U.S. EQUITIES

Investing in unstoppable trends

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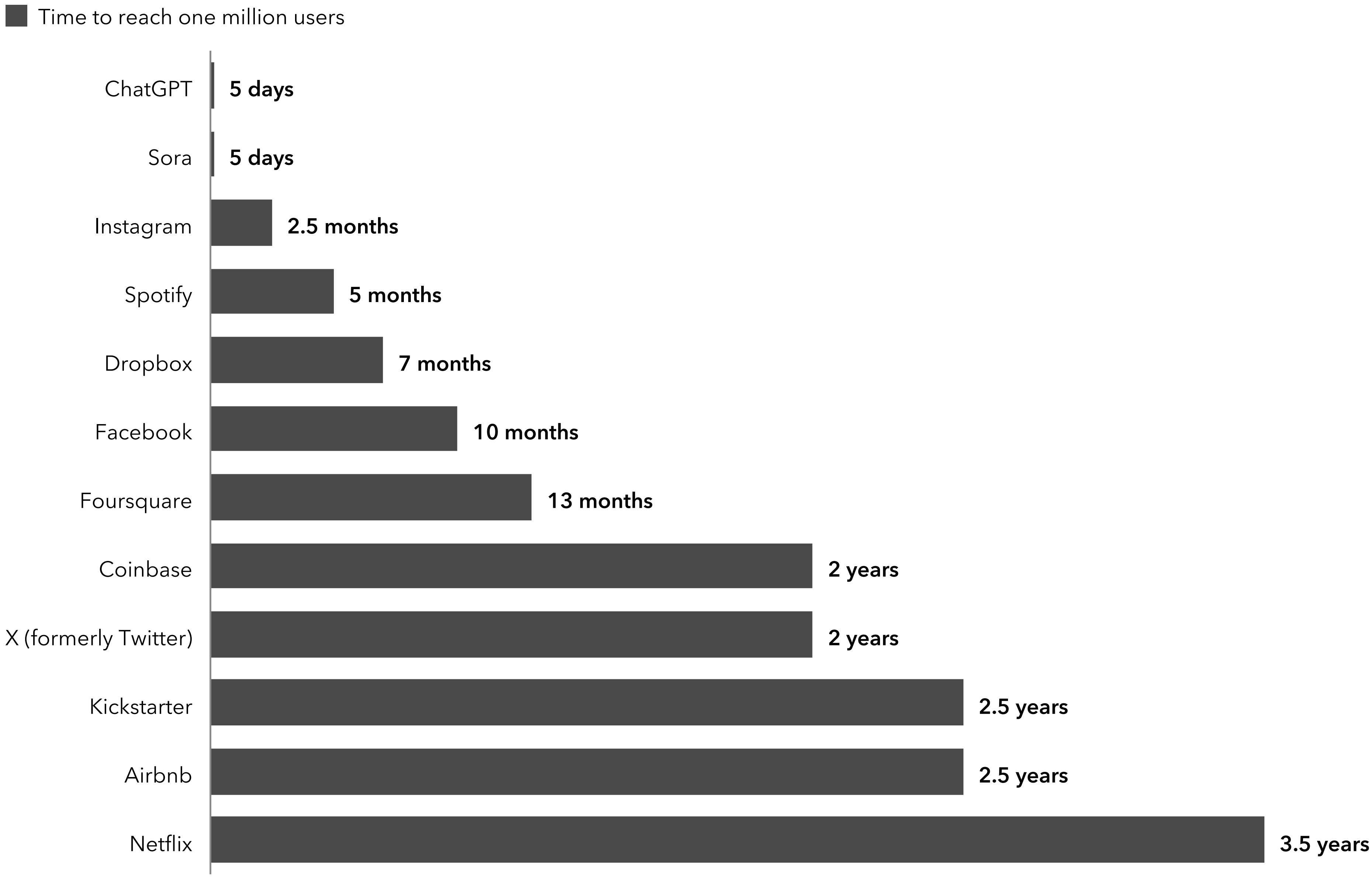
Early in my career as an equity analyst covering newspapers and the internet, I learned a valuable lesson.

I got an up close view of how newspapers — a once dominant media business — lost their edge to online advertising platforms like Craigslist and Zillow. A good chunk of the industry overlooked the looming disruption. I quickly learned the importance of identifying unstoppable trends that could transform industries and investing in companies that seemed best positioned to benefit.

I define an unstoppable trend as one in which a new product or service offers so many advantages over the incumbent it can be expected to take market share year after year for as long as they both exist. For example, while paper money, coin money and checks still have their use, digital money is so much more convenient it appears set to take market share of all payments for many years to come.

Consumer adoption of tech trends is accelerating



Sources: Capital Group, Statista. As of September 30, 2025. Kickstarter statistic refers to the number of backers. Airbnb figure refers to the number of nights booked. Foursquare and Instagram figures refer to number of nights booked. Coinbase refers to number of consumer wallets.

