Monthly Manager Commentary

ATLAS
GLOBAL EQUITY INCOME

July 2026

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There was no notable trading activity on the portfolio in July. However, Atlas Copco released a Q2 update detailing record order intake, which suggests demand for its products and services remains strong, while Diploma issued a Q3 trading update and upgraded guidance for FY26, which was well received by the market.

Featured holding – Aixtron

The manufacture of semiconductors is a complex, multi-stage process in which each step requires specialised expertise and extensive experience. Consequently, individual companies often dominate specific phases of the supply chain.

For example, ASML holds a near-monopoly on photolithography equipment, while Lam Research leads the market in etching systems. Similarly, Advantest and Teradyne maintain a duopoly in the automated test equipment market for testing wafers.

Major steps in the manufacture of semiconductors

1	**Ingot growth**	Molten semiconductor material (usually silicon) is grown into a single large crystal cylinder.
2	**Wafer slicing**	Diamond saws cut the cylinder into thin discs.
3	**Oxidation**	Insulating layers are grown or stacked on the surface of the wafer.
4	**Deposition**	Chemicals are used to precisely grow uniform semiconducting layers onto the wafers.
5	**Photolithography**	Light-sensitive liquid and ultraviolet light project circuit designs onto the wafer.
6	**Etching**	Chemical gases dissolve away unexposed areas to leave precise circuit paths.
7	**Photoresist cleaning**	Solvents strip away the remaining light-sensitive mask and wash the wafer clean.
8	**Ion implantation**	Doping ions are injected into the wafer surface to change its electrical conductivity.
9	**Wafer testing**	Automated probes check every individual circuit on the wafer for defects.
10	**Die dicing**	Precision machinery cuts the wafer into separate, individual microchips.
11	**Packaging**	The individual chip is mounted, wired and sealed inside a protective casing.

Source: Atlas Global Equity Income Fund

Aixtron is involved with the deposition stage of semiconductor manufacturing. The company provides specialised equipment to grow uniform, atomically thin layers onto the wafer surface.

Before we take a closer look at the products that Aixtron makes, it is useful to briefly review some of the semiconductor industry's history.

The move from germanium to silicon

The first transistor was tested at Bell Laboratories in 1947 by John Bardeen, Walter Brattain and William Shockley, who used germanium as the semiconductor material. There are several reasons why scientists soon started investigating using silicon instead.

First, germanium does not operate well at higher temperatures and would fail above 75°C. Silicon can operate at temperatures of up to 150°C without much problem.

Second – and this is more technical – germanium has a relatively narrow "band gap". This means germanium transistors are prone to leak current even when they are switched off. (For the technically minded, a band gap is the minimum energy required to excite an electron from the bound valence band to the free conduction band. In semiconductors this thermal or optical excitation allows electrons to transition from a non-conducting state to a conducting state, giving these materials their unique electrical properties.)

Third – and this is pure economics – germanium is a somewhat rare and expensive metal. Silicon, on the other hand, is the second most abundant element on Earth and is cheap.

By 1954 Texas Instruments had commercialised a transistor that used silicon as the semiconductor material. This signalled an industry-wide shift to silicon.

The age of silicon

Silicon has been the semiconductor industry's main focus since the 1950s. Enormous amounts of research, development and capital expenditure have been spent on understanding how to pack more and more transistors onto the surface of a silicon wafer.

Silicon remains the reliable foundation of modern chip-manufacturing today. However, just as germanium has its limitations, silicon is not without its drawbacks.

Power electronics

While most people recognise logic chips (such as CPUs and GPUs) or memory chips (such as DRAM and NAND), power electronics remains a lesser-known yet vital semiconductor subset. Instead of processing data, these devices control and manage electrical energy. They utilise advanced transistors to efficiently convert voltages and currents between sources and loads, minimising power loss.

Power electronics are now indispensable in sectors such as electric vehicles (EVs) and renewable energy grids. In EVs they precisely regulate battery current to maximise motor efficiency and manage ultra-fast charging. In solar grids they convert fluctuating direct current (DC) energy into stable alternating current (AC) power. Fast EV battery charging and reliable grid integration would be impossible without them.

