

ROBO Index 1Q26 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.

HTEC Index 1Q26 Commentary

As of March 31, 2026

The ROBO Global Healthcare Technology and Innovation Index ended the quarter with a return of -7.33% despite a strong start to the year. Global stock markets faced a significant downturn heading into spring, a direct result of the geopolitical escalation in late February. The airstrikes conducted by U.S. and Israeli forces on the 28th led to critical shipping bottlenecks in the Strait of Hormuz and a subsequent surge in energy costs. This "risk-off" environment dominated investor behavior, dragging down overall valuations throughout the month of March.

During a weak period for the broader market and healthcare sector, precision medicine stood out as the single subsector in the green, with **Moderna** posting strong gains (72.26%). Those were primarily driven by the removal of a significant legal overhang via an IP settlement with **Arbutus/Genevant**, coupled with a fundamental pivot toward its non-COVID respiratory and oncology pipeline, as well as the FDA's reversal to review its mRNA-1010 flu vaccine. Other big winners included **Twist Bioscience** (49.81%), **United Therapeutics** (21.70%), and **Bristol-Myers Squibb** (13.37%). These gains come from clinical and financial catalysts that validated the successful scaling and market durability of their respective next-generation platforms.

Masimo Corp's (37.04%) acquisition by **Danaher** at a 38.3% premium to its previous close marked the fourth takeout in the space over the last six months. This transaction aligns with an expected acceleration in sector M&A and underscores the premise that companies within this segment are currently trading at compressed multiples relative to their intrinsic strategic value.

Data analytics (-22.51%) was the worst-performing subsector for the quarter, driven primarily by multiple compressions across its two constituents. **Tempus AI** (-22.51%) suffered from a broader risk-off rotation away from high-beta AI healthcare assets, while **Veeva Systems** (-23.42%) saw softer enterprise software demand prompt profit-taking. The most significant drag on the index came from its largest subsector, medical instruments (-10.38%), anchored by a steep drop in **Boston Scientific Corp** (-34.19%). This decline was driven by unexpected market share shifts in its U.S. electrophysiology business, highlighting the extreme multiple sensitivity currently facing large-cap medtech.

The recent pullback appears disconnected from underlying fundamentals, as the steep drop in valuations was not justified by the solid top- and bottom-line results or the forward guidance delivered during the latest earnings season. The index ended 2025 with a weighted average EPS growth of 56.67% and a weighted average sales and EBITDA growth of 16.44% and 43.99%, respectively. For 2025 Q4 itself, 71% reported positive YoY EPS growth. 91% reported positive YoY sales growth. The index closed 2025 with 81.74% of the companies operating profitably.

Looking ahead, high interest rates and broader market uncertainty could keep driving short-term volatility. However, the long-term trends supporting the companies in this index remain firmly intact. Core industry challenges like aging populations, clinical labor shortages, and rising

healthcare costs are only accelerating. HTEC companies are well-positioned to capture long-term value by delivering the specific clinical and technological solutions needed to solve these problems.

THNQ Index 1Q26 Commentary

As of March 31, 2026

The ROBO Global Artificial Intelligence Index (THNQ) ended the quarter with a return of -7.51% despite a strong start to the year. The final weeks of the first quarter were defined by a notable retreat in valuations, sparked by the intensification of tensions involving Iran. Following the joint U.S.-Israeli military actions on February 28, the ensuing instability in the Strait of Hormuz sent crude prices climbing. This prompted a widespread shift away from riskier assets, leaving global equity markets under pressure as March drew to a close.

Two of the ten subsectors generated positive returns. Factory automation (+36.31%) led the way, lifted by a cyclical rebound in machine vision and logistics capex following strong earnings from **Cognex**. Semiconductors (+6.15%) also ended in the green, buoyed by sustained AI infrastructure spending. At the individual security level, **Lumentum Holdings** (+90.66%) surged on aggressive hyperscaler demand for its optical networking components. **Teradyne Inc.** (+53.31%) rallied on robust testing volumes for complex AI chips, while **Raspberry Pi** (+40.37%) outperformed as edge computing and industrial IoT adoption accelerated.

Big data/analytics (-27.22%) was the worst-performing subsector for the quarter. Business processing (-26.10%) and cognitive computing (-23.33%) followed closely behind. These groups faced a mix of broader market volatility and multiple compressions, largely driven by investor uncertainty regarding how AI disruption might impact traditional software moats. At the company level, **MongoDB** (-41.68%) struggled with slowing cloud consumption trends as enterprise IT budgets tightened. **CoStar Group** (-40.01%) faced headwinds from a sluggish commercial real estate market burdened by high interest rates, while **HubSpot Inc.** (-39.17%) pulled back as softening demand from small and medium businesses led to longer sales cycles.

The THNQ index concluded Q4 2025 with a weighted average EPS growth of 45.09%, alongside top-line and EBITDA expansion of 39.75% and 35.23%, respectively. This quarter bookended a robust 2025, which saw equivalent full-year growth metrics of 31.82% (EPS), 31.24% (sales), and 38.45% (EBITDA). This growth underscores the underlying fundamentals, further validated by the strong execution across the portfolio: 96% of constituents reported positive year-over-year sales growth, 85% delivered positive EPS growth, and 94.47% were operating profitably by quarter-end.

Despite the strong fundamentals, the recent macro-driven selloff has led the market to broadly discount software and SaaS providers, largely ignoring the durability of their individual economic moats. Looking ahead, while AI will inevitably commoditize certain legacy software functions, it also equips these companies with tools to rapidly scale their platforms. We are starting to see a value shift toward foundational ecosystem players that enable secure, scalable inference across cloud and edge environments. Furthermore, the industry's emerging focus on "tokens per watt" could signal a new monetization paradigm. Ultimately, this next phase of the AI cycle is expected to reward both the hardware firms building energy-efficient infrastructure and the agile application developers leveraging it.

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