



# Quality Investing in an Era of Abundant Intelligence

Chris Willis

2026

MEET THE  
Managers





# Quality Investing in the Era of Abundant Intelligence

Meet The Managers 2026

Chris Willis



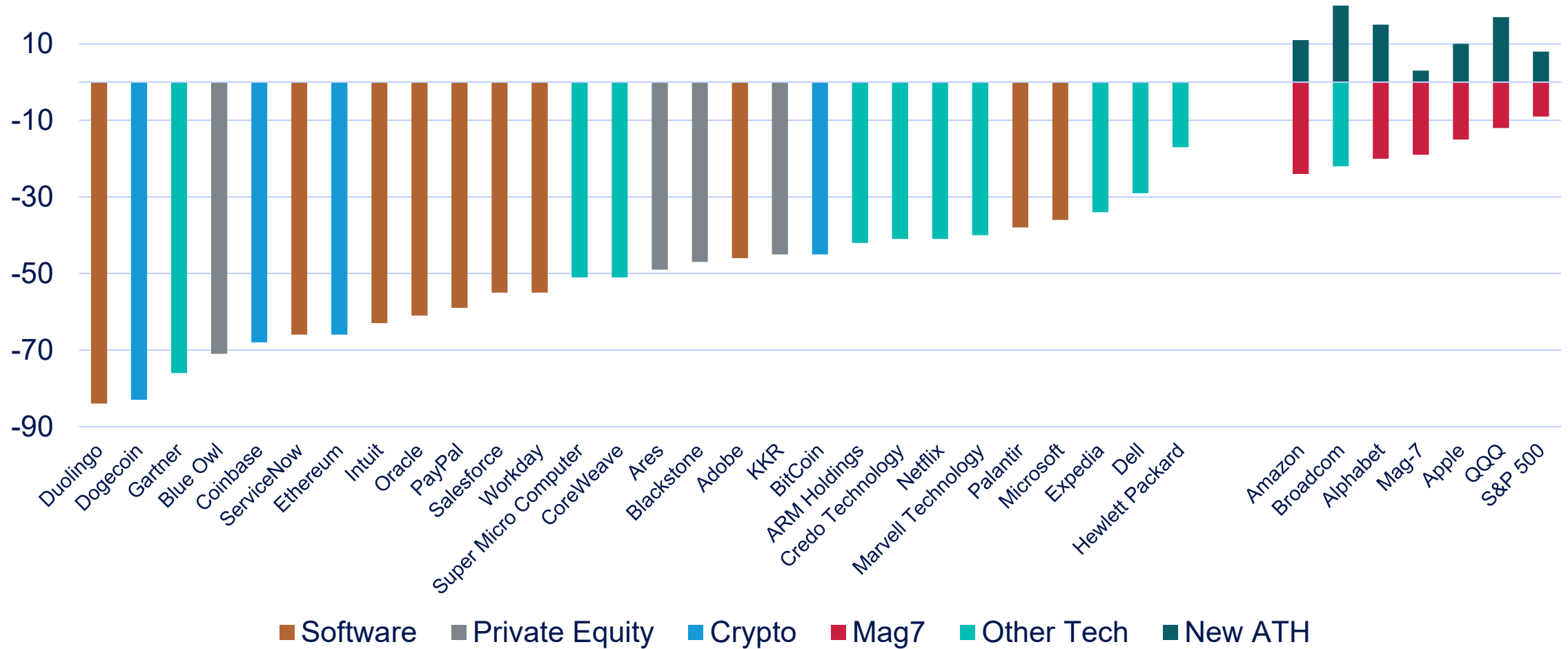
# The Great Repricing

01



# Terminal Value Questions Across Industries

## DRAWDOWNS FROM 52 WEEK HIGHS FOR SELECTED US TECH AND RELATED STOCKS



Source : FactSet Data

# Rotation Out Of The Disrupted And Into Hard Assets



# The Death-of-SaaS Narrative Keeps Getting Louder



Forbes

<https://www.forbes.com> › Innovation › Transportation

## Palantir Says SaaS Is Dead

May 16, 2026 – According to Palantir Technologies, “SaaS is dead.”



CTech

## “SaaS is dying as a business category”

“The SaaS world is dying, not software itself, but SaaS as a business category. AI has turned software into a commodity where sustainable...

