

CAP Focus

Allocation in Equities

17 February 2026

Market Theme (p.3) : 'Software' – an AI Casualty? Identified, but Not Yet Proven!

- Today CAP opens a new Overweight Theme basket named 'Resilient Software'. In the article we ask the question of whether a buying case has emerged in Software & Services space, and we answer with a resounding 'yes'. This does not necessarily apply to the industry group as a whole, but we highlight five companies forming our CAP equity basket: 'Resilient Software'. We are simultaneously buying a software company into our Global Focus portfolio, in exchange for selling a MEG7 company that has served us well. (See article pp.3-4)
- **Equity Market Themes, Performance & CAP Weightings (p.5)**
 - While the global equity market has fallen 2.1% over the past month, five of CAP's overweight (OW) theme baskets have risen +5%. Topping the list is Quality Energy Infrastructure (OW), +10%, followed by Quality Pharma (OW) +9.8%, Inflation (OW) +7.3%, Defensive (OW) +7.2%, and Value (OW) +5.6% (see p.11). Other OW themes that have performed in line with or better than the global equity market over the past month include Low Vol (OW) and Security (OW). Among underweight (UW) themes, those outperforming the market are Cyclical (UW) and Size (UW), while UW themes performing weakly include Luxury Goods (UW), A.I.(UW), MEG7 (UW), and LT Growth (UW). Furthermore, CAP has this time adjusted its current list of equity market themes, closing the OW theme Value in Tech and opening the mentioned new OW theme, Resilient Software. The latter has performed worst among all tracked themes, with -19.8% since last month. In terms of CAP's theme composition, our Focus portfolios are performing quite satisfactory (p.5)
- **Return Charts 12 mth: Equity Investment Styles & Themes (pp.6-8)**

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Market Theme. In Brief

“Software’ – an AI casualty? Identified, but not yet proven.”

Bad mood in Tech

The equity market is in a poor mood. The VIX index is flirting with the +20 level, and the dominant mega-cap tech companies have on average fallen 7.3% over the past month and 7.4% year to date. However, there is one tech industry group that is underperforming everything else: IT Software & Services. The average return for a global software company in the MSCI World Index is -13% year to date, and this is despite the fact that there has been little change in analysts’ earnings expectations for the group, which still point to average EPS growth of 13% in 2026.

The market views Software as a primary AI casualty

The reason for the weak share price performance is concern about the consequences for software companies as AI starts to have a significant impact on corporate business models. It will clearly become much cheaper to develop systems and provide IT services in the future. But this is already “old news”, which has long since been reflected in the share prices of leading software producers. Many large IT software companies have fallen 30–40% over the past year. Over the past month, however, the share price declines for global software companies have accelerated in what looks like outright capitulation by investors, and the question now is whether a buying opportunity has emerged.

The situation for Software is serious, but probably already priced in

As a starting point, CAP shares the view that IT Software as an industry group will be a casualty of AI. The barriers that historically existed for small IT software companies, when complex systems requiring armies of programmers had to be built, can now be overcome by chatbot assistants that require neither salaries nor good working conditions. Smaller IT venture companies are therefore likely to capture significant market share in the software market. Most observers of the software market therefore point out that established companies will experience pressure on their profit margins as competition intensifies from these new entrants or from in-house development by customers. However, in CAP’s view, the fear that has driven high-quality names in the sector down by 20–30% since January is reminiscent of the situation around fintech some ten years ago. Many investors feared then, as now, that the profitability of the incumbent industry would be severely eroded. Ten years on, we can see that it did not destroy the large banks’ business models, as it ultimately turned out not to be so easy to run a profitable bank.

The case for buying quality software

Several factors support software producers in the period ahead. First, it takes time to reap the full benefits of the new computing power that AI will provide. When high-quality software companies can be bought at a discount to the global market on P/E multiples between 11 and 15, while their expected earnings for 2026 and 2027 remain intact, they can still generate solid profits in the period until full AI implementation. Second, software producers are of course acutely aware of their critical situation. They are already leading users of the new AI technologies, which in turn help protect precisely those profit margins that appear to be heading south. Third, the established companies already own the customer relationships. Customers are tied in through license agreements, but more importantly, they are unlikely simply to replace an incumbent software provider with an unknown new supplier that may be cheaper on paper, but where the customer’s switching costs could be substantial.

