



In a time of AI-related market uncertainty, investors are increasingly turning to stocks that Goldman Sachs strategists call HALO: Heavy Assets, Low Obsolescence. Capital-intensive companies with irreplaceable infrastructure, deep technical complexity, and high barriers to entry are receiving renewed attention as the market seeks resilience in an era of technological disruption.

### The HALO Concept: What It Means and Why It Matters

As artificial intelligence reshapes expectations around business models and disrupts knowledge-intensive sectors, more investors are seeking refuge in companies whose value is rooted in physical assets and structural complexity. The HALO framework identifies companies with very high replacement costs, long-lived assets, network-based infrastructure, and regulated or oligopolistic market positions. These characteristics make them largely immune to the kind of rapid technological substitution that troubles other parts of the equity market.

In the United States, the sectors that most closely align with the HALO profile include railroads, regulated utilities, midstream companies, aviation and defense, integrated energy companies, and telecom infrastructure. These sectors represent the purest expression of this theme: irreplaceable physical networks, decades-long investment cycles, and strong pricing power. Their operators benefit from regional monopolies or oligopolies, heavily regulated revenue streams, and assets that would cost decades and billions of dollars to replicate.

### Ranking by ROIC (Return on Invested Capital) Durability: Railroads and Defense Lead

When these sectors are ranked by durability of return on invested capital, railroads emerge as the clear leaders. The major railroad operators function in regional duopolies with irreplaceable rail networks, rational pricing behavior, and typical returns on capital ranging from ten percent to above twenty percent. Defense primes follow closely, benefiting from multi-decade programs, extremely high switching costs, and government-backed demand.

Regulated utilities deliver lower but highly predictable returns supported by rate-based legislation, while midstream pipeline operators generate returns around 15%, underpinned by contracted cash flows and high replacement costs. Telecom infrastructure and integrated oil companies complete the ranking, with the latter offering strong returns in favorable commodity cycles but lacking the structural consistency of the top-ranked sectors.

### The European HALO Universe: Similar Logic, Different Names

The HALO concept translates well to European equity markets. Regulated network operators offer highly predictable cash flows supported by long-lived transmission infrastructure. In the industrial and aviation sectors, leading manufacturers benefit from duopoly dynamics and order books spanning decades, while infrastructure concession holders possess quasi-monopoly positions in highway and airport operations. Integrated energy companies offer exposure to massive physical infrastructure with high technical complexity.

Transportation and logistics groups add further breadth, as do airport operators and mining majors. When ranked by the combination of asset intensity, AI resilience, and monopolistic network characteristics, regulated utilities, infrastructure concession holders, aviation, and integrated energy companies emerge as the best European candidates.

### Investment Implications and Market Perspective

The growing appeal of HALO stocks reflects a broader market rotation away from pure growth and innovation plays toward companies with tangible, hard-to-replicate assets. Historically, these sectors have performed well during inflationary regimes, benefited