Silicon carbide versus silicon

In the 1950s, as noted earlier, engineers realised silicon outperformed germanium for manufacturing semiconductors. A remarkably similar evolution is unfolding today in power electronics, where silicon carbide (SiC) is replacing standard silicon.

Commercialised in 2001 with Infineon's first SiC semiconductors, the material is now seeing significant adoption. As a wide-bandgap compound, SiC handles voltages 10 times higher and dissipates heat three times faster than silicon. Its physical properties drastically reduce energy losses, allowing for smaller, lighter and more efficient components in demanding systems such as EV power inverters and renewable grids.

Yet making SiC wafers to replace their standard silicon counterparts has its challenges. Growing raw SiC ingots requires extreme temperatures of over 2,200°C in a painfully slow manufacturing environment. Since SiC ranks just below diamond in hardness, traditional wire saws cannot cut it efficiently – meaning specialised diamond saws or advanced lasers are required to slice the ingots.

This harsh processing leaves the sliced wafers highly prone to internal crystal defects and structural flaws. To isolate these defects, a pristine layer of high-purity SiC must be grown on top of the silicon carbide wafer before any active power components can be fabricated. The process of growing a thin, highly organised crystalline layer on top of the base wafer is known as epitaxy – from the Greek words *epi*, meaning "upon", and *taxis*, meaning "ordered arrangement".

Aixtron's SiC epitaxy machines

Introduced in September 2022, Aixtron's G10-SiC is a chemical vapour deposition (CVD) system designed for high-volume 150mm and 200mm SiC epitaxy. The 150mm and 200mm specifications refer to the wafer sizes that the machine can handle.

The Aixtron G10-SiC has been a big success. It quickly became Aixtron's top revenue driver, achieving its 100th unit shipment within three years of launch. Leading global semiconductor manufacturers adopted it due to its high automated wafer throughput and unparalleled cost-efficiency.

Aixtron's G10-SiC system.

Image: Aixtron SE

Photonics

Data centres are facing massive bottlenecks in data transmission. This is because traditional copper cables suffer from high electrical resistance and signal attenuation over distance. As data rates climb towards 800G and beyond, pushing higher frequencies through copper generates immense heat and consumes unsustainable amounts of power.

Network engineers are increasingly turning to photonics – the science of using light waves instead of electricity to transmit and process data – to solve this problem.

Silicon's primary shortcoming in photonics is its physical inability to efficiently emit light. This is a critical flaw, given that photonic systems require an active light source – such as a laser – to function.

Aluminium gallium indium arsenide (AlGaInAs) is a specialised semiconducting material used in lasers. It smoothly converts electricity into laser light. Crucially, it handles heat exceptionally well, keeping the laser stable and efficient – even inside hot, hard-working computer systems – without needing extra cooling.

The active region of a laser has multiple alternating layers of AlGaInAs with *high* aluminium content and AlGaInAs with *low* aluminium content. Waveguides and cladding are also required. The table below shows a laser's basic structure.

Layers in the manufacture of a laser

Top cladding	Pure indium phosphide (InP)
Upper waveguide	InGaAsP or high-bandgap AlGaInAs
Alternating active core	Barrier layer (high-Al AlGaInAs)
	Well layer (low-Al AlGaInAs)
	Barrier layer (high-Al AlGaInAs)
	Well layer (low-Al AlGaInAs)
	Barrier layer (high-Al AlGaInAs)
Lower waveguide	InGaAsP or high-bandgap AlGaInAs
Bottom substrate base	Pure indium phosphide (InP)

Source: Atlas Global Equity Income Fund

The G10-AsP, an automated metal-organic chemical vapour deposition (MOCVD) system named after the arsenide and phosphide gases that it handles, was introduced in early 2023. The system produces thin AlGaInAs alloy layers used for active laser components and also deposits a variety of high-performance semiconductor compounds – including indium phosphide, gallium arsenide, indium gallium phosphide and aluminium gallium arsenide – which are required when making advanced lasers for use in data centres' networking systems. The G10-AsP had achieved major commercial success by 2025, with Aixtron claiming it had become the "tool of record" in the laser and optoelectronics market.