Jan 25, 2026



Forrester

<https://www.forrester.com> › Featured Blogs

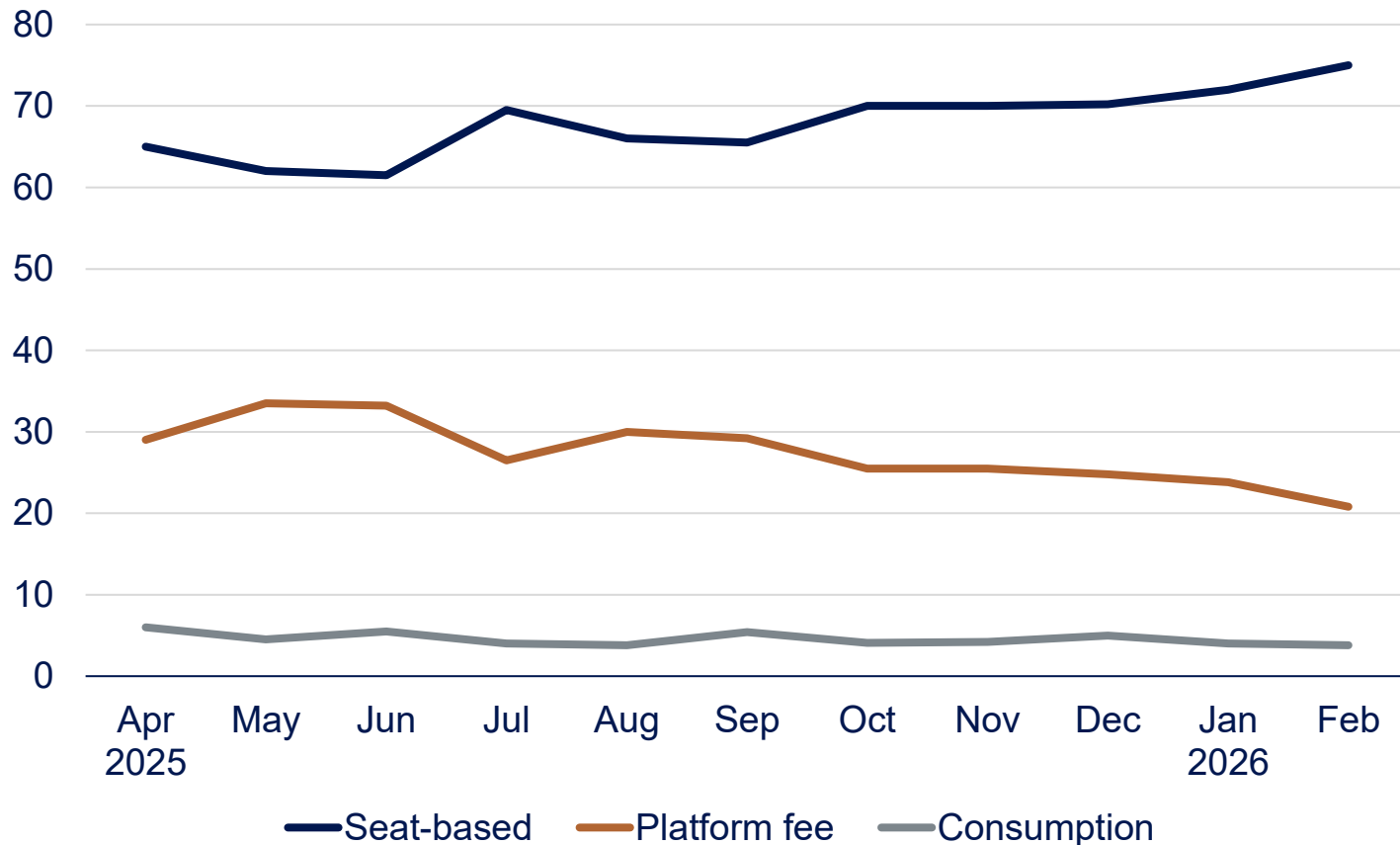
## SaaS As We Know It Is Dead: How To Survive The SaaS- ...

Feb 11, 2026 – In seven days, **over \$1 trillion in market capitalization was erased from software stocks**. The sell-off was triggered by the rapid pace of AI ... [Read more](#)



