



Investment  
Management

# AI Boom or Bust?

## A Disciplined Global Value Manager's Take

**Daniel Babkes**

2026

MEET + THE  
**Managers**



PZENA

Investment  
Management

# AI Boom or Bust?

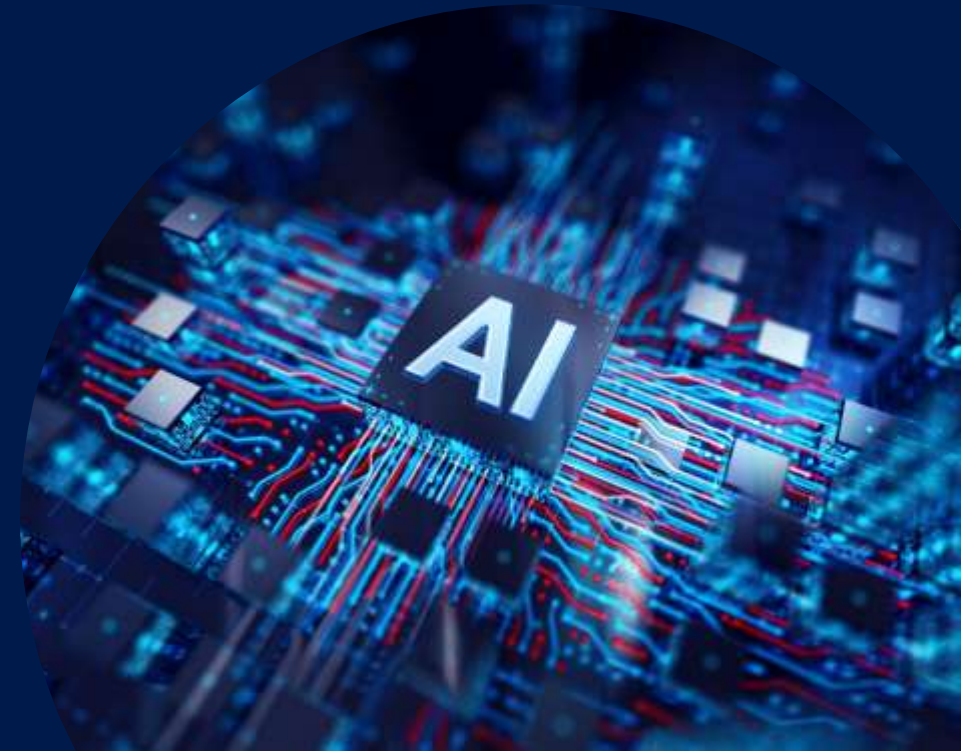
## A Disciplined Global Value Manager's Take

