

VIEWS



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THE ONE BIG BEAUTIFUL BILL ACT

A Potential Catalyst for US Value Investing

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INTRODUCTION

Legislation can have a powerful effect on investment outcomes. On July 4, 2025, President Trump signed the One Big Beautiful Bill Act (OBBBA) into law. OBBBA aims to revitalize domestic economic activity by ushering in a series of pro-growth policies. The Act reshapes tax policy and introduces meaningful capital incentives designed to stimulate investment across key industries.

In our view, the combination of the bill's benefits with deregulatory initiatives across many federal agencies may create a number of attractive investment opportunities.

Impactful provisions include:

- The reinstatement of 100% first-year bonus depreciation for qualifying assets (including property, equipment and machinery) retroactive to January 2025.
- The restoration of upfront and retroactive expensing for domestic research and development (R&D) expenditures, effectively creating a 4% present value discount on domestic R&D and 9% PV discount versus foreign R&D compared to prior rules.
- Increased interest expense deduction caps from about 30% of earnings before interest and taxes to roughly 30% of earnings before interest, taxes, depreciation, and amortization.

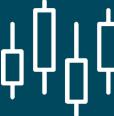
These measures are expected to significantly reduce tax obligations, enhance near-term cash flow, provide long-term certainty for capital-intensive businesses and accelerate the timing of acquisitions or projects to capture these benefits sooner rather than later. These dynamics may unlock billions in free cash flow in the upcoming year, encouraging domestic capital investment and innovation with excess capital available for deployment.

KEY POINTS

1. The One Big Beautiful Bill Act (OBBBA) is designed to spur investment in domestic manufacturing with a number of incentives, including tax advantages.
2. The OBBBA reinstates immediate expensing of domestic capital expenditures as well as research and development. This is coupled with expanded interest expense deductions.
3. Investors are likely well-positioned to realize reduced tax obligations and enhanced near-term cash flow, which aims to encourage an increase in domestic capital deployment.
4. In addition to major players in manufacturing and innovation making moves, complementary “pick and shovel” industries are poised to take advantage of the potential increase in development.

Opportunity in the Fine Print?

The One Big Beautiful Act delivers a variety of investment opportunities, with huge scale

BONUS DEPRECIATION	Production Property	General Business Property
	<ul style="list-style-type: none">Time-bound bonus depreciation for production propertyConstruction must start pre-2029 and finish pre-2031Effective 15% present value discount on US factories	<ul style="list-style-type: none">Permanent bonus depreciation for qualifying property with <20y recovery periods3-11% effective present value discount on eligible capex, depending on prior depreciation scheduleEst. \$3tn of private fixed investment in the US in 2025 (excluding manufacturing structures and R&D)¹
R&D EXPENSING	<ul style="list-style-type: none">Domestic R&D spend is immediately tax deductible (previously amortised over 5 years)Effective 3% present value discount vs prior rules for domestic R&DEffective 9% present value discount vs foreign R&D (amortised over 15 years)Est. \$600bn additional depreciation available for 2025 (excluding new spend)	INTEREST EXPENSE DEDUCTION
		<ul style="list-style-type: none">Interest expense cap for tax deductions has increased from ~30% of EBIT to ~30% of EBITDACertain foreign income exemptions removedEnables faster deleveraging and more flexible capital structure 

Against this policy backdrop, investment across American businesses is expected to surge as industrial giants ramp up domestic production, communication services companies boost domestic capital expenditure (capex), and pharmaceutical firms accelerate R&D pipelines.