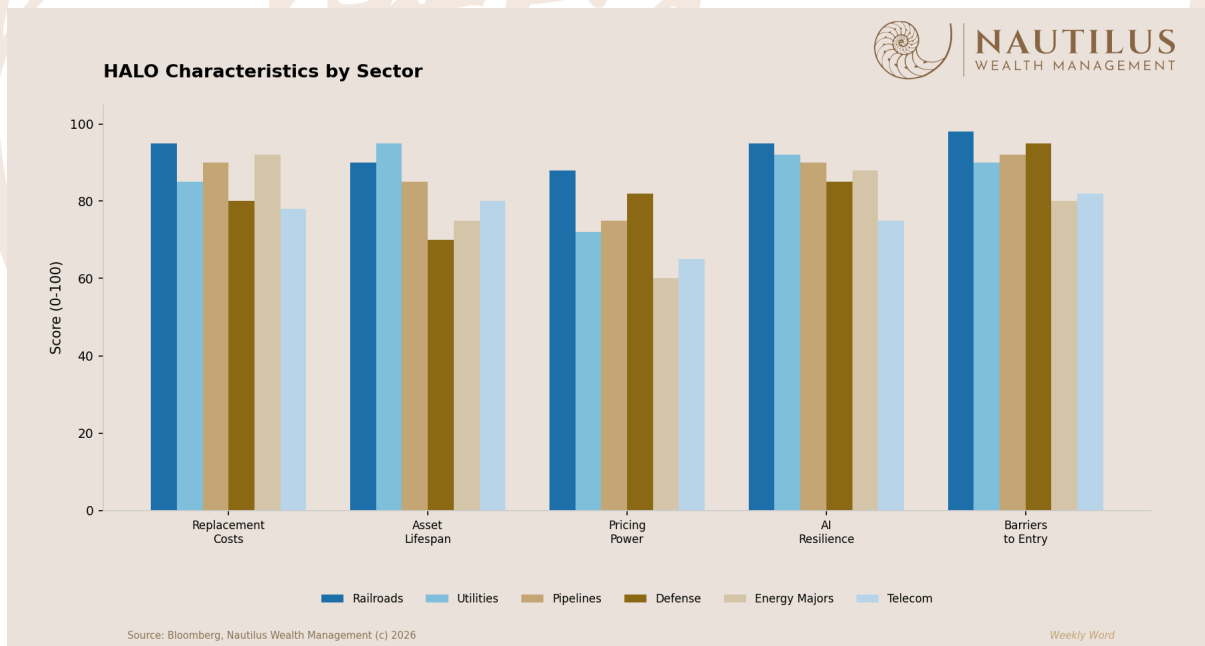
from fiscal stimulus, and maintained pricing power through scarcity. As the concept of broadening gains traction, investors are reassessing the relative attractiveness of asset-heavy compound returns versus capital-light technology models. The core question is no longer just about growth, but about the durability and defensibility of returns.

For long-term allocators, the HALO framework offers a useful lens for identifying companies whose competitive advantages are structurally anchored rather than subject to rapid erosion. In a world where artificial intelligence accelerates the obsolescence of knowledge-based competitive advantages, physical infrastructure, regulatory barriers, and network effects

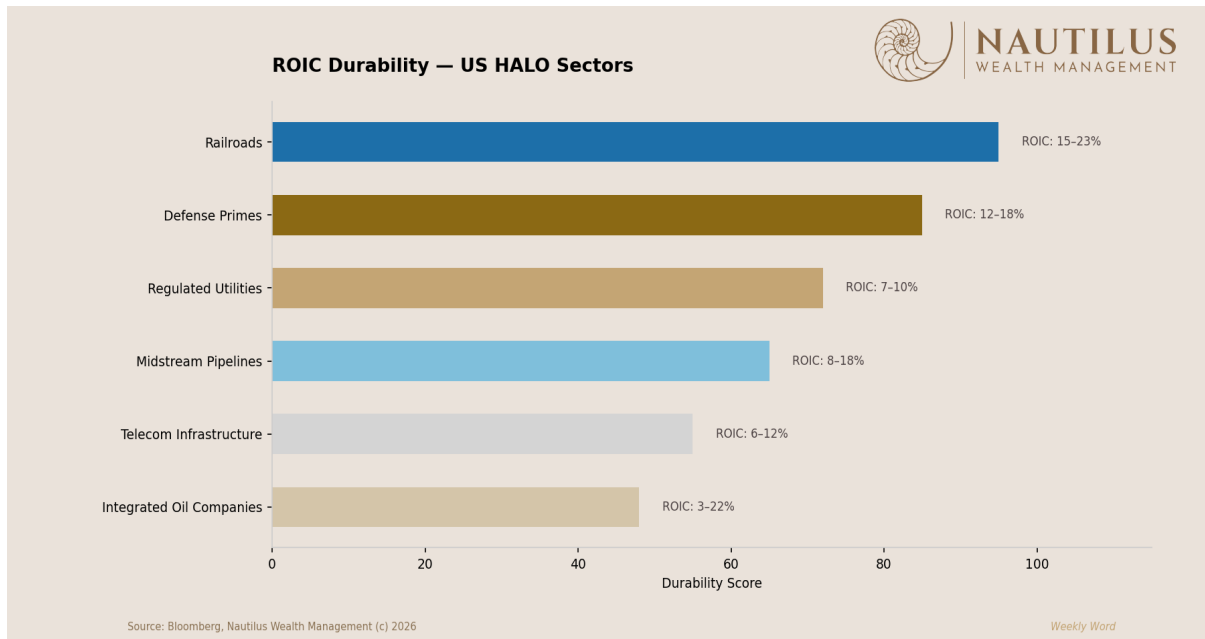
may prove to be the most durable sources of value creation.