## But The Data Keeps Disagreeing

PRICING MODEL BY SHARE OF BUSINESS SPEND ON TRADITIONAL SAAS

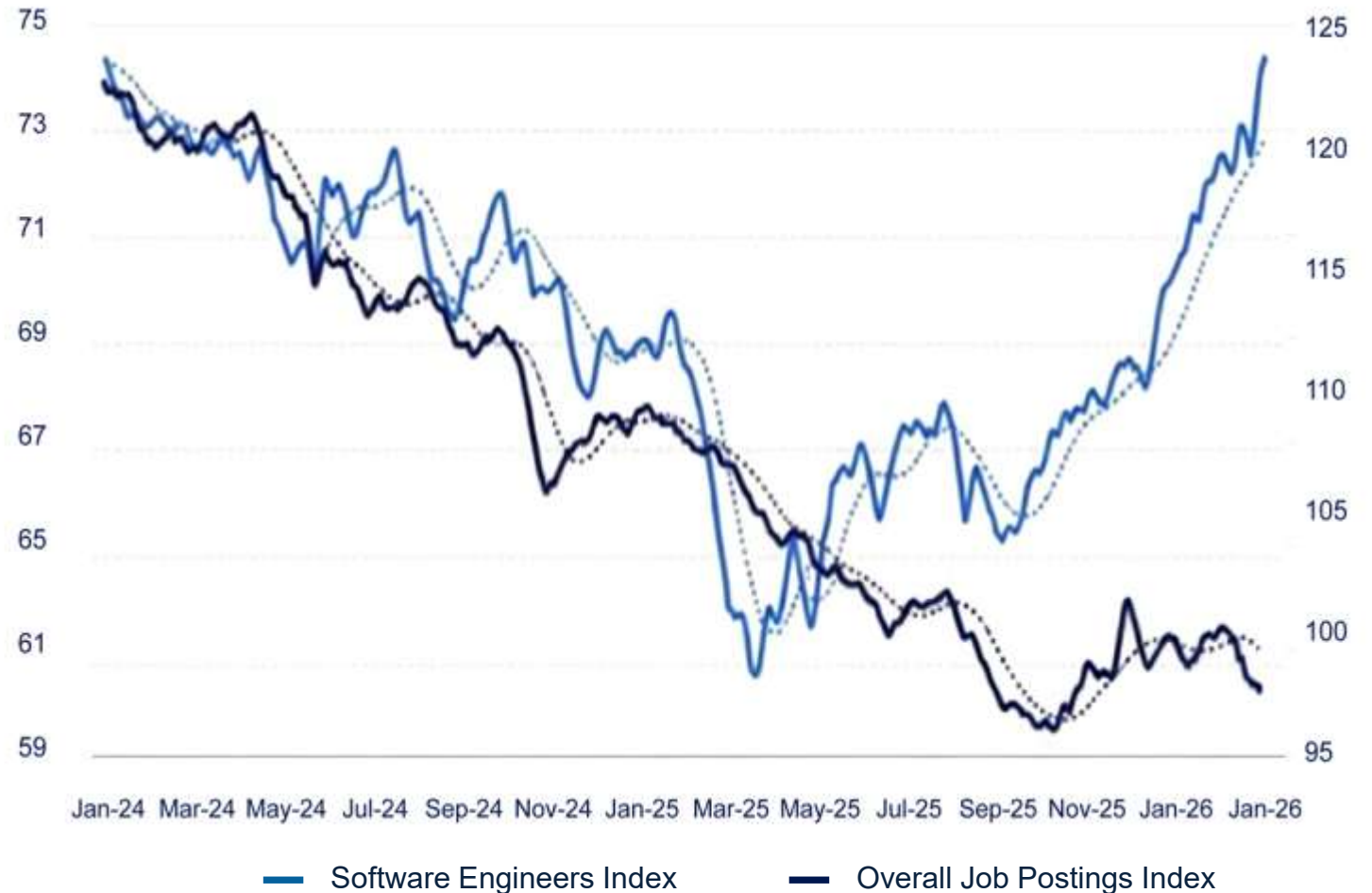


**Seat based revenue models continue to dominate and growth has accelerated.**



## So Far AI Is Creating Jobs

**Since mid-2025, overall jobs postings have risen...and software and engineering jobs have surged.**





# Foundations of Returns

02



## Translating Growth And ROIC Into Value

At 9% Return on Invested Capital (ROIC) ~ growth is value-neutral. Below 9% ~ any growth destroys value.

Growth Rate	Return on Invested Capital (ROIC)			
	7% (Sub-WACC)	9% (WACC)	13% (Superior)	25% (Elite)
3% Growth	\$800	\$1,100	\$1,400	\$1,600
6% Growth	\$600	\$1,100	\$1,600	\$2,100
9% Growth	\$400	\$1,100	\$1,900	\$2,700

At a ROIC higher than the Weighted Average Cost of Capital (WACC) ~ all growth creates value.

And the higher the ROIC, the more value created for a given unit of growth.

# The Traditional Quality Investment Framework

## ROIC > WACC

- Growth is not free. To grow, a company must pull cash from operations and invest it back into the business.
- The higher the efficiency (ROIC), the lower the cost of that growth.
- **The Delta:** A 25% ROIC firm keeps 76% of earnings while growing at 6%. A 13% firm only keeps 54%.
- Those excess profits can be used to either fund growth or be returned to shareholders
- Firms with higher profitability can reinvest faster, growing faster.



### Switching Costs

Switching costs give a company pricing power by locking customers into its unique ecosystem. Beyond the expense of moving, they can also be measured by the effort, time and psychological toll of switching to a competitor.



### Intangible Assets

Though not always easy to quantify, intangible assets may include brand recognition, patents and regulatory licenses. They may prevent competitors from duplicating products or allow a company to charge premium pricing.



### Network Effect

A network effect is present when the value of a product or service grows as its user base expands. Each additional customer increases the product's or service's value exponentially.



### Cost Advantage

Companies that are able to produce products or services at lower costs than competitors are often able to sell at the same price as competition and gather excess profit, or have the option to undercut competition.

