

Quarterly Macro Update & Outlook

Q1 2026

Invest On The Right Side Of Change

europe.ark-funds.com

Follow us on LinkedIn @ARKInvestEurope

Capital at risk.



Market Backdrop

Unsettled global markets in the first quarter of 2026 echoed those during the first quarter of 2025. As was the case last year, innovation-oriented equities underperformed broader benchmarks, which are more heavily weighted towards mega-cap incumbents than pure-play innovation exposures. Last year's tariff escalation and policy uncertainty weighed heavily on sentiment and disrupted market momentum. This year, geopolitical tensions, including the war in Iran, reintroduced fears of higher inflation and weaker global growth.

While recent inflation data continue to spark concerns, the underlying trajectory seems more nuanced, particularly because producer price inflation is higher than consumer price inflation. Alternative real-time consumer price metrics from Truflation suggest that inflation has dropped and remains below government measures, as the deflationary undercurrents associated with technological progress—AI, robotics, energy storage, and other innovation platforms—are pressuring costs. At the same time, the Federal Reserve's dual mandate brings labour market dynamics into sharper focus. Signs of employment weakness, particularly among recent college graduates, could reflect AI-driven productivity shifts, baby-boom retirements, and a drop in immigration, among other forces. Geopolitical pressures, including those linked to Iran, could exacerbate the near-term volatility in inflation, though notably core inflation as measured by Truflation has decelerated to 1.72% as of March 31, 2026.

Other sources of market volatility during the first quarter included a reassessment of AI, hyperscaler capital expenditures, and value distribution across the software ecosystem, all of which aggravated fourth-quarter concerns about the dislocations that frontier AI models are causing. That dynamic—also called “SaaSocalypse”—ignited a broad repricing of software and Software as a Service (SaaS)-related equities as investors confronted the possibility that AI platforms, agents, and usage-based models could disrupt traditional seat-based software economics more rapidly than anticipated. Breakthroughs from leading model providers highlighted how quickly they might automate knowledge work, ultimately challenging the economic foundations of seat-based software. While the advancements are validating the scale and speed of the platform shifts now underway, in our view the market response was indiscriminate—de-risking of anything perceived as “software”—overlooking the companies aligned with AI and enabling the AI transition.

For several years, ARK has been little exposed to traditional SaaS models, preferring exposure to AI platforms, infrastructure, and other areas of the technology stack that we believe are capturing disproportionate value. Our view that AI would evolve as a platform shift rather than a feature set was a key contributor to our outperformance relative to broad-based benchmarks in 2025. While creating volatility in equities, the “SaaSocalypse” also validated ARK's differentiated strategies. ARK's investment process remains highly active, capitalising on the structural transitions that can create dislocations between prices and fundamental value. Our portfolio activity during the quarter—exemplified by initiations and exits during SaaSocalypse—highlighted our concentration into our highest conviction holdings.



Outlook

In our view, markets will continue climbing the wall of worry created by geopolitical uncertainty, evolving monetary policy expectations, and ongoing reassessments of the impact of artificial intelligence. Developments in the Middle East could continue to influence energy markets and inflation expectations, while central banks remain committed to driving policy based on data. Investors continue to assess the balance between near-term AI capital intensity and longer-term productivity gains—crosscurrents that are likely to sustain debate, market volatility, and dispersion among equity strategies.

In our view, this environment is fertile ground for long-term investors. Periods marked by uncertainty tend to create “walls of worry” that sustain bull markets. The current wall of worry reflects a market digesting a major technology platform shift—not one nearing exhaustion. The repricing across software, compute infrastructure, and adjacent sectors is a function of identifying areas of value accrual in an AI-driven economy.


From an innovation perspective, AI will shape the next phase of economic growth. While software has commanded much attention, the opportunity set is likely to expand well beyond that layer of the tech stack, toward infrastructure, platforms, robotics, autonomy, energy systems, aerospace, defence, space technologies, and multi-omics. The convergence among these technologies could create astounding opportunities and broaden the scope of innovation-led returns.

Many of the most compelling opportunities are not well represented in conventional benchmarks. By design, index construction tends to lag structural change, often concentrating exposure in incumbent business models while offering little exposure to emerging leaders. Capturing the full breadth of innovation requires a more active and research-driven approach. Periods characterized by volatility, narrative shifts, and indiscriminate selling can create opportunities to build positions in mispriced companies with significant long-term potential relative to short-term uncertainty. In our view, the current repricing is helping to clarify the potential value accrual across the AI ecosystem. While it could persist in the short term, volatility is improving the entry point for long-duration innovation strategies.

About The Author



Cathie Wood
Founder, CEO & CIO

 @CatherineDWood
 @CathieDWood

Cathie registered ARK Investment Management LLC (“ARK”) as an investment adviser with the U.S. Securities and Exchange Commission in January 2014. With over 40 years of experience identifying and investing in innovation, Cathie founded ARK to focus solely on disruptive innovation while adding new dimensions to research. Through an open approach that cuts across sectors, market capitalizations, and geographies, Cathie believes that ARK can identify large-scale investment opportunities in the public markets resulting from technological innovations centred around DNA sequencing, robotics, artificial intelligence, energy storage, and blockchain technology.

As Chief Investment Officer (“CIO”) and Portfolio Manager, Cathie leads the development of ARK’s philosophy and investment approach and has ultimate responsibility for investment decisions.



Important Information

This communication has been issued by IQ EQ Fund Management (Ireland) Limited (“IQ EQ”) acting in its capacity as the manager of the funds referenced in this document. IQ EQ is authorised and regulated by the Central Bank of Ireland. IQ EQ is registered in Ireland with registration number 148223. If you have any questions regarding this marketing communication or in connection with the funds referenced in this document, you may contact IQ-EQ by email (ManCo@iqeq.com) or telephone (+353 1 673 5480).

This communication is provided for information purposes only. The content of this communication constitutes general market, economic or thematic research and does not constitute investment advice, a personal recommendation, an offer, or a solicitation to buy or sell any financial instrument or investment product. The information presented does not take into account the individual investment objectives, financial situation, or particular needs of any specific person. Any opinions, forecasts and/or estimates expressed in the communication are sourced from ARK Invest International Ltd, ARK Investment Management LLC and their corporate affiliates (“ARK”), and such opinions, forecasts and/or estimates may be derived from third party information sources believed to be reliable. ARK does not make any representations or warranties, either express or implied, as to the accuracy or completeness of any such opinions or estimates or any information procured from any third-party sources.

Any opinions, forecasts and/or estimates herein constitute a judgement that is subject to change without notice and do not represent a guarantee of future performance. ARK disclaims all liability and responsibility arising from any reliance placed by any person in the communication or on the opinions, forecasts and/or estimates and other information contained in this communication. The information contained in this communication is not intended to be complete or exhaustive and ARK does not make any representation or warranty, either express or implied, regarding the accuracy or completeness of the information. Reliance on the information is at the sole discretion of the reader and/or viewer.

Investing involves risks. You should seek professional investment advice before making any decision to invest. Figures refer to the past and past performance is not a reliable indicator of future results. Where simulated past performance is shown, it must be noted that simulated past performance does not represent actual past performance and is not a reliable indicator of future performance. The value of investments can go down as well as up and investors may not get back the amount originally invested. Any forward-looking statements are based on assumptions and current expectations and may not prove to be accurate.