June 2026



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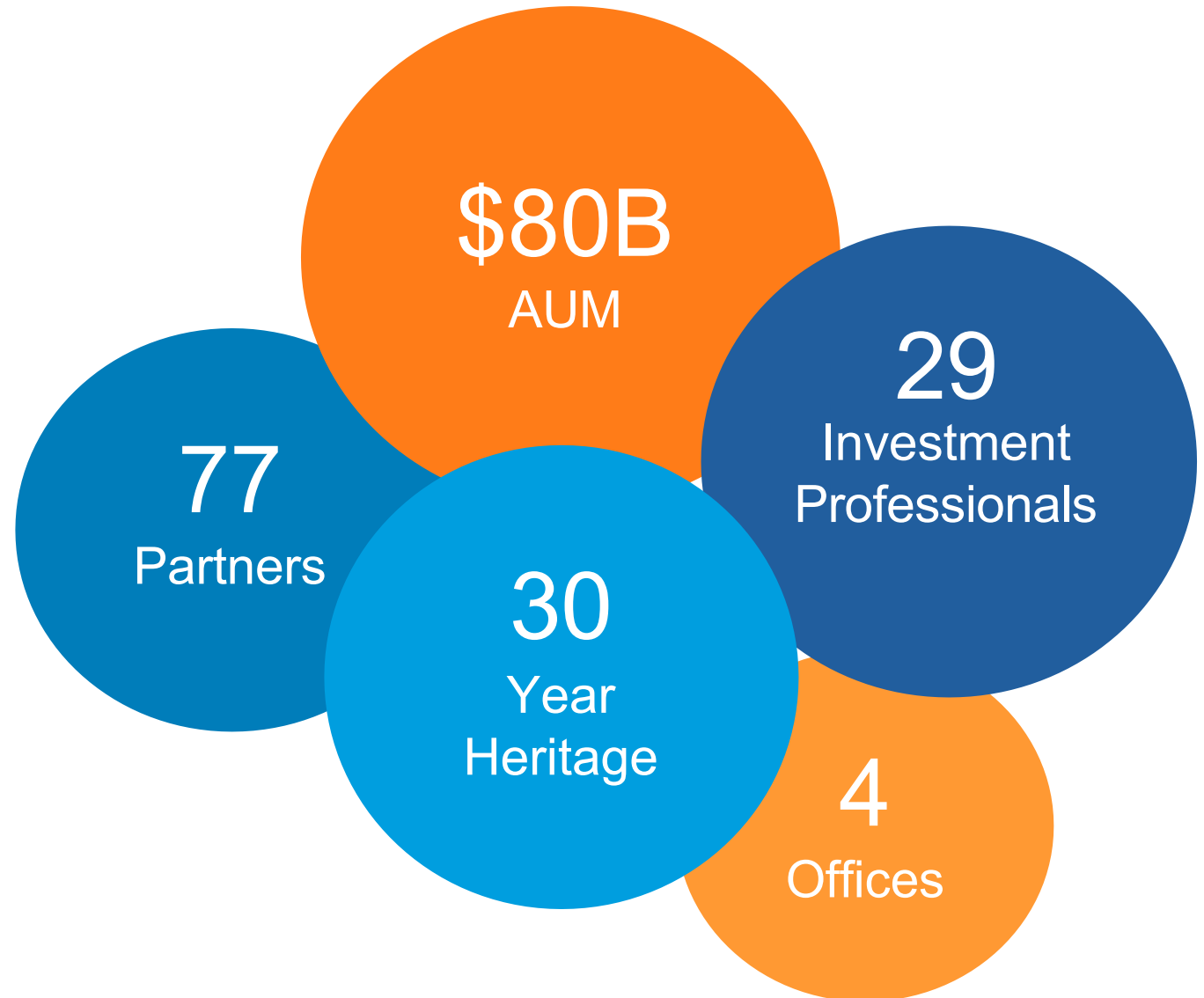
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## We Aim To Be Our Clients' Premier Value Investor.

Delivering superior institutional quality research with a goal to provide better outcomes for our clients.

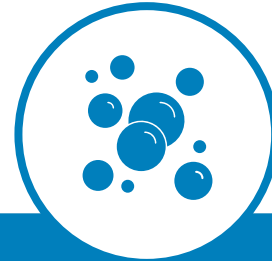


# What Are Clients' Key Concerns?



## LAST YEAR AI winners

Are AI  
“winners” the  
only stocks  
worth owning?



## THIS YEAR Bubble

Is AI a bubble  
and is it going  
to pop?



## GENERAL Value Trap?

Is a value  
portfolio only  
cheap because  
of AI  
disruption?



## Uncertainty

AI investments inherently have a wide range of outcomes



## Market Concentration & Valuation

The broad market is heavily concentrated in one theme, with valuations elevated relative to history



