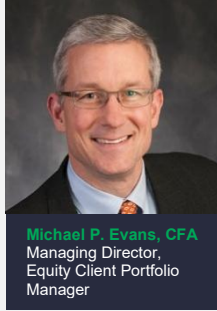
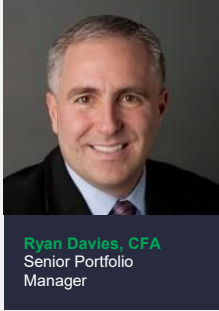


## 2026 Mid-year outlook: Global semiconductor



The semiconductor sector remains a key enabler of the global economy, underpinning artificial intelligence (AI), cloud computing, and electrification. As highlighted in our earlier insights, it represents a broad ecosystem supported by structural demand and real infrastructure investment. Following strong year-to-date performance, we see growing conviction that momentum can extend into the second half of 2026 and into 2027, driven by earnings strength, sustained capital investment, and early-stage AI adoption.

## Semiconductors: Broadening growth beyond the AI surge

### Summary:

- Semiconductors have led global equity markets in 2026 year-to-date, with broad-based gains across the value chain driven by strong fundamentals, earnings momentum, and sustained investment in AI infrastructure.
- Momentum is expected to continue into the second half of 2026 and into 2027, supported by early-stage enterprise AI adoption, rising capital expenditure, and improving supply conditions.
- Opportunities are expanding beyond AI into broader segments such as CPUs, power, connectivity, and equipment, reinforcing the case for diversified exposure across the semiconductor ecosystem.

Against this backdrop, semiconductors have been a major contributor to positive global index returns in 2026, far outperforming broader equity markets<sup>1</sup>,

with gains widespread across industries, including AI compute and graphics processing units (GPUs), memory, analog and power semiconductors, and equipment and manufacturing tools. Investor sentiment and strong company fundamentals have driven this outperformance, supported by AI infrastructure build-out, memory market expansion and pricing, earnings momentum and upward revisions, capital expenditure and equipment cycle acceleration alongside capital discipline, and evolving government policies across major markets, including initiatives aimed at strengthening supply chain resilience and domestic capacity. This reflects a broad-based expansion across the semiconductor value chain rather than a narrow, single-theme rally.

### Momentum supported by earnings, investment and early-stage AI adoption

Looking ahead, we have increasing confidence that the momentum can be sustained into the second half of the year and into 2027, supported by accelerating enterprise AI adoption across industries, which remains at an early stage. Investment commitments are also strengthening, with leading global technology firms signalling a significant increase in capital expenditure for 2027 to continue building out AI infrastructure, while additional cleanroom capacity expected to come

<sup>1</sup> Bloomberg, data as of 22 June 2026. Price returns in US dollars. Semiconductor sector, represented by Philadelphia Stock Exchange Semiconductor Index, gained 107%. Broader equity market, represented

by S&P 500 index, gained 9%. Past performance is not an indication of future performance.

online in 2027 should help narrow the gap between supply and demand.

Importantly, valuations remain reasonable, with positive earnings revisions driving the majority of performance year-to-date. Capital also remains readily available, and companies are generally well financed, as reflected in continued large-scale fundraising activities and IPOs. As AI tailwinds extend into new areas and non-AI semiconductor segments enter a recovery cycle, the opportunity set continues to broaden.

## New opportunities emerging across compute, power and connectivity

In terms of evolving themes, key areas of focus include central processing units (CPUs), power, connectivity and equipment. With the rise of agentic AI, the number of CPUs required within data centres is expected to increase significantly, as CPUs are needed to orchestrate and execute tasks within these workloads. This is reflected in upward revisions to market size estimates, alongside expectations that the GPU-to-CPU ratio could shift from 8-to-1 towards 1-to-1.

Power is also becoming increasingly critical, with rising AI compute density potentially driving power capacity requirements up by around 100 times by 2030, alongside new opportunities linked to the rollout of 800V architecture. Connectivity remains a key bottleneck, as the number of connections continues to grow, supported by both copper and emerging optical technologies, creating a multiplier effect as systems scale.

Meanwhile, semiconductor equipment remains a steady growth segment, supported by demand in leading-edge logic and memory, capacity expansion into 2027, and the increasing importance of advanced packaging in the AI era.

## Risks and key developments to monitor

Geopolitical dynamics remain an important consideration, particularly given the strategic importance of semiconductor supply chains and their potential impact on market and economic stability. In addition, the emergence of new or incremental consumer and enterprise AI use cases will be a key factor in determining the strength and durability of demand into 2027.

Potential large-scale listings within the AI ecosystem could also improve transparency and strengthen investor confidence. Finally, improving revenue growth among large hyperscalers in the second half of 2026 will be an important indicator that elevated capital expenditure is translating into stronger returns and supporting free cash flow growth over the medium term.

## Conclusion

In conclusion, the semiconductor sector remains supported by strong structural demand, sustained capital investment and an expanding opportunity set. The current cycle continues to be underpinned by real infrastructure build-out and monetisable end-demand, distinguishing it from more speculative periods in the past.

As growth broadens across the value chain—from compute and memory to power, connectivity and equipment—the opportunity set is becoming more diversified and less reliant on a narrow group of names. Against this backdrop, the case for a balanced and selective approach across regions, sub-sectors and market capitalisations becomes increasingly important.

While cyclical volatility and external risks remain, the long-term trajectory appears firmly intact, with semiconductors continuing to play a central role in enabling the next phase of global technological and economic development.

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