstrikes on February 28 triggered Strait of Hormuz disruptions, an oil price spike, and a broad risk-off rotation that weighed on global equities through the end of March.

Importantly, the fundamental picture remained constructive throughout. As we noted in our mid-quarter earnings recap, the sector is moving at two speeds, and both are heading in the right direction: A first cohort with exposure to AI-driven data centers, battery manufacturing, and logistics is already reporting strong growth, while a second cohort digesting softer industrial and automotive demand is doing so with impressive financial discipline and is now positioned to accelerate as those end markets recover.

Against that backdrop, only two of the 11 subsectors posted positive returns during the quarter, led by the two largest core subsectors: actuation and manufacturing & industrial automation. **Actuation** was the true standout, as we saw laser, photonics, and energy leaders such as **IPG Photonics**, **Jenoptik**, **Delta Electronics**, and **Han's Laser** begin to break out of a prolonged down-cycle. **IPG Photonics** in particular delivered a massive Q4 earnings beat and achieved its first full-year revenue growth in many years. It is now seeing new end markets appear in data center networking, counter-UAV defense (via its CROSSBOW laser system, showcased at the Singapore Airshow in February), and medical applications. This story, of "historically boring and cyclical" companies enjoying new end markets, is just beginning to unfold.

Similarly, companies in the manufacturing & industrial automation subsector, such as **Teradyne**, **Fuji**, and **Coherent**, are seeing rising tides from their technical superiority in chips, precision electronics assembly, and photonics. **Teradyne** continues to benefit from dual exposure to AI chip testing and collaborative robotics through **Universal Robots**. Meanwhile, **Coherent** is riding the broadening photonic component demand across data center and industrial applications.

On the other hand, some of the high-flyers of the previous two years took a breather, with companies in autonomous systems (higher growth, higher valuations) seeing steeper declines in the risk-off environment. This came despite notable Q1 milestones, including **Joby** completing Stage 4 FAA certification, beginning TIA flight testing of its first FAA-conforming aircraft, and being selected for the White House eVTOL Integration Pilot Program (e-IPP) across 10 states [Author's note: I (Zeno) will be attending their first official FAA test flight in NYC on April 27 near Hudson Yards]. **UBTECH**, meanwhile, reported full-year results showing humanoid revenue up 23-fold and over 1,000 units shipped, and announced the acquisition of precision component manufacturer **Zhejiang Fenglong** to vertically integrate its supply chain as it targets 5,000 deliveries in 2026.

Overall, the underlying story has not changed; if anything, the recent market turbulence improves its short and long-term demand curve. Robotics remains on track to become the "industry of all industries," and the companies that build, enable, and deploy these technologies are positioned on the right side of the most consequential technological transition of our

lifetimes. As such, we see the robotics space increasingly both offensive and defensive, from a portfolio positioning standpoint, with both TAM expansion and mission-critical infrastructure buildouts across the globe.

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