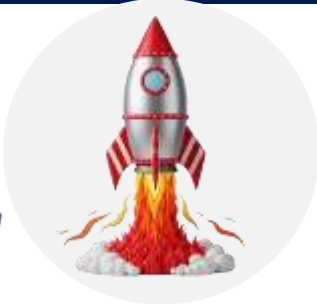
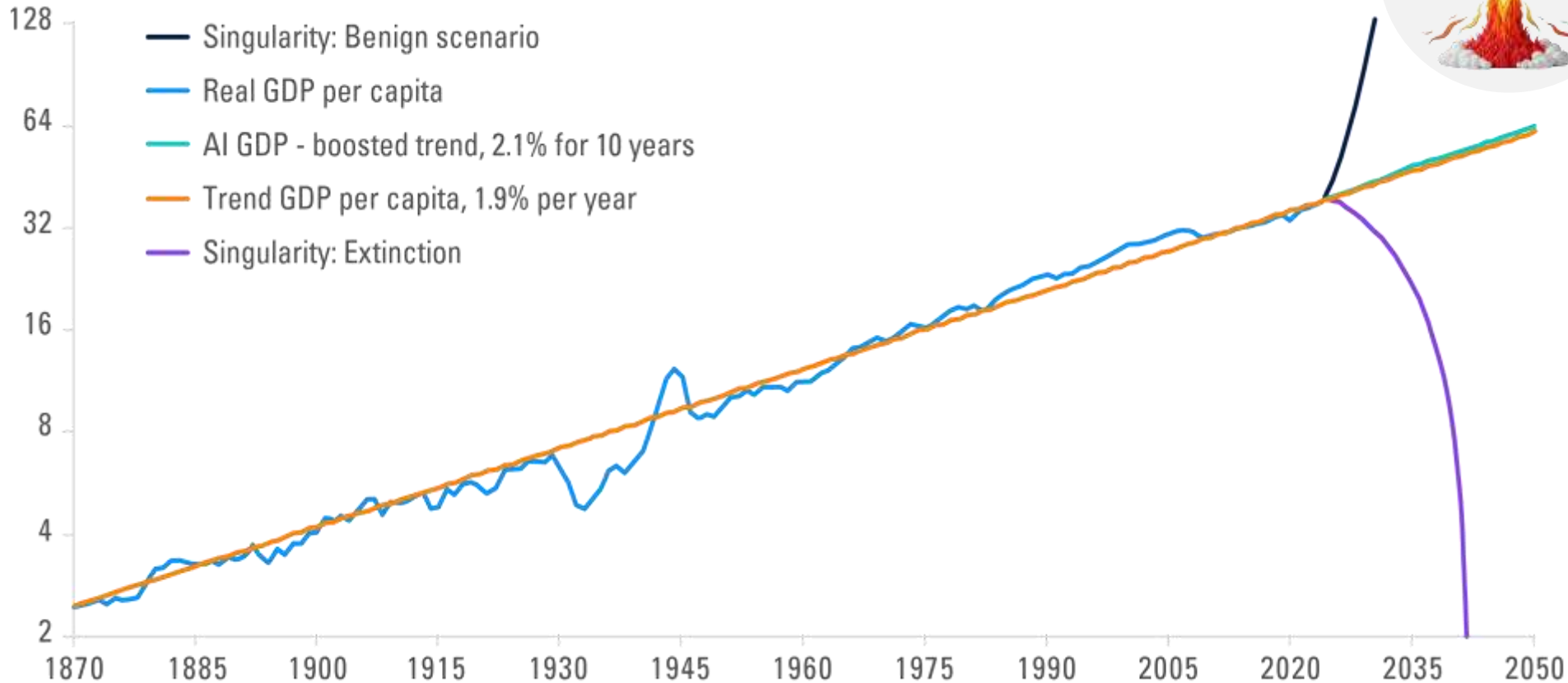
## Discipline

Pzena's bottom-up approach offers a compelling alternative to an expensive market driven by one theme