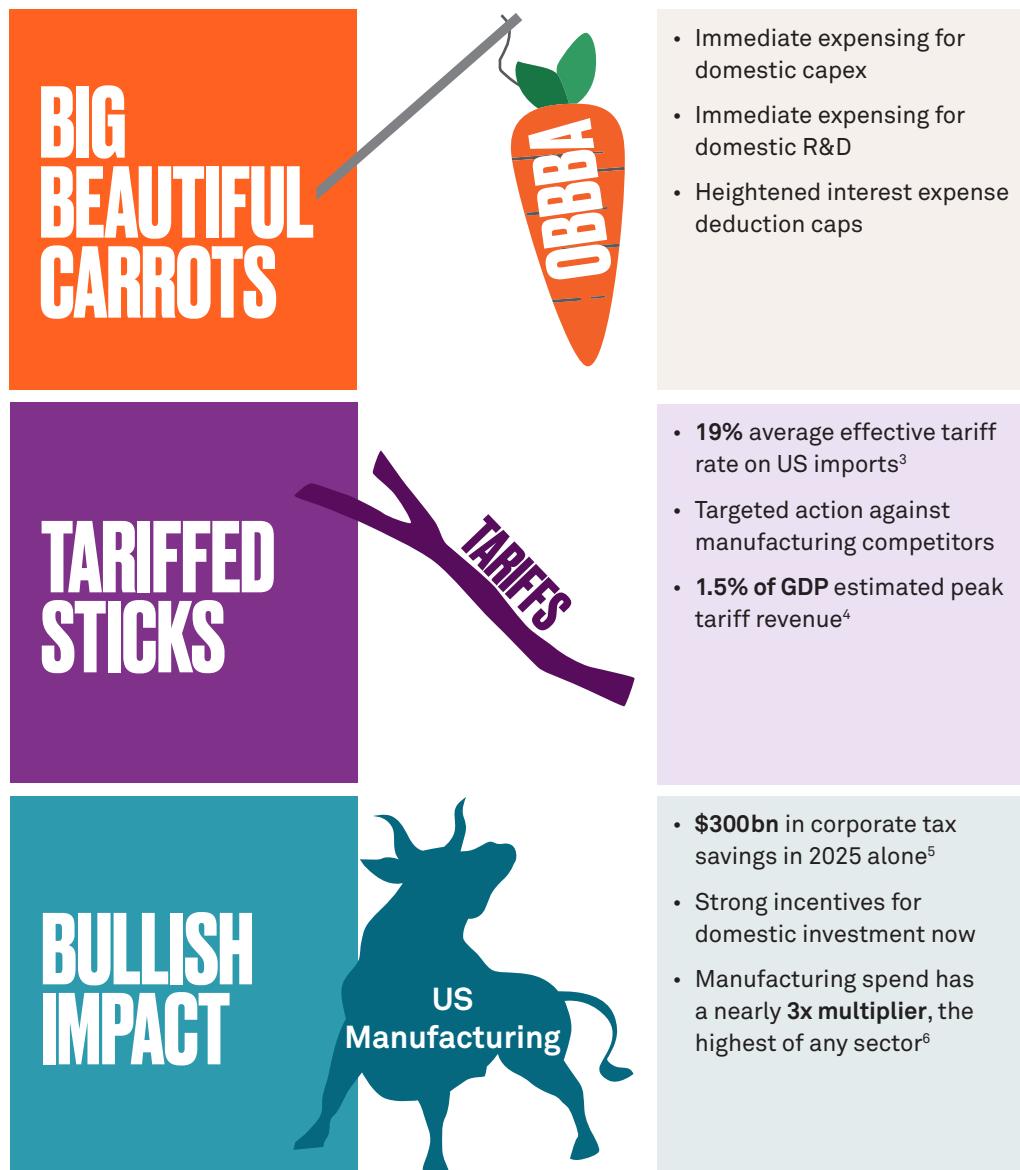
Additionally, opportunities created by the bill may transcend headline companies. Significant upside may also exist in the “picks and shovels” companies that support this expansion, including equipment supplies and infrastructure enablers.

Stimulus for Manufacturing: A Two-Pronged Approach to Boosting the Sector

The Act delivers two-pronged stimulus to US manufacturing, combining tax incentives with trade protections, to potentially effect outsized impact. On the incentive side, the bill reinstates immediate expensing of domestic capex and R&D alongside expanded interest expense deductions, increasing cash savings, providing long-term certainty for capital intensive businesses and encouraging accelerated investment in American manufacturing to capture savings. It's estimated to result in \$300 billion in corporate tax savings in 2025 alone.²

On the opposite side, consequences in the form of an average 19% effective tariff on imports and target foreign manufacturing competitors may generate up to 1.5% of gross domestic product in tariff revenue.

This dual approach, invigorating domestic production while reducing reliance on foreign goods, could create a powerful incentive for companies to onshore operations and invest in US-based factories.