Software – a buying opportunity? “Yes”

Overall, CAP’s answer to whether a buying opportunity has emerged is a resounding “yes”. This is especially true, when looking at Software & Service producers compared to the rest of the global IT sector. In the table, we have compiled a shortlist of larger companies that (a) have measurably high equity quality (CAP), (b) have earnings expectations that are both strong in terms of growth and stable in terms of revisions, and (c) have seen their share prices fall over the past 12 months and are down more than 15% since the start of the year.

CAP is also launching a new overweight theme: Resilient Software, comprising a basket of five stocks, namely Microsoft, Accenture, Capgemini, Salesforce and Adobe. The latter has also been added to our Global Focus portfolio, where it replaces Meta Platforms.

Company	Country Code	Industry	Market Cap (Float Adj. Bn. EUR)	Return YTD (%)	Return 12 mth. (%)	EPS Growth (FY1)	EPS Rev. 3 mth. (FY2)	CAP Ranking Total
CGI Inc	CA	IT Consulting & Other Services	13.4	-19.9%	-40.3%	11%	1%	79.1
Cognizant Techno	US	IT Consulting & Other Services	26.8	-19.8%	-25.4%	7%	-2%	79.0
Adobe Inc	US	Application Software	91.1	-24.6%	-42.6%	12%	0%	78.0
NEC Corp	JP	IT Consulting & Other Services	30.0	-22.8%	34.2%	30%	2%	74.3
Sage Group PLC	GB	Application Software	8.7	-24.4%	-37.5%	21%	2%	73.7
Accenture PLC	IE	IT Consulting & Other Services	116.2	-15.9%	-40.9%	7%	-2%	72.5
Salesforce Inc	US	Application Software	145.8	-28.4%	-41.5%	15%	1%	68.3
DocuSign Inc	US	Application Software	7.5	-34.5%	-48.7%	7%	0%	66.3
Intuit Inc	US	Application Software	91.5	-39.6%	-31.5%	15%	-3%	66.0
Microsoft Corp	US	Systems Software	2,509.2	-17.0%	-1.0%	22%	-2%	64.7
Capgemini SE	FR	IT Consulting & Other Services	16.2	-26.3%	-42.1%	2%	-1%	64.1
Autodesk Inc	US	Application Software	41.2	-21.9%	-23.6%	21%	-2%	64.0
Workday Inc	US	Application Software	31.7	-32.8%	-44.0%	25%	-2%	63.5
Obic Co Ltd	JP	IT Consulting & Other Services	7.8	-21.9%	-13.6%	4%	1%	60.6
Total			5,710.3	-13.1%	-2.8%	13.0%	-0.9%	39.9

■ The stocks included in CAP’s new equity basket ‘Resilinet Software’

Source: C.A.P, LSEG

Market Theme. In Brief

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Top70 global Software & Service companies