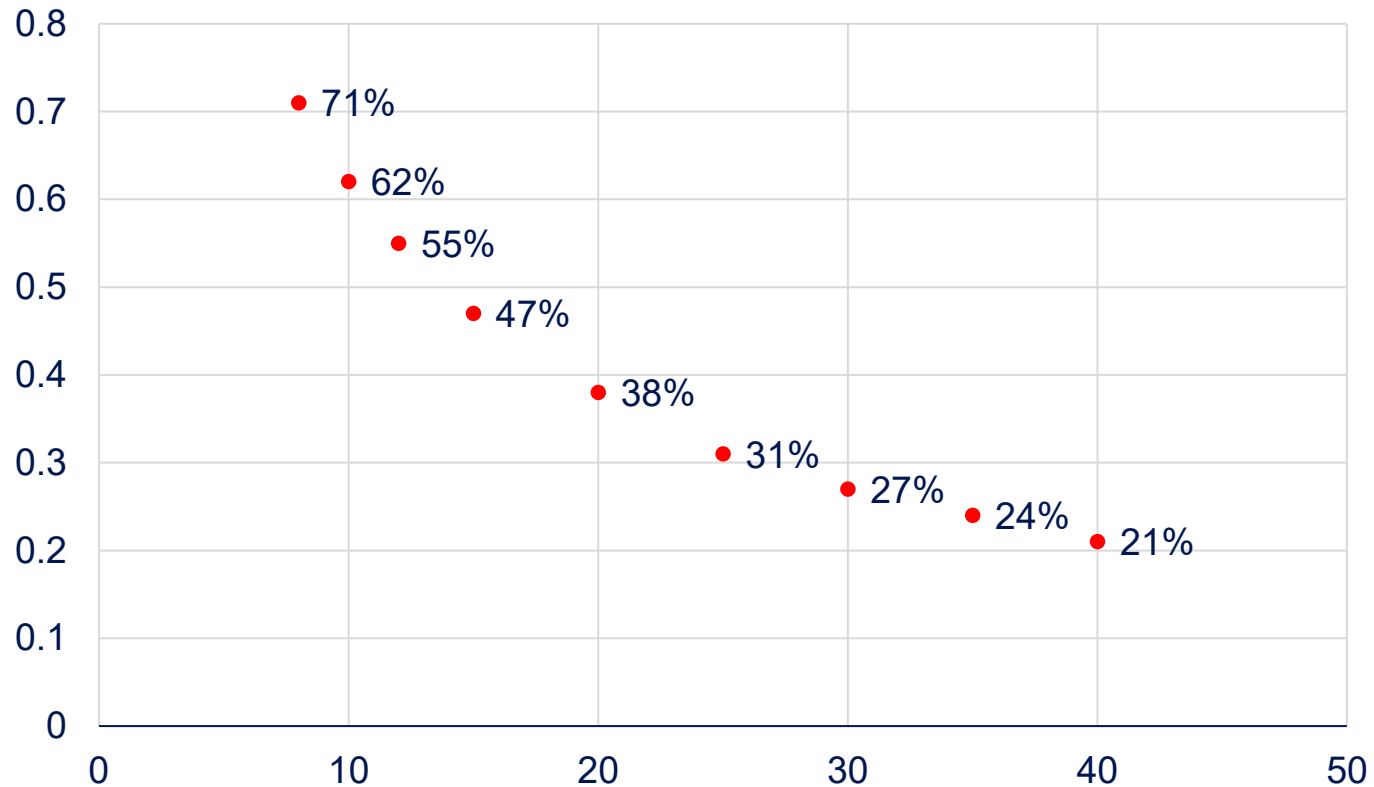


### Efficient Scale

In a market limited in size, potential new competitors have little incentive to enter because doing so would lower the industry's returns below the cost of capital.

# The Risk And Reward Of Quality Investing

PROPORTION OF VALUE BEFORE YEAR 10 GIVEN AT EACH STARTING MULTIPLE (DISCOUNT RATE = 8%)



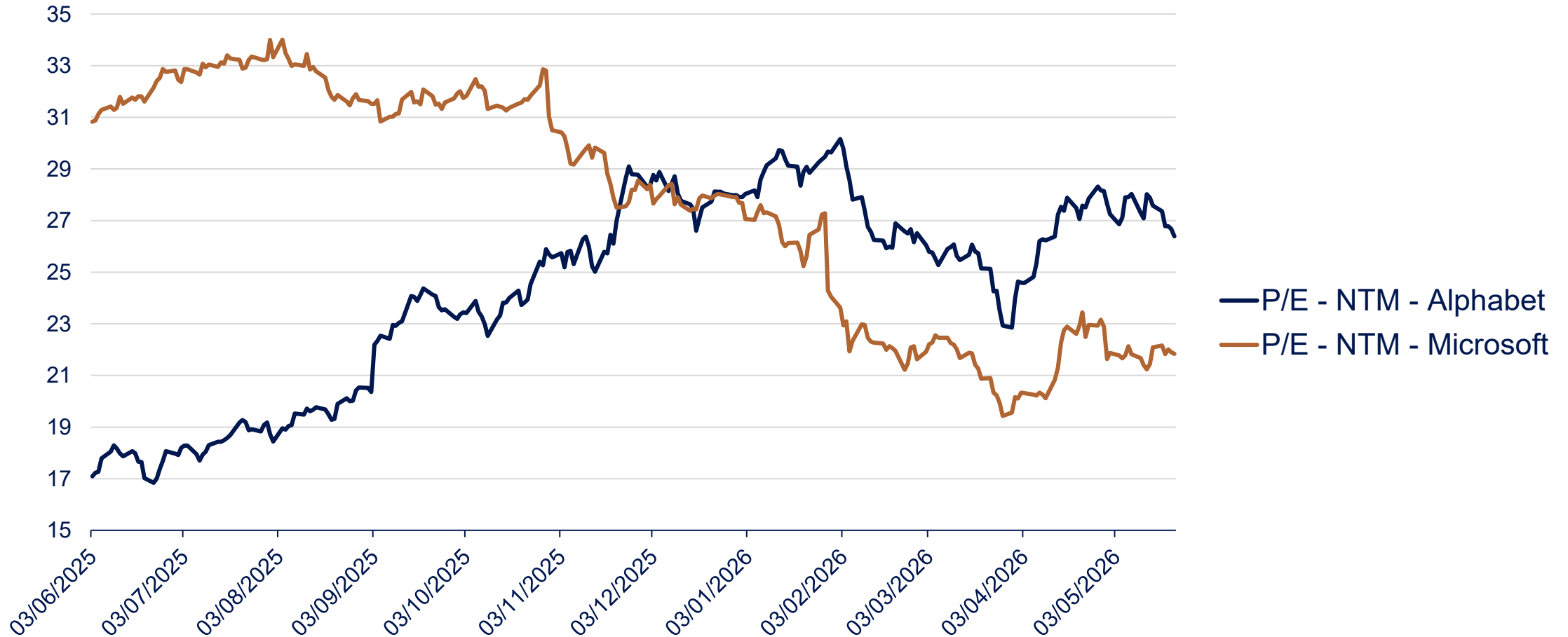
**Asness et al. (2014):** Buying high-ROIC and shorting junk generates massive, persistent risk adjusted outperformance globally.

**Underpriced Quality:** Investors pay a slight premium for quality, but they do not pay nearly enough for its structural compounding power.

**Time arbitrage** is buying a sustained, long term compounding moat when the market only values the near term.

# Valuation Remains a Key Pillar of Expressing Terminal Value Anxiety

## ALPHABET VS MICROSOFT VALUATION



# The Anatomy of a Quality Trap

## Estee Lauder (EL) Case Study

Investors paid 45-60x at the peak, assuming that recent pandemic-recovery performance was structural and that growth would persist at those high rates indefinitely.