Throughout my 25-year career, I have sought to construct my portfolios based on unstoppable trends. They include the transition from landed retail to e-commerce; the shift from on-premise computing to the cloud; and the shift from appointment-based traditional television networks to on-demand streaming services. Each of these market share shifts has been in progress for at least 20 years and is likely to continue for the foreseeable future.

Unstoppable trends can provide powerful tailwinds to growth-oriented investments and equally powerful headwinds to investments on the wrong side of the trends. Two things to get right are successfully discerning the disruptors from the disrupted and not overpaying for growth opportunities. As a portfolio manager for CGGR – Capital Group Growth ETF and CGGG – Capital Group U.S. Large Growth ETF, I rely on these two questions as I pursue long-term investment opportunities.

Here are three emerging trends that I consider to be unstoppable:

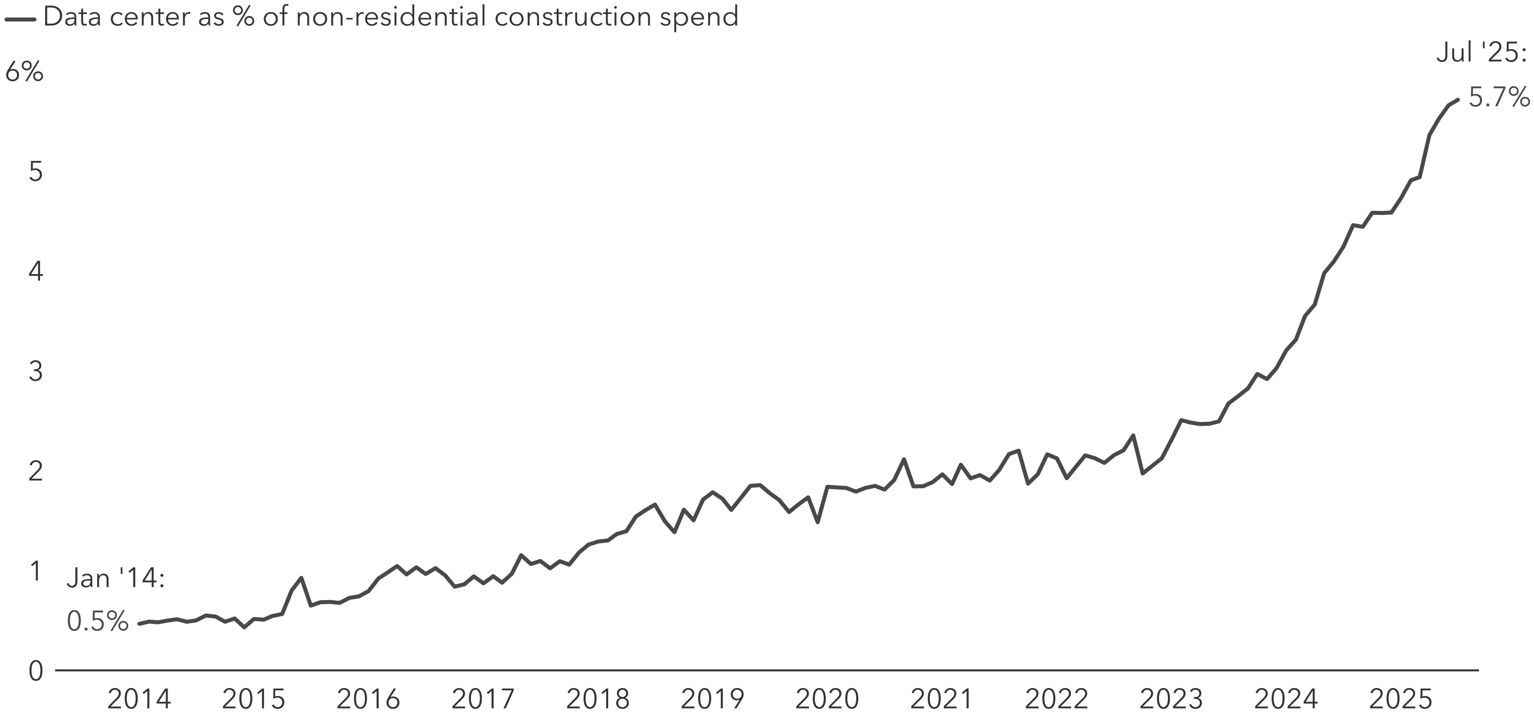
From unintelligent to intelligent systems

The introduction of ChatGPT in the fall of 2022 was a monumental step in the transition from unintelligent system to intelligent systems. This change was recognizable almost immediately, as ChatGPT attracted one million users in a mere five days.

Before the AI chatbot was released, a user couldn’t have a quality chat with a computer or server farm. Two and a half years later, I believe the chats have improved to the point that useful responses have become common.