Company	Country Code	Industry Group	Industry	Market Cap (Float Adj. Bn. EUR)	Return YTD (%)	Return 12 mth. (%)	EPS Growth (FY1)	EPS Rev. 3 mth. (FY2)	CAP Ranking Total
Total		Software & Services		5,710.3	-13.1%	-2.8%	13.0%	-0.9%	39.9
Microsoft Corp	US	Software & Services	Systems Software	2,509.2	-17.0%	-1.0%	22%	-2%	64.7
Palantir Technologies Inc	US	Software & Services	Application Software	254.3	-26.1%	10.3%	50%	28%	21.0
Oracle Corp	US	Software & Services	Systems Software	230.3	-17.6%	-7.1%	22%	-4%	15.6
International Business Mac	US	Software & Services	IT Consulting & Other Services	206.4	-10.9%	2.9%	7%	1%	40.4
SAP SE	DE	Software & Services	Application Software	185.9	-17.6%	-37.4%	17%	-1%	52.7
Salesforce Inc	US	Software & Services	Application Software	145.8	-28.4%	-41.5%	15%	1%	68.3
Shopify Inc	CA	Software & Services	Internet Services & Infrastructure	123.6	-30.0%	-12.2%	27%	1%	12.5
Accenture PLC	IE	Software & Services	IT Consulting & Other Services	116.2	-15.9%	-40.9%	7%	-2%	72.5
Palo Alto Networks Inc	US	Software & Services	Systems Software	112.8	-9.4%	-16.5%	16%	-3%	22.8
ServiceNow Inc	US	Software & Services	Systems Software	94.2	-30.1%	-45.7%	19%	0%	27.4
Intuit Inc	US	Software & Services	Application Software	91.5	-39.6%	-31.5%	15%	-3%	66.0
Adobe Inc	US	Software & Services	Application Software	91.1	-24.6%	-42.6%	12%	0%	78.0
Applovin Corp	US	Software & Services	Application Software	90.5	-42.0%	-23.4%	50%	0%	17.7
CrowdStrike Holdings Inc	US	Software & Services	Systems Software	88.5	-8.3%	-4.9%	-6%	-2%	11.7
Synopsys Inc	US	Software & Services	Application Software	70.1	-6.9%	-16.4%	12%	-5%	10.9
Cadence Design Systems In	US	Software & Services	Application Software	68.5	-4.2%	1.4%	18%	-3%	35.2
Cloudflare Inc	US	Software & Services	Internet Services & Infrastructure	57.7	-0.7%	14.4%	22%	-12%	10.0
Snowflake Inc	US	Software & Services	Internet Services & Infrastructure	50.9	-16.9%	-2.8%	45%	-1%	14.9
Fortinet Inc	US	Software & Services	Systems Software	44.3	7.7%	-23.4%	8%	0%	42.9
Fujitsu Ltd	JP	Software & Services	IT Consulting & Other Services	42.2	-11.6%	25.4%	50%	1%	72.4
Autodesk Inc	US	Software & Services	Application Software	41.2	-21.9%	-23.6%	21%	-2%	64.0
Datadog Inc	US	Software & Services	Application Software	36.5	-7.9%	-4.4%	6%	-10%	11.7
Strategy Inc	US	Software & Services	Application Software	35.8	-11.9%	-60.4%	50%	17%	24.2
CoreWeave Inc	US	Software & Services	Internet Services & Infrastructure	32.3	34.1%	140.1%	0%	-41%	12.3
Workday Inc	US	Software & Services	Application Software	31.7	-32.8%	-44.0%	25%	-2%	63.5
Constellation Software Inc	CA	Software & Services	Application Software	30.2	-28.6%	-52.2%	23%	10%	44.6
NEC Corp	JP	Software & Services	IT Consulting & Other Services	30.0	-22.8%	34.2%	30%	2%	74.3
Roper Technologies Inc	US	Software & Services	Application Software	28.8	-27.6%	-43.6%	7%	-3%	57.8
Cognizant Technology Solu	US	Software & Services	IT Consulting & Other Services	26.8	-19.8%	-25.4%	7%	-2%	79.0
Fair Isaac Corp	US	Software & Services	Application Software	26.1	-20.5%	-25.3%	38%	1%	16.2
MongoDB Inc	US	Software & Services	Internet Services & Infrastructure	24.4	-12.2%	27.2%	31%	28%	23.5
Zoom Communications Inc	US	Software & Services	Application Software	23.0	7.3%	8.8%	8%	-2%	76.5
Nebius Group NV	NL	Software & Services	Systems Software	20.1	17.1%	120.3%	-50%	50%	12.0
Atlassian Corp	AU	Software & Services	Application Software	18.7	-48.0%	-73.1%	30%	-5%	37.4
Capgemini SE	FR	Software & Services	IT Consulting & Other Services	16.2	-26.3%	-42.1%	2%	-1%	64.1