**Peak Returns:** ROIC fell from 25% to 6%



**Earnings Crater:** EPS collapsed by ~70%



**Multiple Compression:** The stock fell 65% as both components of value evaporated.

**2021 ROIC (Peak)**

29%

**2026 ROIC (Trap)**

9%

**2021 P/E Ratio**

45x

**Current P/E Ratio**

28x



## **A Fresh Perspective on Moats and Disruption**

03



## Investing In The Unknown And Unknowable

<b>Known Knowns</b>	Measurable Risk
<b>Known Unknowns</b>	Certain Probability, Uncertain Outcomes
<b>Unknown Knowns</b>	Uncertainty Probability, Certain Outcomes
<b>Unknown Unknowns</b>	Uncertain Outcomes & Probabilities

- **Risk:** Outcomes are known and probabilities can be reliably, albeit approximately estimated.
- **Uncertainty:** Either outcomes or probabilities are unclear.
- **Ignorance:** Both the possible future outcomes and their probabilities are unknown.



## Software Disintermediated By Agentic AI

### The Old Moat

#### The Seat License

Revenue scaled linearly with human headcount.

#### System of Engagement UI

Users were locked into proprietary, trained interfaces.

#### Fragmented Point Solutions

Enterprises paid for massive, complex software stacks.

#### Scaled Efficiency in R&D

Massive R&D budgets of the largest firms shared across thousands of customers.

### The AI Threat

#### The Collapse

Agentic AI handles complex workflows natively, decoupling output from seat count.

#### The Invisible UI

AI bypasses front-ends entirely, interacting directly via APIs.

#### Instant Redundancy

Bespoke, LLM-generated micro-workflows replace mid-tier tools.

#### Development Cost Shrinkage

Coding assistants massively lower the time and cost of product development.



## The Sorting Mechanism: The 2026 Moat Review

Company	Previous Moat	2026 Moat Rating	Core Vulnerability
Adobe	Wide	Narrow	Generative creation tools bypassing legacy suites
Salesforce	Wide	Narrow	Seat-based CRM models exposed to automation
ServiceNow	Wide	Narrow	Application layer workflow replication
FactSet	Narrow	None	Data aggregation layer commoditisation



## **The New Generation of AI Resilient Moats**

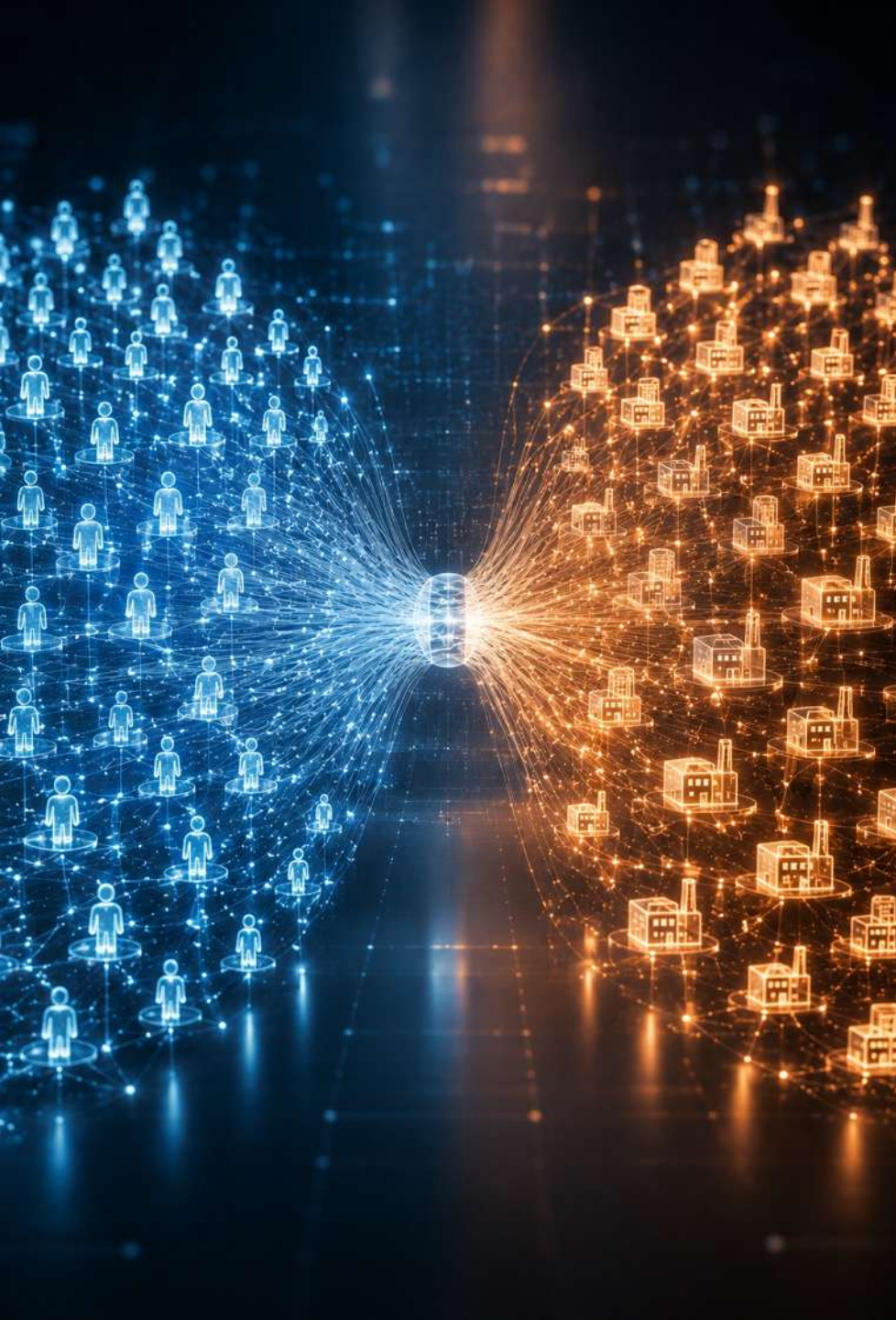


## Beyond The Screen: Where AI Cannot Cross

Business models anchored in physical scale, complex supply chains, and real world distribution networks. AI doesn't replace the need for planes, hubs, trucks to physically move goods around the world.

amazon

WWM<sup>®</sup>



## Network Effects & The Long Tail

Network effects aggregating massive real world supply networks with enormous pools of customers. AI does not disrupt these networks; it makes them more efficient to navigate.

