



# SEMICONDUCTORS VERSUS SOFTWARE

## REVERSAL OF POLARITIES?

By Jacques-Aurélien Marcireau, Co-Head of Equities, Edmond de Rothschild AM (France)

**Historically, the roles were clearly defined: semiconductors were associated with cyclicity and close sensitivity to the macroeconomic cycle, while software was driven by secular, structural growth.**

**Today, we are witnessing a reversal of roles. The software industry has matured, and the laws of gravity and economics are beginning to apply, especially as software now represents a significant share of corporate budgets. At the same time, the semiconductor world has temporarily detached itself from economic reality,** buoyed by a super cycle that combines technological disruption with excessive ambitions, reinforced by a textbook case of the prisoner's dilemma<sup>1</sup>.

**Tactical investors have got it right: in the short term, semiconductors offer a cascade of upward earnings revisions – which algorithms also tend to favor – while software companies continue to grow but are unlikely to surprise.** As a result, a now popular technique is to bet on a decline in software and a rise in semiconductors.

Less conscientious observers will see recent market swings as confirmation of predictions that artificial intelligence will disrupt software, a narrative pushed since April 2025 mainly by those in the AI camp who need to raise \$110 billion within three months to meet their commitments. AI will undoubtedly have a profound impact on our economic fabric over time, but mapping these predictions onto the current situation is weak from a causality standpoint, given that mass layoffs have not yet truly started in call centers supposedly “disrupted” for three years now.

**Let's not fool ourselves, we are experiencing a stock market blip: once we move past the current market configuration, there will be as many victories and setbacks on the semiconductor side as on the software side.**

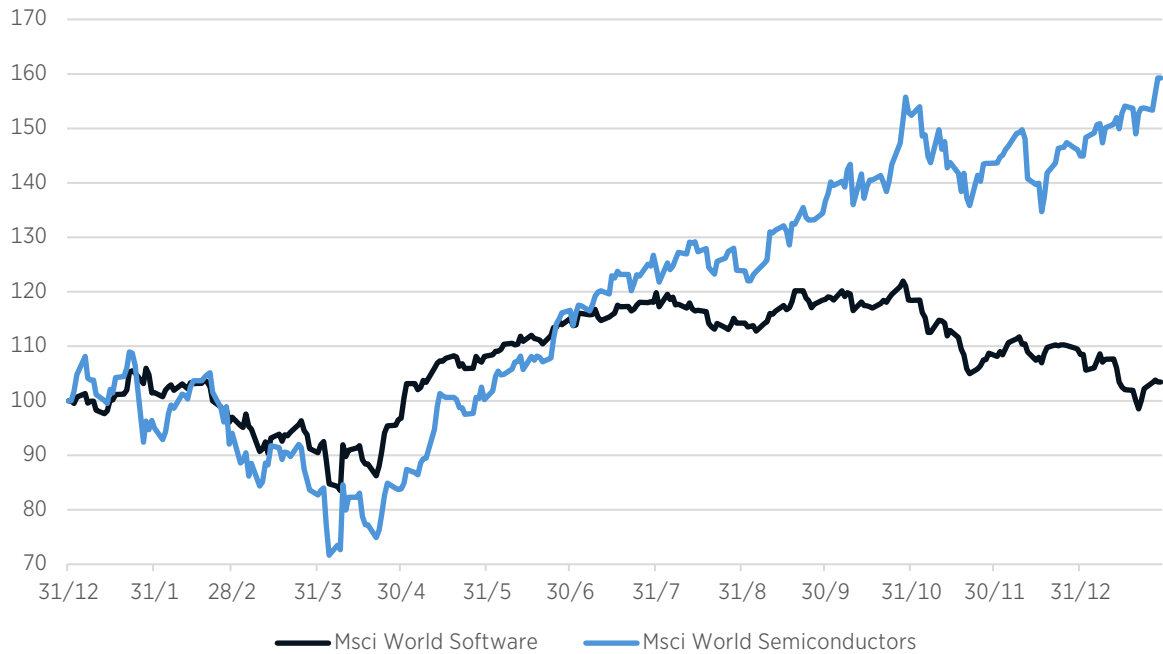
The fourth quarter 2025 earnings season has so far illustrated this dynamic perfectly: ServiceNow, Manhattan Associates, Roper Technologies, and even SAP and Microsoft are struggling to generate investor enthusiasm despite solid growth.

As long-term investors, we welcome the opportunities offered by such simplistic asymmetries. It is clear that we must remain selective in the software world, but now more than ever, **patience, rather than information, is the most important virtue when investing in liquid markets as this is the only asset class where it is not required by default.**

---

<sup>1</sup> The prisoner's dilemma characterizes a situation in which competing economic actors, who do not communicate with each other, make rational decisions based on the pursuit of their own interests but, in doing so, undermine the collective interest.

## Semiconductors vs Software



### **Performance of indices representing the semiconductor and software sectors (base 100) since December 31, 2024.**

(Source: Edmond de Rothschild Asset Management - Bloomberg)

*Past performance and volatility are not indicative of future performance and volatility, are not constant over time, and may be independently affected by changes in exchange rates. The performance figures shown do not take into account the costs and fees incurred when issuing and redeeming units, but include ongoing charges, intermediation fees, and any performance fees charged.*

## **DISCLAIMER**

### **February 2026. This is a marketing communication.**

This document is issued by the Edmond de Rothschild Group. It has no contractual value and is designed for information purposes only. This material may not be communicated to persons in jurisdictions where it would constitute a recommendation, an offer of products or services or a solicitation and where its communication would therefore contravene applicable legal and regulatory provisions. This material has not been reviewed or approved by any regulator in any jurisdiction.

The figures, comments, opinions and/or analyses contained in this document reflect the Edmond de Rothschild Group's view of market trends based on its expertise, economic analyses and the information in its possession at the date of preparation of this document and may change at any time without notice. They may no longer be accurate or relevant at the time of publication, particularly in view of the date of preparation of this document or due to market developments.

This document is intended solely to provide general and preliminary information to those who consult it and should not be used as a basis for any investment, disinvestment or holding decision. The Edmond de Rothschild Group shall not be held liable for any investment, disinvestment or holding decision taken on the basis of such comments and analyses.

The Edmond de Rothschild Group therefore recommends that all investors obtain the various regulatory descriptions of each financial product before investing, in order to analyse the associated risks and form their own opinion independently of the Edmond de Rothschild Group. It is recommended to obtain independent advice from specialised professionals before entering into any transaction based on the information contained in this document, in order to ensure that the investment is suitable for the investor's financial and tax situation.

Past performance and volatility are not indicative of future performance and volatility and are not constant over time and may be independently affected by changes in exchange rates.

Source of information: unless otherwise indicated, the sources used in this document are those of the Edmond de Rothschild Group. This document and its contents may not be reproduced or used in whole or in part without the permission of the Edmond de Rothschild Group.

Copyright © Edmond de Rothschild Group - All rights reserved.

EDMOND DE ROTHSCHILD ASSET MANAGEMENT (FRANCE)

47, rue du Faubourg Saint-Honoré 75401 Paris Cedex 08

Société anonyme governed by an executive board and a supervisory board with capital of 11.033.769 euros

AMF Registration number GP 04000015

332.652.536 R.C.S. Paris