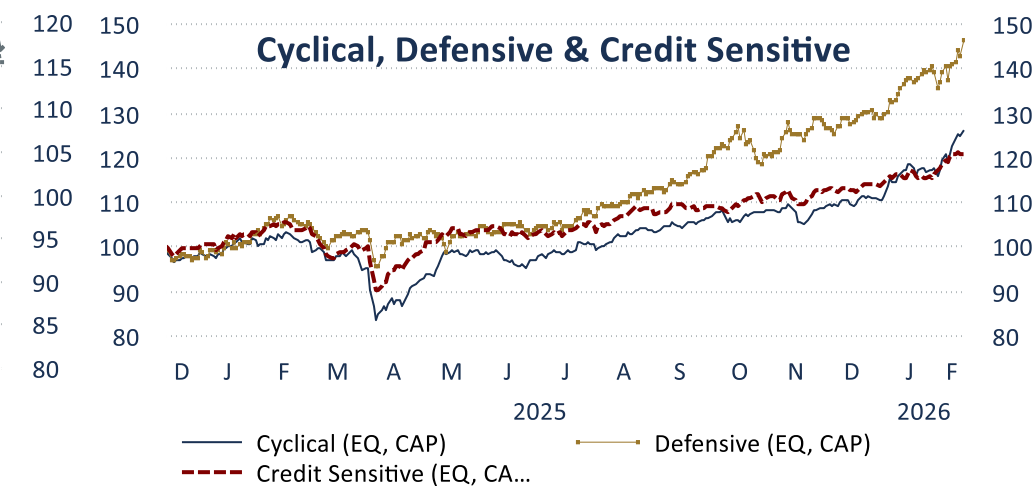
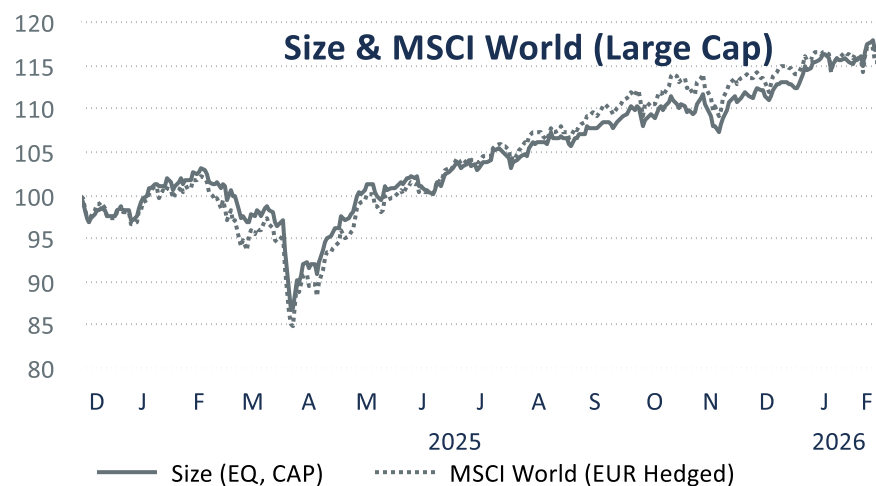
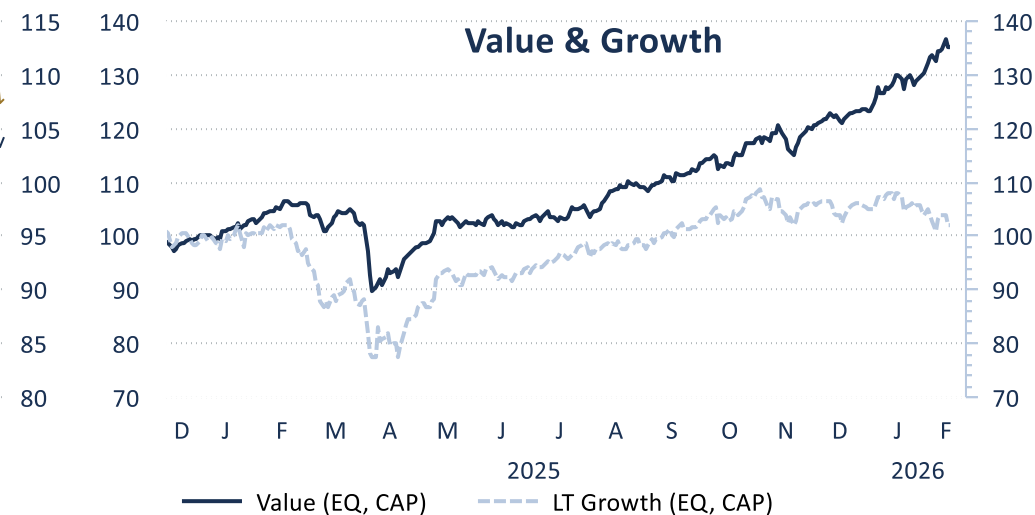
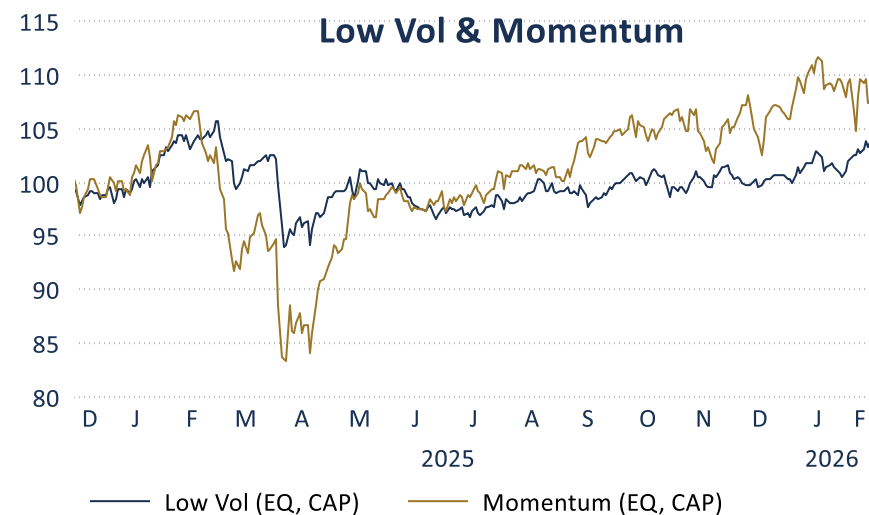
Company	Country Code	Industry Group	Industry	Market Cap (Float Adj. Bn. EUR)	Return YTD (%)	Return 12 mth. (%)	EPS Growth (FY1)	EPS Rev. 3 mth. (FY2)	CAP Ranking Total
Total		Software & Services		5,710.3	-13.1%	-2.8%	13.0%	-0.9%	39.9
PTC Inc	US	Software & Services	Application Software	15.7	-10.0%	-8.4%	1%	0%	59.3
Zscaler Inc	US	Software & Services	Systems Software	15.4	-21.0%	-16.4%	17%	-2%	16.0
VeriSign, Inc	US	Software & Services	Internet Services & Infrastructure	15.1	-9.8%	-3.6%	5%	-3%	50.1
Twilio Inc	US	Software & Services	Internet Services & Infrastructure	13.8	-20.6%	-9.7%	11%	-4%	41.3
CGI Inc	CA	Software & Services	IT Consulting & Other Services	13.4	-19.9%	-40.3%	11%	1%	79.1
Trimble Inc	US	Software & Services	Application Software	13.3	-15.3%	-10.6%	12%	0%	56.0
Akamai Technologies Inc	US	Software & Services	Internet Services & Infrastructure	13.3	28.1%	11.7%	9%	-2%	68.9
Okta Inc	US	Software & Services	Internet Services & Infrastructure	13.0	0.9%	-9.4%	23%	-1%	36.1
Samsara Inc	US	Software & Services	Application Software	12.8	-22.9%	-53.7%	50%	-2%	9.4
Dassault Systemes SE	FR	Software & Services	Application Software	12.0	-25.3%	-55.6%	1%	-6%	46.4
Circle Internet Group Inc	US	Software & Services	Application Software	11.6	-24.3%	-27.9%	0%	-5%	58.9
IREN Ltd	AU	Software & Services	Application Software	11.4	11.8%	224.5%	50%	-4%	7.9
Tyler Technologies Inc	US	Software & Services	Application Software	11.0	-33.0%	-52.6%	11%	-4%	33.3
Gen Digital Inc	US	Software & Services	Systems Software	11.0	-12.3%	-12.8%	15%	-1%	79.3
