

# Investments - Flash

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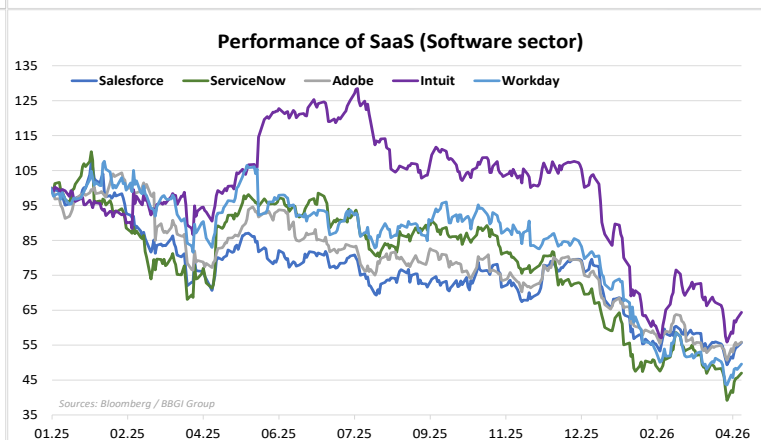
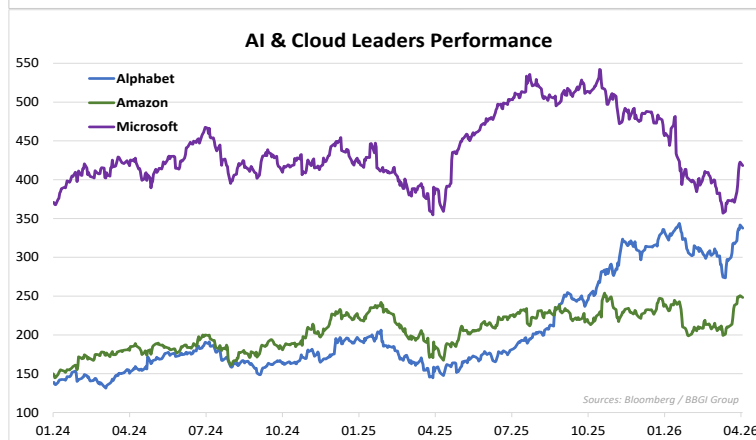
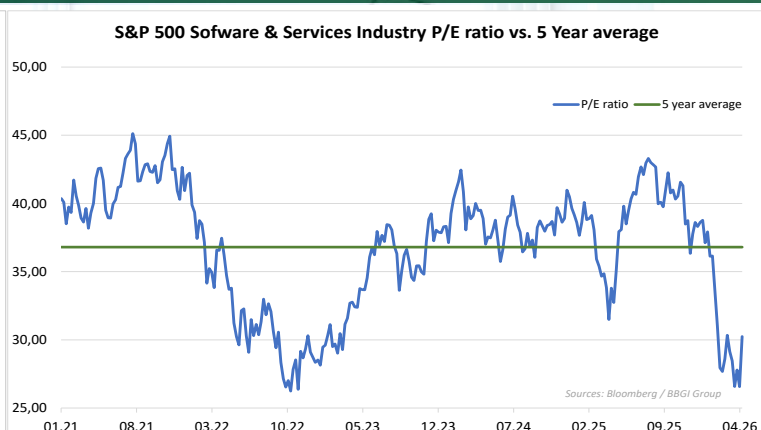
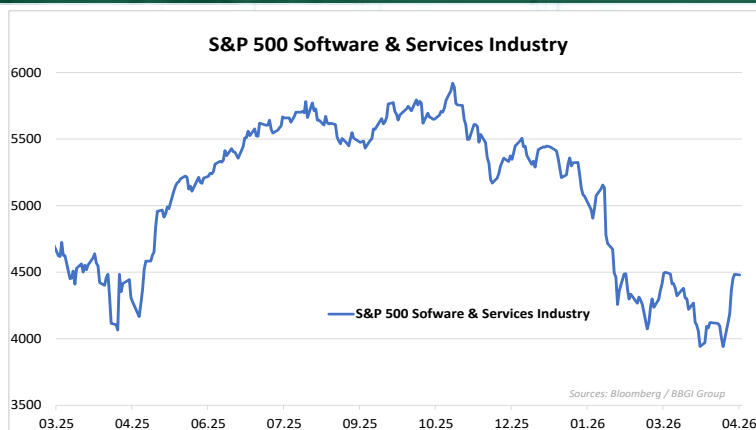


## U.S. SOFTWARE AND INFRASTRUCTURE: A TURNING POINT HAS BEEN REACHED

From the fear of obsolescence to the reality of monetization

Two months ago, we described the decline in the software sector as largely excessive and suggested that selective investments could already be considered. Today, developments over the past eight weeks confirm that we have moved beyond the stage of uncertainty and entered a phase of realization. After a 34% decline in the S&P 500 Software & Services Index over five months, the sector is initiating a strong turnaround driven by solidified fundamentals and the dissipation of technological concerns. While the start of the year was marked by fears that AI "plug-ins" would render SaaS software obsolete, the latest quarterly reports and product announcements from March/April demonstrate the opposite. Industry leaders appear to be demonstrating their ability to transform AI from a threat of substitution into a pricing lever. Companies that have integrated autonomous agents directly into their workflows are reporting net retention rates higher than expected, invalidating the thesis of rapid disintermediation. We have also observed that demand for infrastructure is not waning, but is segmenting with a transition toward hybrid infrastructure, where management software becomes the indispensable conductor of computing power. Uncertainty surrounding infrastructure

monetization is fading: revenue from Azure, AWS, and Google Cloud services shows a direct correlation with the adoption of new AI-powered development tools. The "de-risking" of forecasts for 2026, which weighed on stock prices two months ago, is now complete. Growth targets have been revised downward by the consensus, creating a lower bar to clear, while stock prices in the sector have largely stabilized following massive sell-offs earlier this year. In terms of valuations, the sector's price-to-earnings (P/E) ratios have returned to historically more reasonable levels relative to five-year averages, offering a significant margin of safety. From a technical perspective, the 4,000-point support level on the Software & Services index held firm during recent market tests, confirming the formation of a likely technical floor. We are upgrading our recommendation from "selective return" to a strong buy on the sector's leading stocks. The market has stopped viewing AI solely as a destructive force and has finally begun to recognize its role as a potential catalyst for productivity. In our view, current valuations do not yet reflect the expected recovery in margin expansion in the second half of 2026.



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