



US IT offers quality exposure within a portfolio, while technological disruption across industries is creating compelling opportunities for longer-term portfolio growth potential. (UBS)

How should I position in tech?

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The AI race to build and commercialize new capabilities and tools has fired up tech investment and capital expenditure across industries. We think the adoption of AI will unlock value across a number of sectors.

CIO also thinks the recent rebound in tech shares has further space to run, and upgraded US IT to most preferred. This partly reflects our bias for quality stocks, with the sector offering a combination of strong returns, robust balance sheets, and swift earnings growth.

The AI application and investment rush has formed a powerful new narrative for tech.

- US tech has outperformed in 2023, thanks to strong investor interest in AI-sensitive stocks and industries.
- We now forecast a 61% compound annual growth rate (CAGR) for AI end-demand from 2022–27.
- Near-term catalysts include “copilots” in office software, big data analytics, and AI integration in images, video, and other enterprise applications.

But the story is broader than AI, and large tech names align with our bias to quality.

- US tech company balance sheets are strong, a positive driver in a period of high interest rates and slowing economic activity.
- Earnings revisions are improving, adding to confidence that key end-markets are reaching a trough.
- Historically, quality growth stocks tend to perform well during the later stages of the business cycle.

So, we rate US IT as most preferred and position for technological disruption across industries.

- In early 4Q, we upgraded the US information technology sector to most preferred, calling for a higher allocation than benchmarks.

- We focus on companies with exposure to disruptive tech and high growth potential, including high-margin industries like software, internet, and semis.
- We prefer exposure to large caps, as we believe the big will get bigger in the AI era.

Did you Know ?

- The IT segment is the most global of all the S&P 500 sectors. More than 58% of its revenue comes from outside the US, versus 40% for the index as a whole.
- Disruptive innovation, a term coined by Harvard University professor Clayton Christensen, refers to processes in which a product or service takes initial root in simple applications at the bottom end of a market before moving up the value chain and eventually displacing established competitors.
- We expect AI industry revenues to grow from USD 28bn in 2022 to USD 300bn in 2027, with risks tilted to the upside.

Investment view

We raised the US information technology sector to most preferred in 4Q. Within tech, we think investors should focus on companies with exposure to disruptive technologies and those with the highest growth potential. We like the highest-margin tech industries: Software, internet, and semis.

Main contributors - Jon Gordon, Sundeep Gantori, Matthew Carter

Original report - [How should I position in tech?, 18 December 2023.](#)

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