HubSpot Inc	US	Software & Services	Application Software	10.5	-39.2%	-70.0%	25%	4%	32.5
GoDaddy Inc	US	Software & Services	Internet Services & Infrastructure	10.1	-28.2%	-51.1%	-7%	-1%	41.9
Nomura Research Institute	JP	Software & Services	IT Consulting & Other Services	9.6	-32.7%	-23.3%	10%	3%	54.9
Nutanix Inc	US	Software & Services	Application Software	9.3	-19.2%	-40.7%	11%	-4%	13.6
Dynatrace Inc	US	Software & Services	Application Software	9.3	-14.2%	-39.3%	21%	1%	58.4
Confluent Inc	US	Software & Services	Application Software	9.1	1.1%	-12.3%	18%	0%	13.6
Gartner Inc	US	Software & Services	IT Consulting & Other Services	9.1	-37.1%	-69.2%	-1%	-4%	59.0
Guidewire Software Inc	US	Software & Services	Application Software	9.1	-36.8%	-40.1%	11%	-1%	16.9
Rubrik Inc	US	Software & Services	Systems Software	9.0	-28.7%	-29.6%	50%	-50%	5.2
Sage Group PLC	GB	Software & Services	Application Software	8.7	-24.4%	-37.5%	21%	2%	73.7
InterDigital Inc	US	Software & Services	Application Software	8.0	18.1%	76.7%	-41%	11%	45.6
Bitmine Immersion Techno	US	Software & Services	Application Software	7.9	-22.8%	170.5%	50%	0%	21.1
Obic Co Ltd	JP	Software & Services	IT Consulting & Other Services	7.8	-21.9%	-13.6%	4%	1%	60.6
Figma Inc	US	Software & Services	Application Software	7.7	-39.7%	-80.5%	0%	-7%	20.9
Xero Ltd	NZ	Software & Services	Application Software	7.7	-35.5%	-60.4%	-2%	-6%	15.0
DocuSign Inc	US	Software & Services	Application Software	7.5	-34.5%	-48.7%	7%	0%	66.3
Epam Systems Inc	US	Software & Services	IT Consulting & Other Services	7.5	-18.8%	-37.5%	5%	-2%	52.8
Manhattan Associates Inc	US	Software & Services	Application Software	7.0	-19.0%	-26.2%	3%	-7%	29.0
Applied Digital Corp	US	Software & Services	Internet Services & Infrastructure	7.0	43.9%	287.3%	50%	50%	11.0