To ensure that progress continues, technology giants like OpenAI, Microsoft, Google, Meta Platforms and Oracle have committed hundreds of billions of dollars to building AI infrastructure. Fueled by such investment, global semiconductor sales could exceed $1 trillion by 2030. More broadly, investment in data centers accounted for 5.5% of private non-residential construction spending as of June 2025.

Data center construction is soaring



Source: Census Bureau. Latest data through July 31, 2025, as of October 17, 2025. Figures are not seasonally adjusted.

Feedback

We're also in the early innings of AI deployment to end users. Consider autonomous vehicles, which basically are intelligent car-robots. Waymo, the autonomous vehicle subsidiary of Alphabet, operates in a handful of cities including Phoenix, San Francisco, Los Angeles and Atlanta. Waymo has a strong safety record in those cities but has a long runway ahead as they launch in places like Miami and New Orleans.

Over the next decade I expect AI technologies will become pervasive in most software and hardware products, and we will be using all sorts of robots. The ride from here to there will be bumpy, and while investors can expect alternating bouts of disappointment and euphoria along the way, I do expect intelligent systems to become ubiquitous throughout our economy.

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From cold hard cash to digital payments

The transition from the use of paper money, coins and checks to digital payment technology has been ongoing for several decades. PayPal, for example, introduced an online version of its payment technology in 1999 and released its mobile app nine years later.

The pandemic in 2020 acted as a powerful accelerant of this trend toward digital payments in the U.S. With physical distancing and lockdowns limiting in-person commerce, consumers and businesses rapidly embraced contactless and remote payment options. More recently, 90% of U.S. and European consumers said they used some form of digital payment in 2024, according to a McKinsey survey.

The trend toward digital payments is something I expect to continue for much of the rest of our lives. Today, the digital payment ecosystem includes a broad range of offerings, from mobile wallets that integrate with other systems like Apple Pay and Alphabet's Google Pay, to consumer and merchant platforms like PayPal, Square and Stripe. Legacy financial firms Visa and Mastercard have evolved from credit card networks into digital payment giants that provide the infrastructure enabling secure transactions.

Cryptocurrencies like Bitcoin remain controversial in many corners of the investing universe, but the rapid rise of Bitcoin's value in recent years is a sign of its growing acceptance and popularity with investors. In March, the U.S. administration said it would establish a Bitcoin strategic reserve, and other major central banks were exploring or developing their own digital currencies. I have been studying cryptocurrencies for years, with a focus on Bitcoin, which has been the best-performing asset class over the last five-, 10- and 15-year periods. Gold holds value because it is scarce, but Bitcoin is even scarcer as it never increases in supply.

From harmful tobacco to reduced harm nicotine

Not all unstoppable trends are based on digital innovation. According to the World Health Organization, about 1.3 billion people still smoke tobacco. They light tobacco leaves on fire and inhale the smoke to consume nicotine. But that nicotine comes with a payload of carbon monoxide and tar, which can cause cancer and other diseases that may shorten your life.

We're now seeing a transition from harmful smoke inhalation products to what may be less harmful ways to consume nicotine because you are not inhaling smoke. These include products that heat tobacco but don't burn it, vaping products that cause you to inhale vapor rather than smoke, and oral nicotine pouches like Zyn that are placed between your cheek and gum.

While the number of smokers in the world has declined, the number of people using vape pens and pouches has increased. I believe this is also an unstoppable trend that will continue for years. If so, e-nicotine producing companies could benefit.

Lessons learned

When I consider the unstoppable trends I have observed over my career, I have learned the key to investment success is to understand each new trend and how it will change the competitive landscape. After that, I try to identify the likely winners and losers.

Each of these shifts featured disruptors, the disrupted and adapters. For example, within the retail industry, Amazon rose to be a giant in e-commerce while the Borders bookstore chain filed for bankruptcy before being acquired by Barnes & Noble, but other retailers like Target were able to adapt by shifting to a multichannel business mixing e-commerce and in-store shopping. Within media, Netflix has grown from a business renting DVDs by mail to a streaming powerhouse while the Blockbuster video rental chain went out of business. In the years since, a number of streaming services have emerged, some offered by traditional networks.

It's no easy task, but the key to determining the likely winners and losers is fundamental research. Gain a deep understanding of a company's business plan. Assess whether management has the wherewithal to execute the plan. Evaluate the competitive landscape with an emphasis on companies that are poised to take market share. Use all of this information to separate the disruptors from the disrupted. And remember, it is possible to overpay for growth, so it's always important to keep valuations top of mind rather than an afterthought.

Read important disclosures

***Mark Casey** is an equity portfolio manager with 25 years of investment industry experience (as of 12/31/2024). He holds an MBA from Harvard and a bachelor's degree from Yale.*

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