# Possible Paths for AI Progress

## AI Scenarios

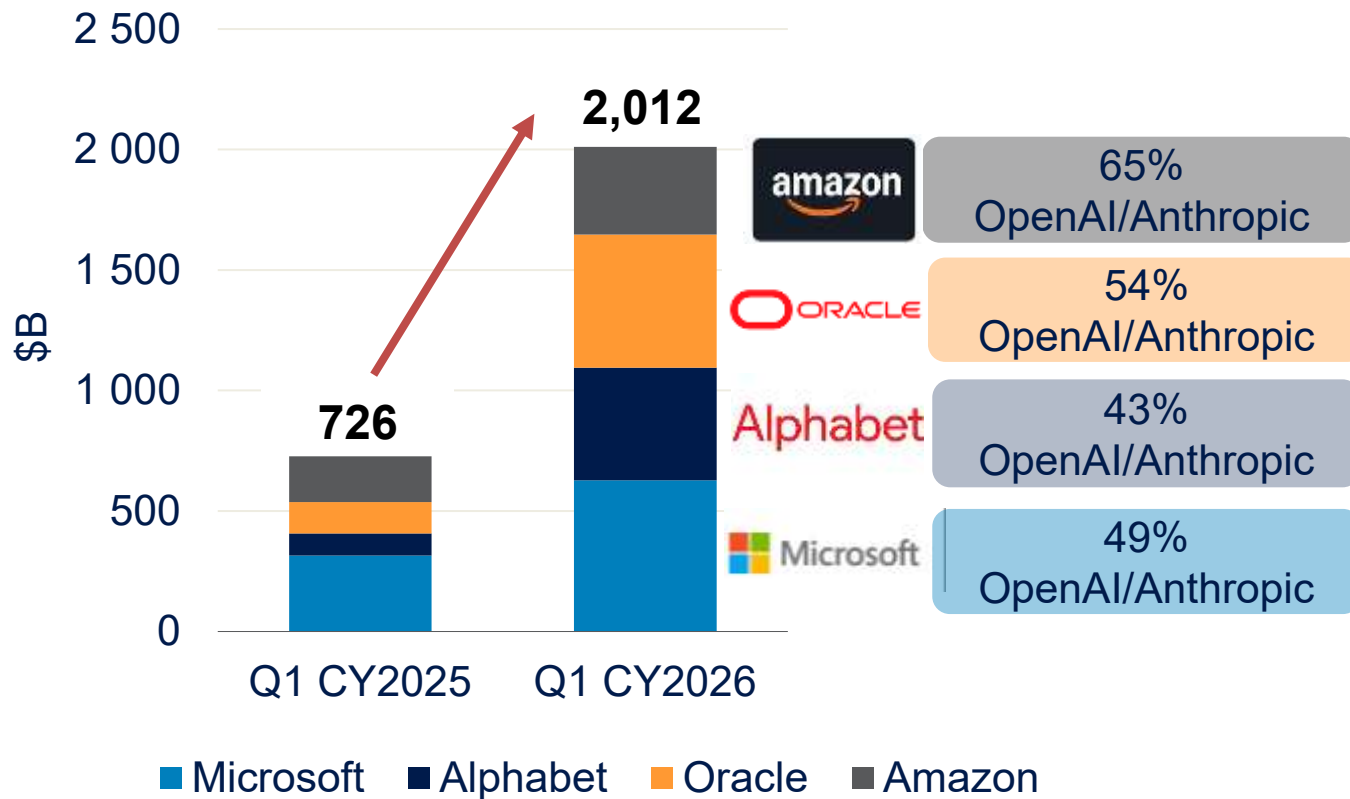
1990 dollars (thousands), log scale



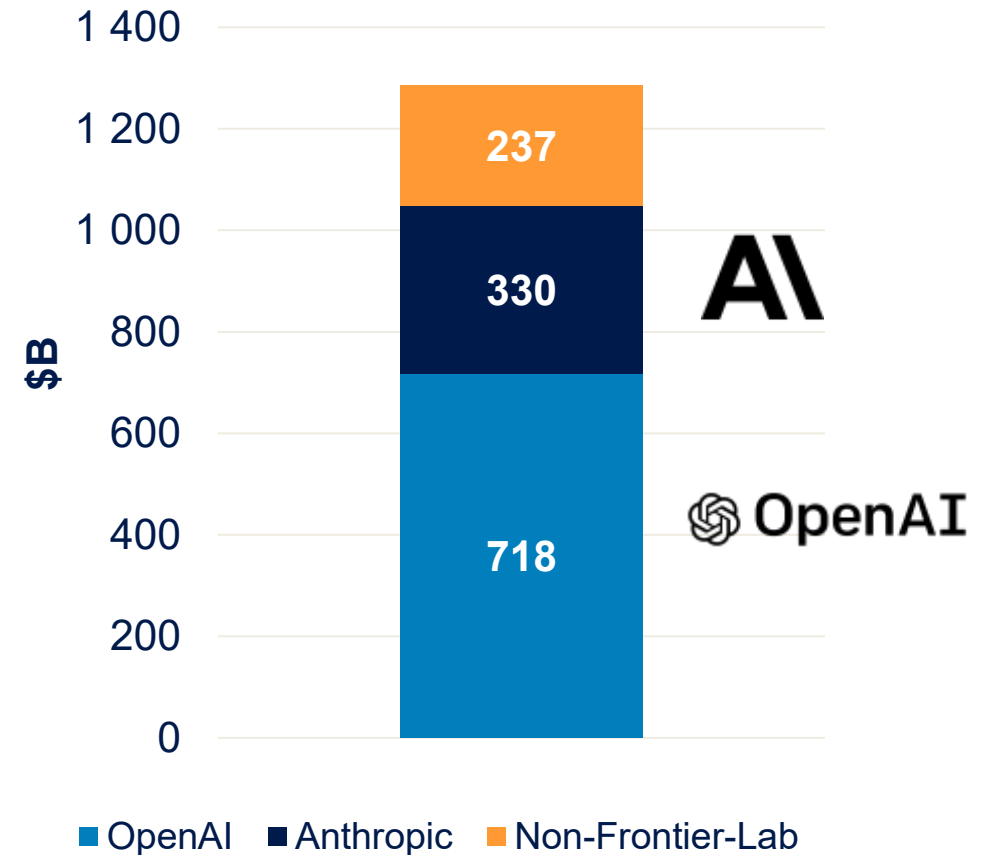
Notes: The blue line is real gross domestic product (GDP) per capita in 1990 dollars. The orange line is a trend line fitted to the data for 1870 – 2024 with a trend growth rate of 1.9% per year. The navy, green and purple lines are hypothetical paths for per capita GDP based on different scenarios. Sources: Bureau of Economics Analytics, Haver Analytics, Macroeconomy.net, United Nations, authors' calculations, Federal Reserve Bank of Dallas