Equity Market Themes, Performance & CAP weightings

Investment Styles & Themes	-1w	-1m	-3m	-12m	YTD	CAP position	CAP Stock Picks
Quality Energy Infrastructure	2.1%	10.0%	13.7%	60.4%	11.9%	Overweight	Endesa/Gaztrans. et Tech/Siemens Energy
Quality Pharma (EQ, CAP)	0.8%	9.8%	18.7%	28.7%	11.7%	Overweight	Merck/Roche
Cyclical (EQ, CAP)	4.7%	7.9%	15.9%	23.0%	14.4%	Underweight	Mercedes-Benz/Yara
Inflation (EQ, CAP)	2.0%	7.3%	15.6%	16.6%	12.0%	Overweight	Norsk Hydro
Defensive (EQ, CAP)	4.3%	7.2%	16.2%	37.1%	13.6%	Overweight	Carlsberg/Essity
Value (EQ, CAP)	0.6%	5.6%	12.9%	28.3%	9.8%	Overweight	ISS
Credit Sensitive (EQ, CAP)	0.3%	4.4%	7.9%	14.9%	6.0%	Neutral	JP Morgan, Storebrand
Low Vol (EQ, CAP)	1.0%	2.3%	3.6%	-0.2%	4.0%	Overweight	Orange/Ahold Delhaize/Telenor
Size (EQ, CAP)	0.5%	1.3%	6.0%	14.1%	4.3%	Underweight	Per Aarsleff/Lundbeck
Security (EQ, CAP)	2.6%	-2.0%	5.2%	30.5%	9.2%	Overweight	Kongsberg/Leonardo/Dassault Aviation
iShares MSCI World ESG Enhanced UCITS	-0.4%	-2.1%	1.3%	2.9%	-0.1%		
Financial Industry - High for Longer	-4.4%	-2.3%	0.7%	29.8%	-2.7%	Neutral	Nordea/SEB
Momentum (EQ, CAP)	-0.1%	-2.8%	2.9%	1.4%	1.8%	Underweight	
Value in Tech (EQ, CAP)	-5.1%	-3.0%	-6.9%	10.6%	-5.3%	Neutral (New)	Cisco/ LM Ericsson
LT Growth (EQ, CAP)	-0.9%	-5.5%	-2.4%	0.1%	-2.7%	Underweight	NRG Energy/TE Connectivity
The Magnificent Seven Stocks (EQ)	-3.3%	-7.4%	-4.0%	8.6%	-7.3%	Underweight	Alphabet
Luxury Goods (EQ, CAP)	5.3%	-7.5%	-8.8%	-16.4%	-6.0%	Underweight	Ralph Lauren/
A.I. (EQ, CAP)	-3.4%	-14.1%	-11.0%	-3.4%	-13.1%	Underweight	
Resilient Software	-3.7%	-19.8%	-17.8%	-36.5%	-22.5%	Overweight (New)	Adobe (New), Accenture, Netcompany