### Conclusion

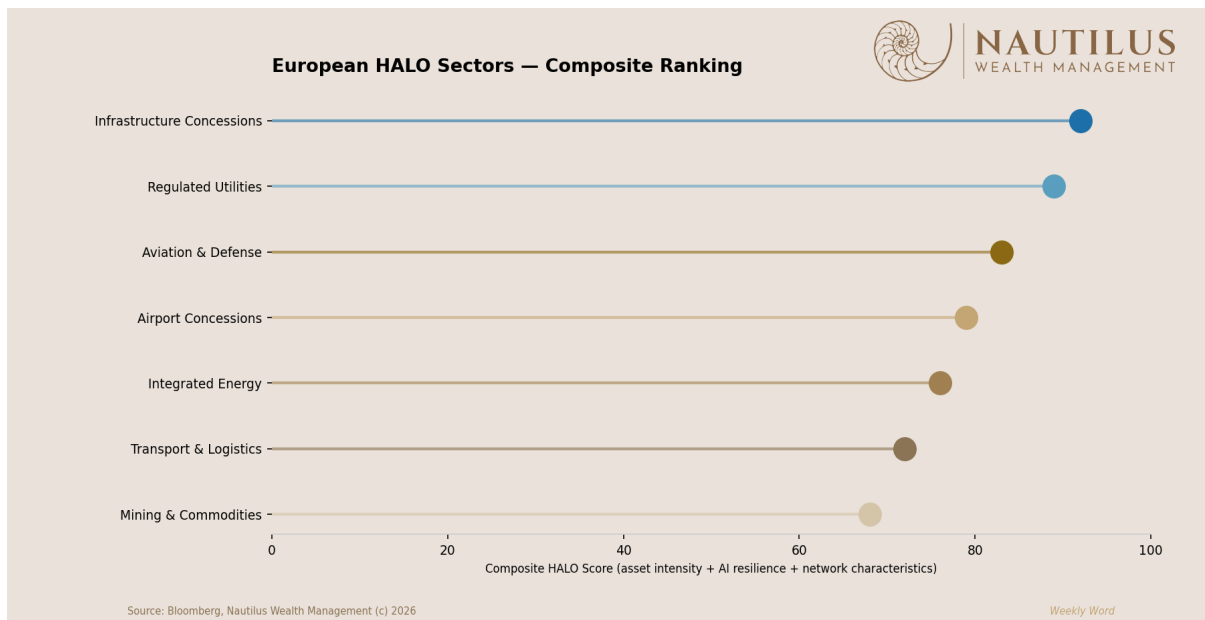
The HALO effect represents a significant shift in how investors are positioning themselves for the AI era. Rather than chasing the technology itself, a growing number are turning to companies that form the physical backbone of the economy. With irreplaceable infrastructure, regulated returns, and minimal exposure to technological disruption, these offer a compelling counterweight to the volatility and uncertainty that characterize the current market environment. For investors, HALO is not a rejection of innovation, but a recognition that lasting value often lies in what cannot easily be replicated or replaced.



**Chart 1:** The HALO framework evaluates sectors across five key dimensions: replacement costs, asset lifespan, pricing power, AI resilience, and barriers to entry. Railroads and regulated utilities consistently score high across all categories, while energy majors show more variability due to exposure to commodity cycles.



**Chart 2:** Ranked by durability of return on invested capital, railroads lead convincingly with ROIC consistently in the high teens to above twenty percent. Defense primes and regulated utilities follow with structurally stable returns. Energy majors, while capable of exceptional returns in strong commodity cycles, show the widest range and lowest consistency.



**Chart 3:** The composite HALO score for European equities combines asset intensity, AI resilience, and network or monopoly characteristics. Regulated utilities, infrastructure concession holders, and aviation leaders emerge as the strongest candidates, reflecting their combination of irreplaceable infrastructure, regulatory protection, and minimal exposure to AI-driven disruption.



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