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How US state capital is reshaping strategic supply chains

Government investments are altering downside risk, return expectations and the long-term investment case for some companies

阅读简体中文版 (beta)

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Published Sat, Feb 7, 2026 · 07:00 AM

WHEN governments take equity stakes, investors should pay attention.

The US sovereign wealth fund announced in early 2025 is not a symbolic policy experiment or a passive reserve vehicle. It is emerging as an active investor in strategically critical supply chains, with direct implications for valuation, capital flows and competitive dynamics across semiconductors, critical minerals and artificial intelligence (AI) infrastructure.

Recent US investments in Intel, rare earth producer MP Materials, lithium developer Lithium Americas, and Canadian miner Trilogy Metals reveal a consistent strategy: deploy state capital to anchor domestic and allied supply chains, then use that signal to crowd in private investment.

This approach blends industrial policy with market participation, reshaping how risk is shared between the public and private sectors in industries deemed vital to technological and economic sovereignty.

The US sovereign wealth fund is not merely supporting national champions; it is redefining how strategic sectors are financed. For financial analysts and asset allocators, this marks a structural shift.

Government balance sheets are becoming an explicit part of the capital stack, altering downside risk, return expectations and the long-term investment case for companies embedded in the AI and advanced manufacturing supply chain.

Anchoring capital and crowding in private investment

The US government's equity-for-grants investment in Intel illustrates how state capital is being used to reshape strategic markets in three important ways.

First, it anchors expectations. By taking a direct equity stake, the government signalled long-term commitment to domestic chip manufacturing, reinforcing Intel's role as the only advanced semiconductor manufacturer operating at scale on US soil.

That signal matters for markets assessing execution risk and the durability of US onshoring efforts in a sector dominated by Taiwan Semiconductor Manufacturing Company and South Korea's Samsung.

Second, it constrains strategic exit. In purely commercial terms, Intel faces pressure to retreat from capital-intensive manufacturing and focus on chip design, where returns are typically less volatile.

From a supply chain resilience perspective, however, a manufacturing exit would undermine US efforts to secure domestic capacity in advanced semiconductors. By embedding strategic objectives directly into the capital structure, government equity alters that calculus.

Third, it crowds in private capital. Within days of the US investment, SoftBank committed US$2 billion, followed by Nvidia's US$5 billion design and manufacturing partnership with Intel.

Nvidia's involvement, in particular, provided validation beyond public support. If the world's dominant AI chip designer is willing to rely on Intel's manufacturing capabilities, perceived execution risk falls, strengthening the investment case for additional private capital to follow.

Government funding alone, however, is not sufficient to resolve Intel's structural challenges. State capital does not eliminate execution risk or guarantee competitiveness against more established global foundries.

Its role is catalytic rather than comprehensive: to reduce strategic uncertainty, stabilise long-term commitments, and create conditions under which private capital and commercial partnerships can scale.

For investors, this distinction matters. The presence of government equity reshapes incentives and risk-sharing, but it does not substitute for operational discipline or market validation.

The same capital allocation logic is visible in the US government's investment in MP Materials, the only fully integrated rare earth producer operating in the US.

As with Intel, the objective is not simply to support a domestic company, but to secure a strategically critical segment of the supply chain through direct equity participation.

In July 2025, the Department of Defense made a US$400 million equity investment in MP Materials under the Defense Production Act. The stake signalled long-term government commitment to domestic rare

earth processing and magnet manufacturing, an area where US supply remains heavily dependent on foreign production.

The investment was designed to crowd in private capital and stabilise long-term demand. Following the government's commitment, MP Materials secured US$1 billion in private financing from JPMorgan Chase and Goldman Sachs to build its new "10X" magnet manufacturing facility in Texas.

The Pentagon is positioned to become the company's largest shareholder, supported by long-term offtake agreements that commit to purchasing the full output of the new facility.

Rare earth magnets are critical inputs for advanced manufacturing, including defence systems, aerospace and semiconductors, which helps explain why the Pentagon is positioned to become MP Materials' largest shareholder, with a potential stake of up to 15 per cent and long-term offtake agreements covering the facility's full output.

The same approach is evident in the US government's investment in Lithium Americas, which is developing the Thacker Pass lithium project in Nevada.

Through a combination of a restructured loan and a 5 per cent equity stake in both the company and project joint venture, the government is embedding itself directly in the capital structure of a resource critical to battery production and advanced manufacturing.

As with semiconductors and rare earths, the objective is not short-term financial support but long-term supply assurance. By pairing equity participation with project-level financing, the investment reduces development risk, improves capital access, and increases the likelihood that domestic lithium production reaches commercial scale.

The strategy goes beyond US borders. The US government's 10 per cent equity investment in Canadian mining company Trilogy Metals reflects a broader effort to secure access to critical minerals through allied supply chains, rather than relying exclusively on domestic production.

Together, these investments suggest a repeatable model rather than a series of isolated interventions.

Supply chains without borders

Trilogy Metals' assets, which include copper deposits in Alaska, require substantial long-term capital to reach production. By taking an equity stake, the US government signals strategic interest while positioning itself to support future development alongside private investors.

The investment underscores that supply chain resilience, in practice, often depends on cross-border capital alignment with trusted partners.

Overall, from semiconductors and rare earths to lithium and allied mining assets, the US sovereign wealth fund is operating less as a passive allocator and more as a strategic participant in the capital stack.

Taken together, these investments point to a coherent effort to secure critical segments of the supply chain underpinning the US AI Action Plan, titled *Winning the Race*, through direct equity participation and capital coordination.

By taking equity positions, pairing them with financing and offtake commitments, and using those stakes to crowd in private capital, the government is reshaping how risk is shared in sectors deemed critical to technological competitiveness.

This approach places the US alongside other sovereign investors, particularly in the Middle East, that are increasingly blending strategic objectives with financial returns in areas such as AI infrastructure and advanced manufacturing.

For investors, the implication is not that state capital eliminates risk, but that it alters incentives, time horizons and downside dynamics in selected supply chains.

As this model expands, government balance sheets are likely to remain an active, and at times decisive, presence in strategically important investment ecosystems.

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This is an adaptation of an article that first appeared on CFA Institute Enterprising Investor: *https://blogs.cfainstitute.org/investor/*