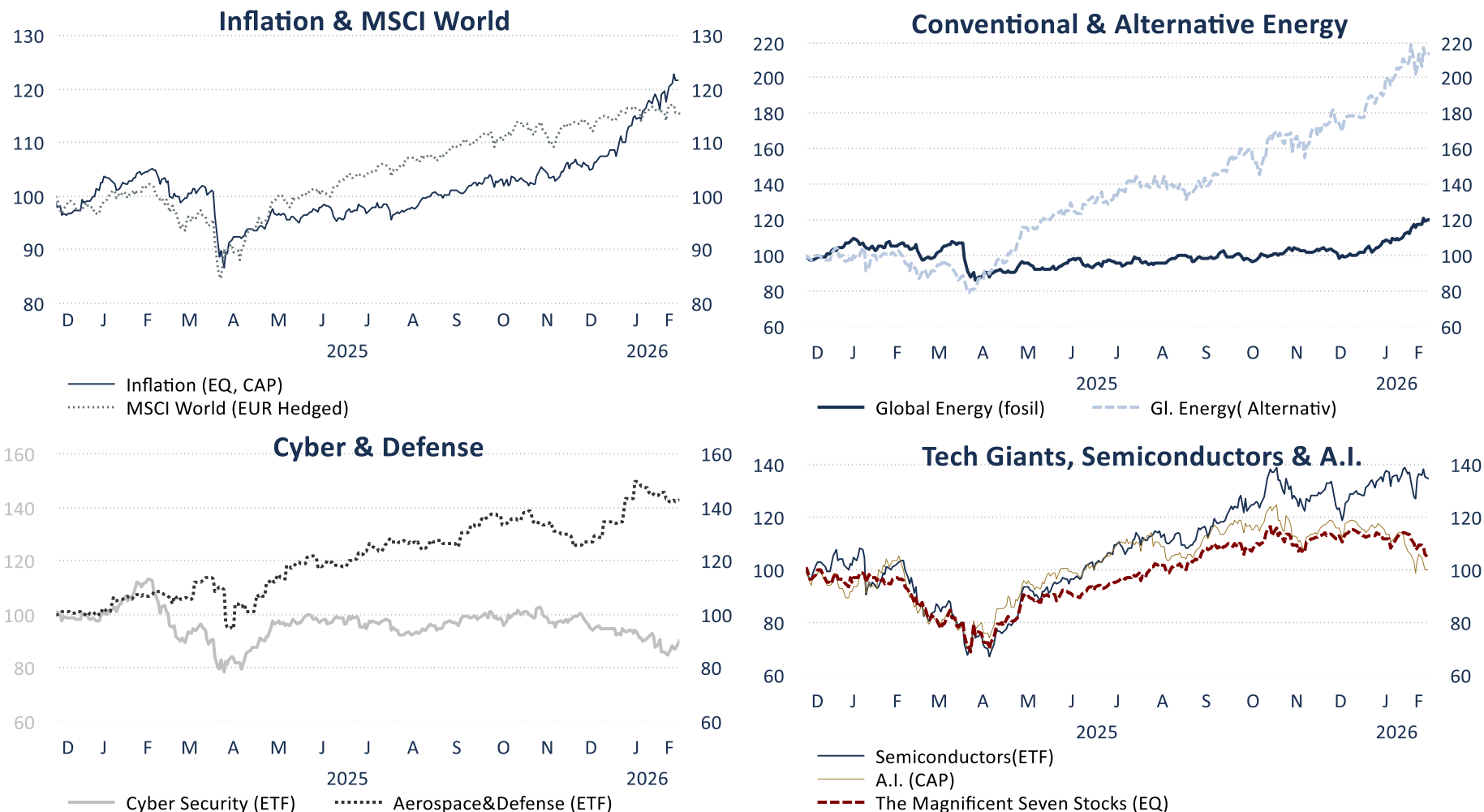
Equity Investment Styles – 12 months return