**VISA**





## Data Gravity vs. Open Models

System of Record enterprise software platforms, are not simply software. Historical, deep, highly clean vertical data repositories are priceless to an organization implementing an AI strategy. The proprietary workflow knowledge belongs to the software platform.



Microsoft

# Seeking Opportunity Beyond The Obvious

	1920	2000	2023
<b>World Changing Technology</b>	<b>Automobile</b>	<b>Internet and Wi-Fi</b>	<b>AI</b>
Ubiquity	Universal Adoption	Global Ubiquitous Standard	Emerging Trend
1st Order Beneficiary	US Auto Manufacturers	Wireless Router Manufacturers	GPU + Hardware Manufacturers
1 <sup>st</sup> Order Effect	Consolidation and Aggressive Competition	Technology Commoditization	To Be Determined
2nd Order Effect	Suburbanization: Big-Box Retail	Rich Content Delivery: Streaming Video	Automation and GenAI: High Efficiency Labor
2nd Order Beneficiary	1980-2000 Return Walmart: 1,622x Ford: 23x	2003-2020 Return Netflix: 519x Cisco: 4x	To Be Determined

# Investment Implications & Fund Strategy





## Re-underwriting The Fade Rate

### Focus on "High-Friction" Quality Businesses

Less focussed on "asset light" digital businesses where AI reduces entry barriers. Instead, we have biased the portfolio toward companies with high friction assets.

### Active Risk Management through "Moat Stress-Testing"

Regular thesis stress testing – in a world of AI disruption, standing still is not always enough. We prefer to see companies who's moats are strengthening with AI.

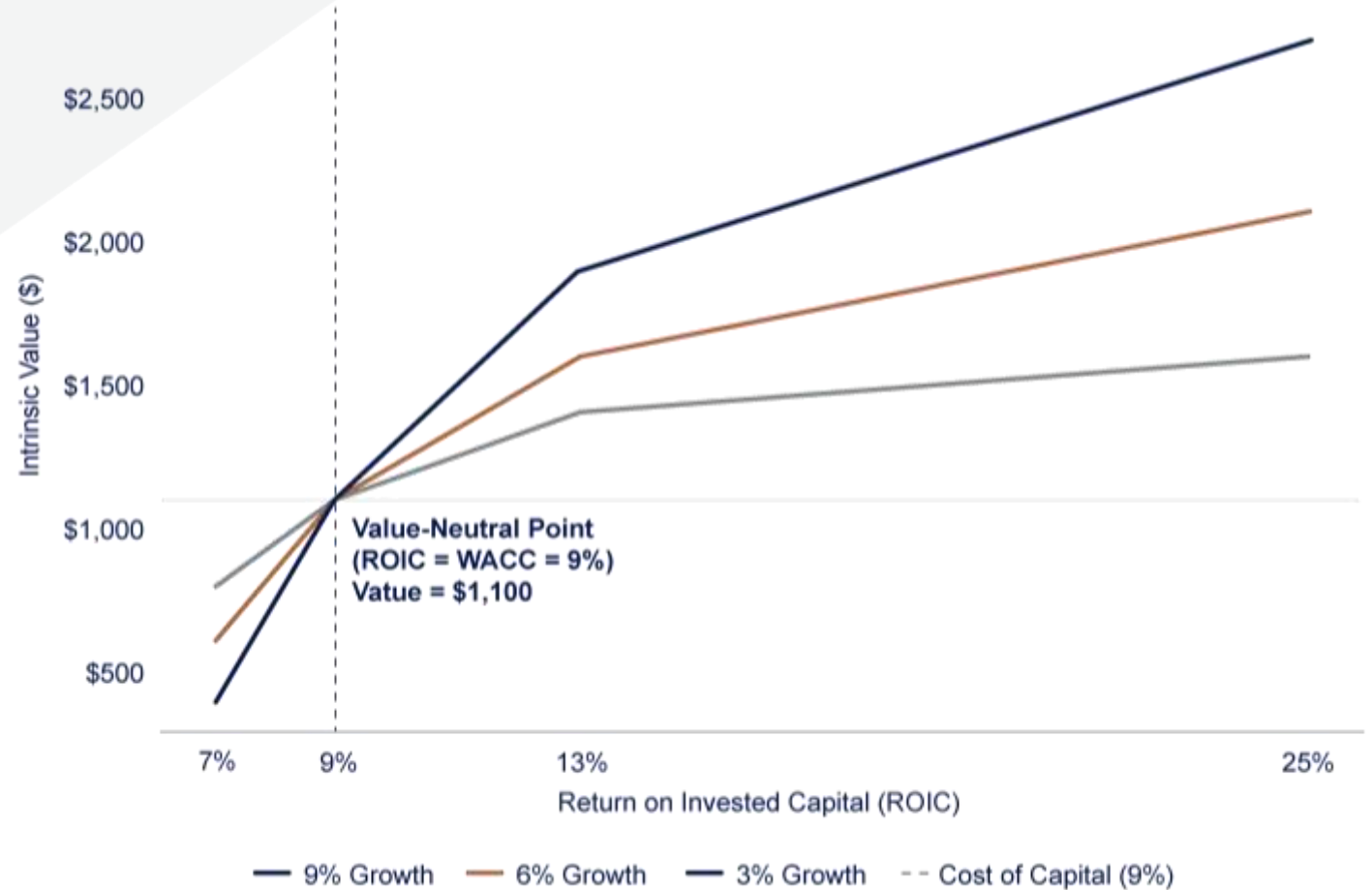
### The Agility Premium

Increased the weight we place on management quality and balance sheet strength.