Strategic Time to Invest

With tax relief focused on upfront investment deductibility, the Act may unlock free cash flow across capital-intensive industries. This could encourage ongoing reinvestment in innovation—with the added benefit of sufficient residual excess capital to deploy in capex, mergers and acquisitions (M&A) or increased shareholder returns.

The result? Now may be a strategic time to reinvest. With full bonus depreciation reinstated, companies may now immediately expense capital investments as opposed to depreciating them over decades. Tax benefits that previously took years to realize can now potentially turn into direct cash savings. This effectively creates a 15% present value discount on new construction started before 2029, potentially making largescale capex projects much more financially attractive.

Given that over \$230 billion was invested in US manufacturing structures in 2024 pre-incentives, the momentum heading into 2026—charged by the OBBBA's tax incentives—offers investors a rare opportunity to potentially capitalize on both fiscal incentives and long-term growth potential in industrial expansion.



Industries Are Already Responding

Companies across various sectors are moving quickly to capitalize on the bill's incentives.

Communication Services

One of the nation's largest telecommunications providers has taken a leading role in leveraging the Act's incentives. The company is leveraging new tax incentives offered in the bill to accelerate its fiber network rollout, citing a projected extra \$9 billion cash flow benefit over the next 2.5 years.⁸

Health Care Manufacturing	A global health care conglomerate has committed to building four new US-based manufacturing facilities. ⁹ As they directly benefit from the bonus depreciation, they're also aligning with the Act's desired outcome of bringing jobs and manufacturing back to the US.
Pharmaceuticals	Major pharmaceutical companies with robust R&D pipelines may benefit from the Act's reinstatement of immediate expensing for domestic R&D. This could significantly improve cash flow and reduce tax liabilities on their substantial innovation investments. This is estimated to create an additional \$600 billion in depreciation available for 2025. ¹⁰ In addition, there has been over \$100 billion in commitments from both US and non-US pharmaceutical companies to build US manufacturing and R&D facilities. ¹¹ This may provide an added boost to medical product and device companies that supply products and services to these new facilities.
Picks and Shovels	It's not only the large companies with massive R&D and infrastructure investments that may experience uplift. Companies that enable the capex boom—those in aggregates, equipment suppliers, building products, machinery and construction services—may also be poised to realize multi-year benefits.
Industrials	American manufacturers of industrial machinery may receive more than just increased demand as infrastructure projects break ground, but they also stand to benefit from the bonus depreciation rules that allow them to expense their upfront capital investments.

These moves reflect a broader trend:

Firms are recalibrating their infrastructure plans to capitalize on OBBBA's incentives, signaling a new wave of domestic investment.

Financials	Since many of these projects will likely be financed through borrowing from US banks and capital markets, we think these sectors may also experience rewards from the increase in activity. Furthermore, ongoing deregulation initiatives across the sector should lead to a loosening of capital requirements, potentially leading to greater lending activity.
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Many Big Beautiful Opportunities?

Among the OBBBA's primary goals are unlocking capital and accelerating domestic investment across industries. From industrials and telecommunications to pharmaceuticals, companies are already mobilizing to take advantage of the bill's incentives.

For investors, this may be a unique opportunity to get ahead of what could become a multi-year investment cycle. While big-headline names may draw the majority of the attention, we also see potential outperformance in some underappreciated enablers, namely the suppliers, builders and infrastructure companies fueling the transformation.

As capital flows into US manufacturing, those positioned early in both the leaders and the ecosystem supporting them may be well-placed to capture the upside.

Endnotes

1. Bureau of Economic Analysis. Source: Newton August, 2025.
2. The Budget Lab (TBL), State of US Tariffs, August 7, 2025.
3. The Budget Lab (TBL), State of US Tariffs, August 7, 2025.
4. Committee for a Responsible Federal Budget, August 11, 2025.
5. Newton estimates, August 2025.
6. Rhode Island Manufacturers Association. Source: Newton, 2025.
7. Federal Reserve Bank of St. Louis, August 1, 2025.
8. About.att.com. July 3, 2025.
9. jnj.com, March 21, 2025.
10. Newton, 2025.
11. fiercepharma.com. Sept. 23, 2025; gsk.com. Sept. 17, 2025; and pharmaceutical-technology.com. July 24, 2024

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