Equities. Style & Macro Factors



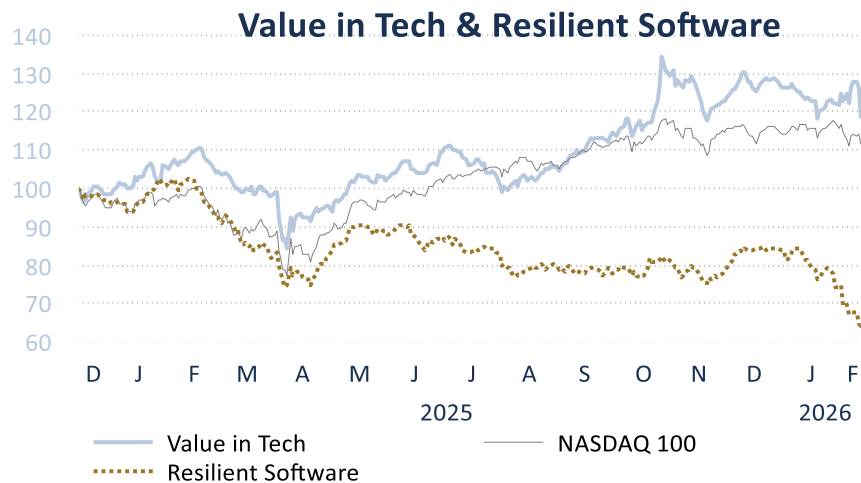
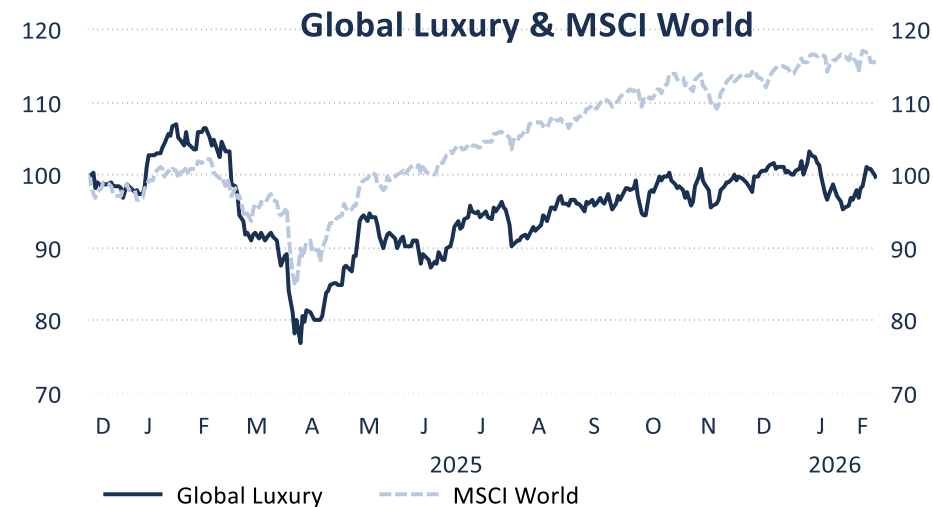
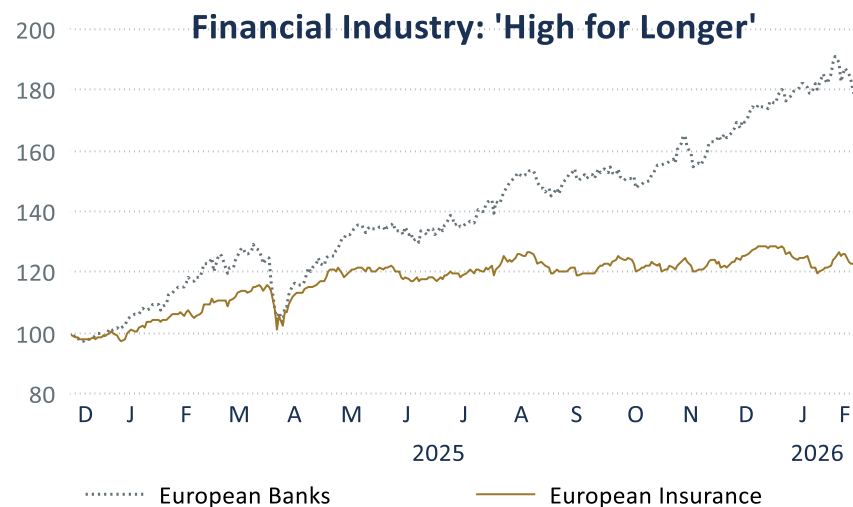
Equity Investment Themes I – 12 months return

Equities. Thematic Segments



Equity Investment Themes II – 12 months return

Equities. Thematic Segments



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