# When To "Pay Up" For Quality

- / Low AI Disruption Vulnerability
- / High Structural Frictions
- / Hard to Replace Supply Chains
- / Scarce Physical Assets
- / Regulated Legal Monopolies

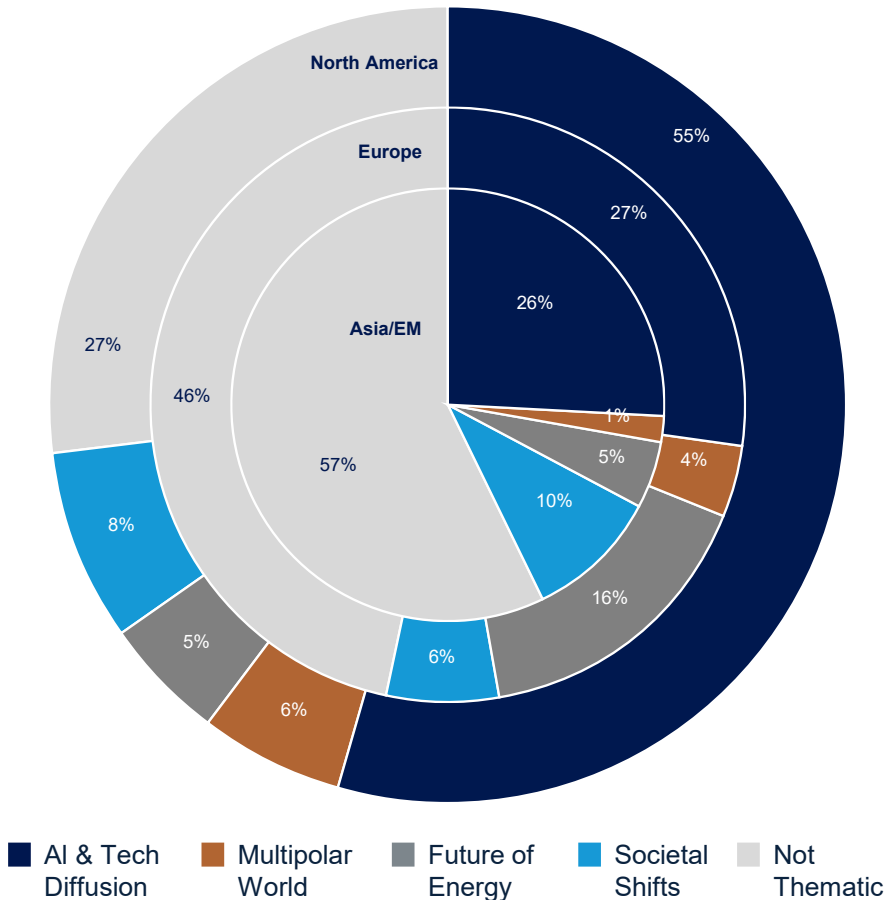
MCKINSEY MATRIX: TRANSLATING GROWTH AND ROIC INTO VALUE



# The US Remains The Best Positioned To Capture AI Benefits

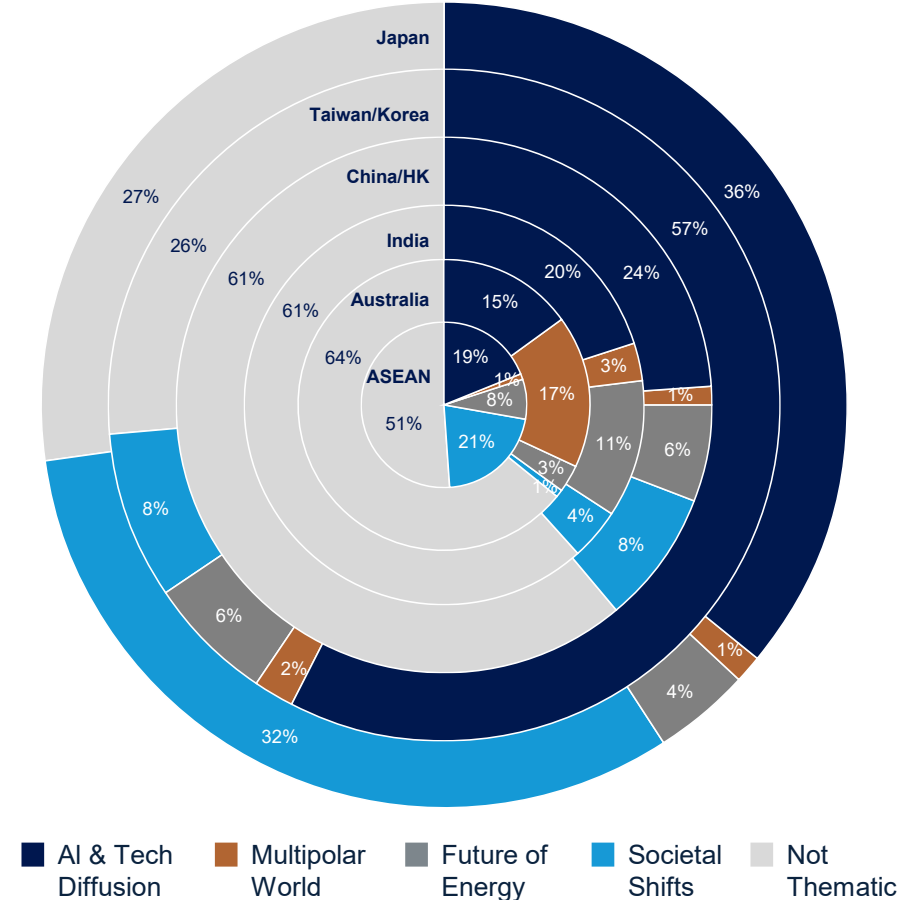
## GLOBAL THEMATIC EQUITY EXPOSURE - ASSESSING RELATIVE BREADTH ACROSS REGIONS/MARKETS