# Scale of Investment Is Unprecedented

## Remaining Performance Obligations (RPO) by Hyperscalers



## Source of RPO Growth

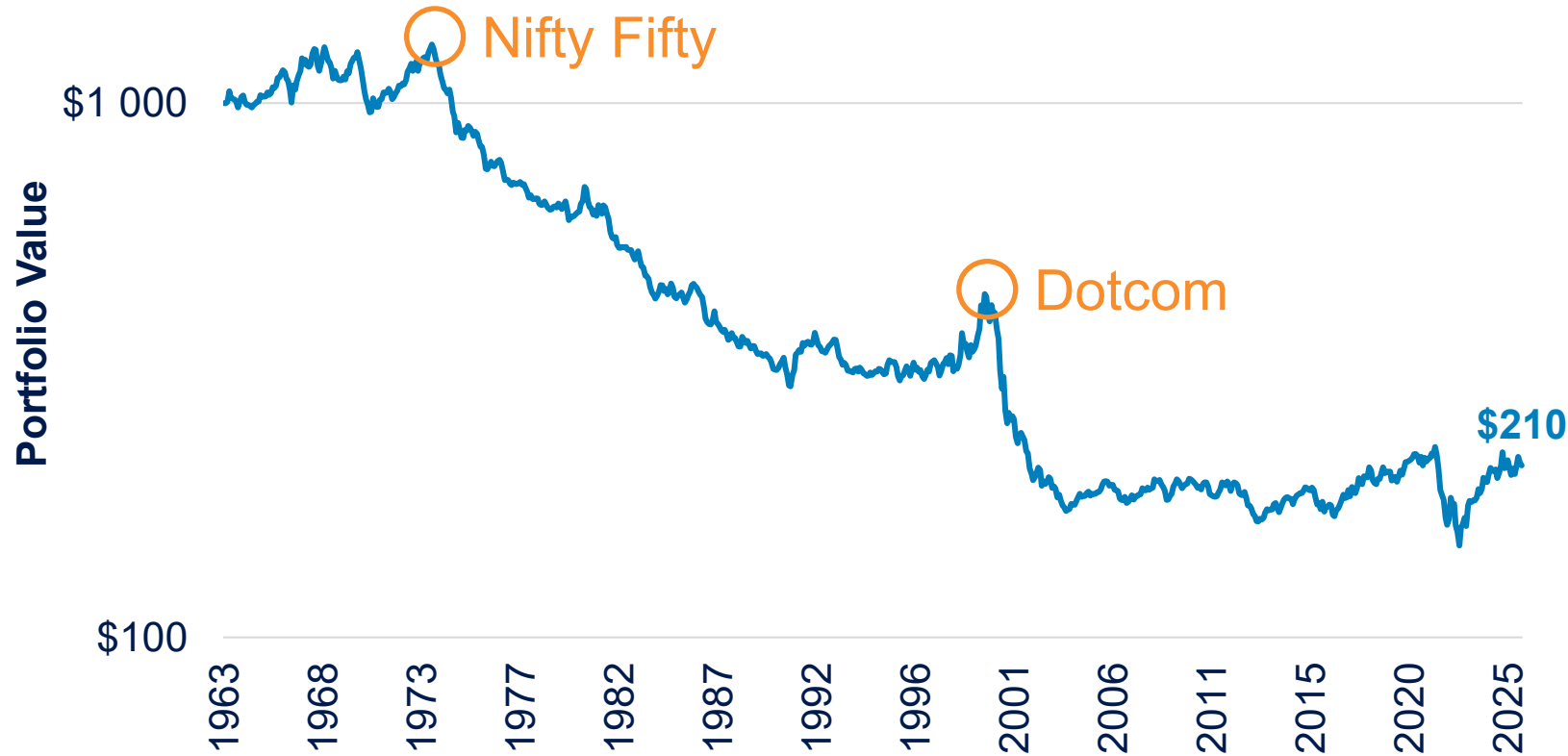


\*Remaining Performance Obligations

Notes: OpenAI and Anthropic figures are estimates based on reported deal sizes; neither Oracle nor Amazon discloses counterparty-level RPO concentration.

Sources: Company reports, Pzena analysis

# Performance of High vs. Low Investment Stocks in the U.S.



**Line rising =**  
 High Capex  
 Companies  
**Outperform**

**Line falling =**  
 High Capex  
 Companies  
**Underperform**

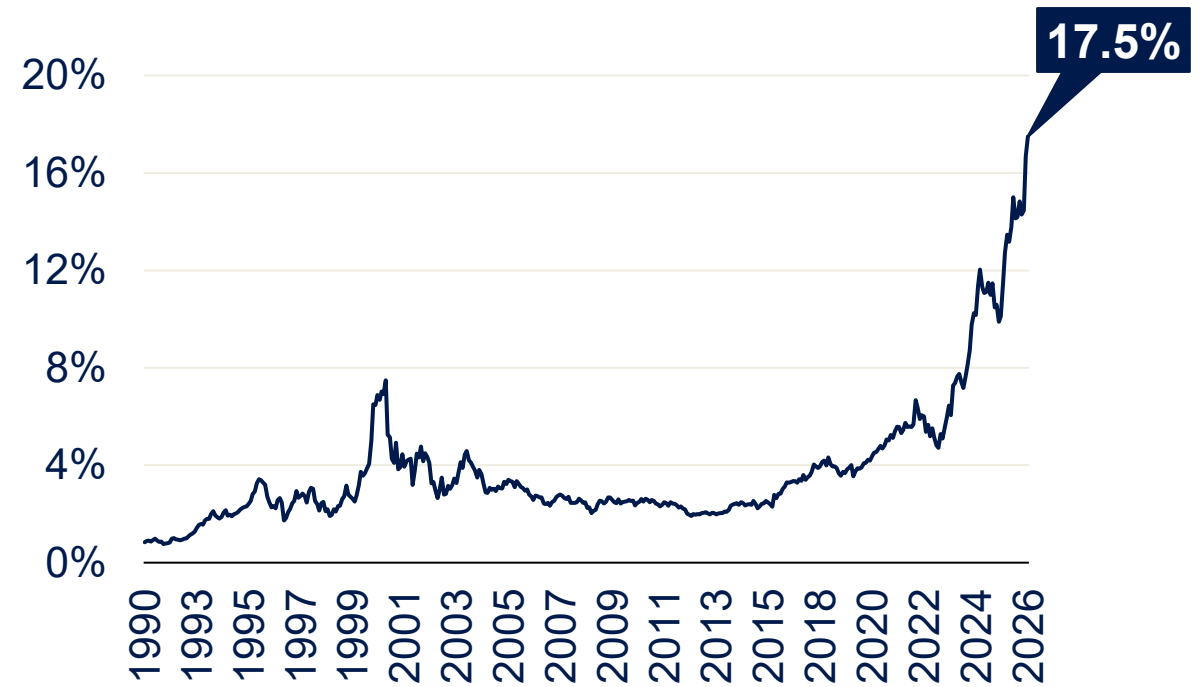
Notes: Blue line represents a portfolio that is long high investment stocks and short low investment stocks, displayed using a logarithmic scale. Companies are ranked by annual asset growth; High = top 30%, Low = bottom 30%.  
 Monthly data from July 1<sup>st</sup>, 1963 to December 31<sup>st</sup>, 2025. Universe is all NYSE, AMEX, and NASDAQ stocks defined by Kenneth R. French data library.  
 Does not represent any specific Pzena product or service. Past performance does not predict future returns.  
 Sources: Kenneth R. French, Pzena analysis

# Chip Stocks Increasingly Driving the Overall Market

**Semiconductors & Semiconductor Equipment  
Market Cap As % of MSCI EM Index  
(May 31, 2006 – May 6, 2026)**



**Semiconductors & Semiconductor Equipment  
Market Cap As % of S&P 500  
(1990 – May 6, 2026)**



Notes: Left chart: Market cap percentage of the Semiconductors & Semiconductor Equipment Industry in the MSCI EM Index.