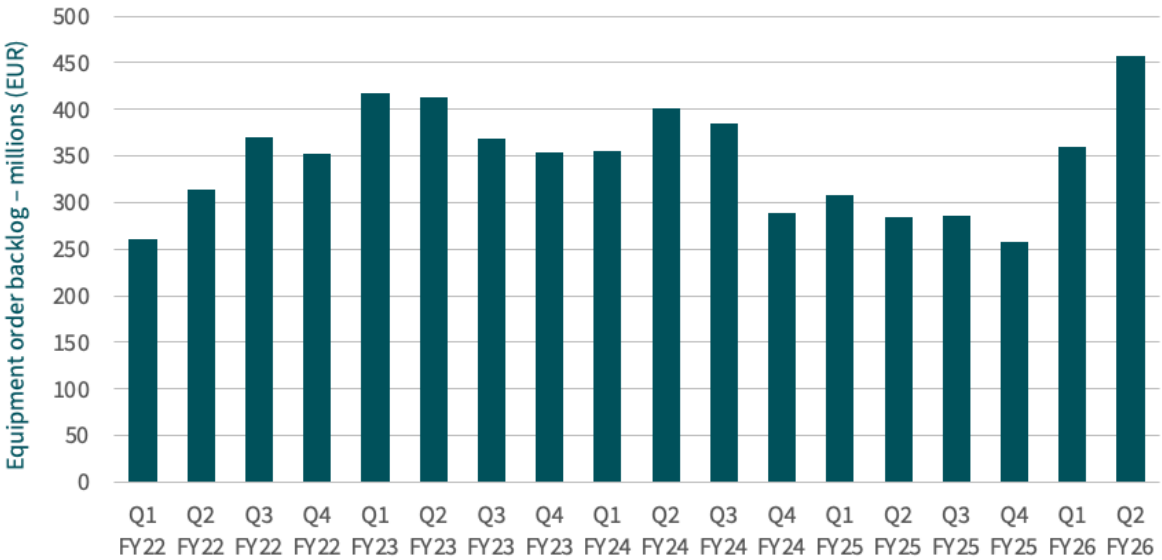
Aixtron's G10-AsP system.

Image Source: Aixtron SE

This industry dominance was further validated in May 2026, when Aixtron announced that Lumentum had "placed multiple orders for the G10-AsP platform". Highlighting the impact of this partnership, Jeff Brown, Senior Vice President of Fab Operations at Lumentum, said: "Lumentum's world-class InP [indium phosphide] technology platform continues to set the standard for high-performance photonics, enabling the next generation of bandwidth scaling and energy-efficient optical interconnects. Our collaboration with Aixtron strengthens our ability to innovate at scale, combining a leading-edge manufacturing platform with our device expertise to accelerate advanced InP solutions for the global market."

Aixtron's equipment order backlog reached €456.9 million at the end of June 2026. Management attributed this to "very strong demand in optoelectronics".

Aixtron – equipment order backlog



Source: Aixtron, Atlas Global Equity Income Fund

Conclusion

Silicon still rules global chipmaking, but alternative compound materials are taking over in high-performance power electronics and photonics. Advanced epitaxial deposition systems are essential for growing the precise crystalline layers required by these compound materials.

Aixtron's G10-SiC platform has achieved widespread adoption in power electronics, while its G10-AsP system has established itself as the industry's tool of record for photonics. As both sectors expand, Aixtron is well positioned as a leading "picks and shovels" supplier, capturing reliable revenue by equipping the broader industry, regardless of which chip manufacturers lead the market.

Disclaimer:
As at the end of July 2026, Atlas Global Equity Income holds a long position in Aixtron.
This article is not to be taken as investment advice.

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