Thematic Exposure by Region



Source: Morgan Stanley Research. Note: Stocks mapped to multiple themes have a pro-rated share assigned to each

Thematic Exposure in Asia Pacific



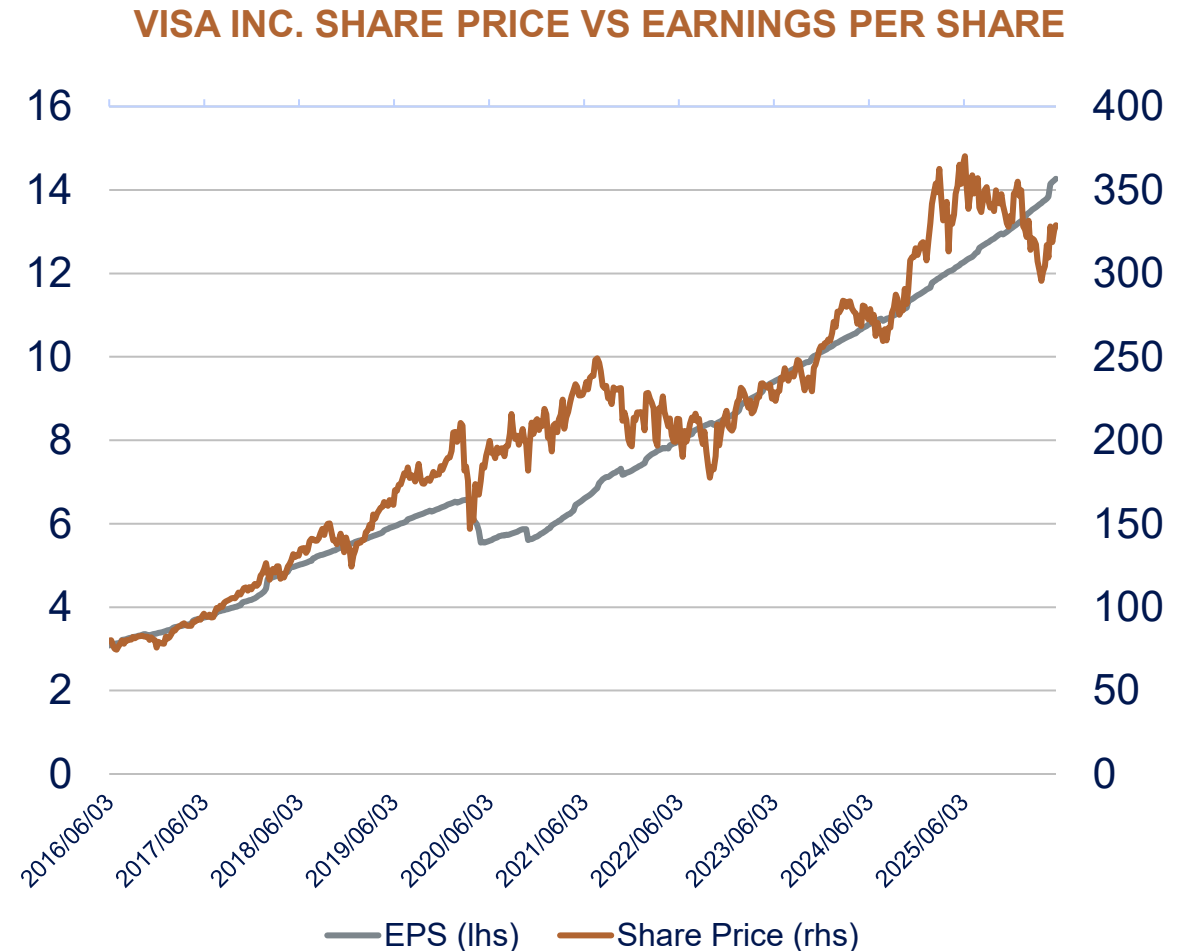
Source: Morgan Stanley Research; Note stocks mapped to multiple themes have a prorated share assigned to each. We include Corporate Reform sub-themes in Asia/EM

# Melville Douglas Global Equity Offering



# A Portfolio Of High Quality, Growth Businesses

	MD Global Equity	MSCI AC World
ROIC 10-year Median	17.2%	10.5%
<b>Net Debt/Total Equity</b>	<b>5.0x</b>	<b>14.9x</b>
10-year Free Cash Flow CAGR	22%	15%
<b>Forward P/E</b>	<b>22.2x</b>	<b>20.1x</b>
Forward Dividend Yield	1.2%	2.1%



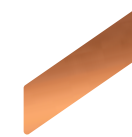


## Key Takeaways:

What this means for our portfolio strategy

- / **Beyond the Surface:** We've identified changing competitive dynamics brought about by the rapid adoption and dissemination of AI.
- / **Past Winners ≠ Tomorrow's Leaders:** Market leadership is fluid; agility and rapid AI adoption now defines sustained competitive advantage.
- / **Adaptation:** Recognising these shifts, we have reduced exposure to traditional digital IP businesses in favour of those with less vulnerable business models.
- / **Opportunistic:** Where we develop a different thesis to the market narrative and we believe the risk-reward is attractive, we will buy into disruption themes.
- / **Positioned for sustainable long-term growth:** The portfolio is strategically positioned to capture the benefits of artificial intelligence as it disseminates through the economy.

This approach helps us ensure that the portfolio stays ahead of disruption while capturing new opportunities.



Thank you

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