

THNQ Index 1st QTR 2026 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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