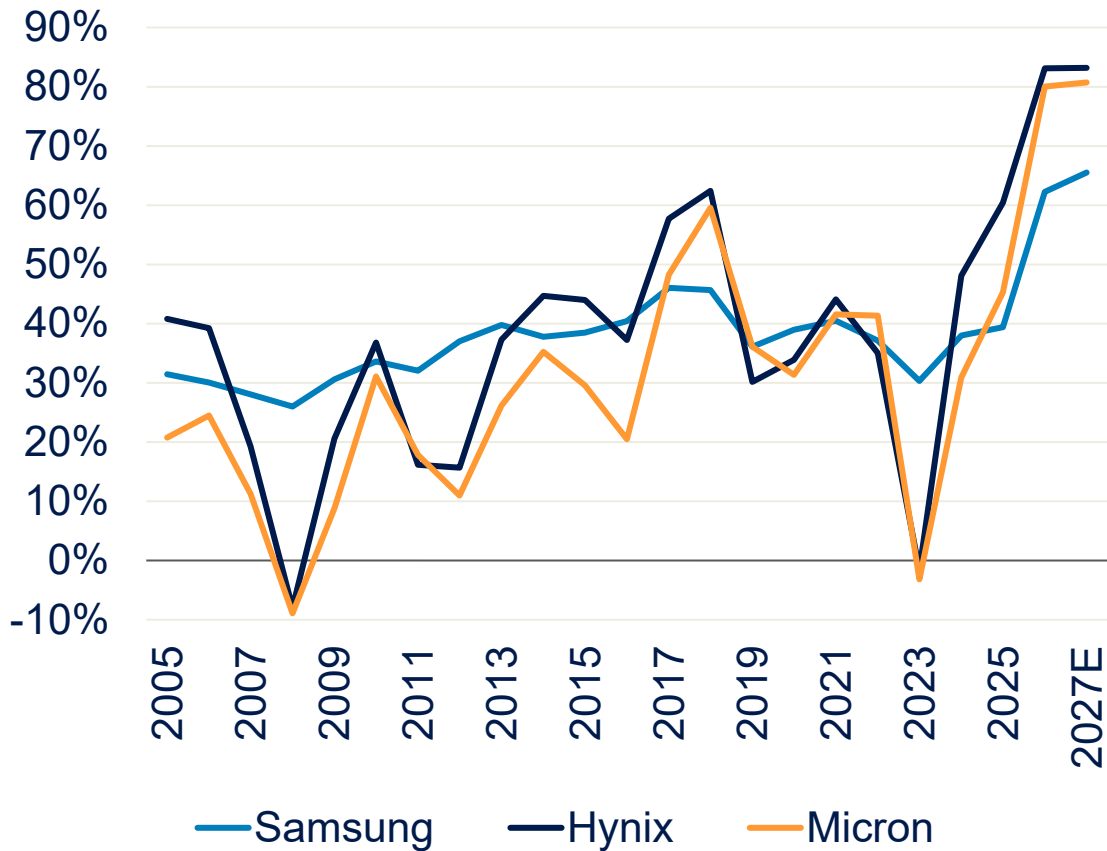
Right chart: Market cap percentage of the Semiconductors & Semiconductor Equipment Industry in the S&P 500 Index..

Past performance does not predict future returns. Data as of May 6, 2026.

Sources: FactSet, Pzena analysis

# How Sustainable Are Chip Stock Earnings?

### Samsung/Hynix/Micron Gross Margins



### Illustrative Memory P&L

	NORMAL	BOOM	% CHANGE
DRAM Price (\$/Gb)	0.5	1.5	200%
Gross Profit	0.2	1.2	500%
Gross Margin	40%	80%	100%

Notes: Semiconductors = GICS "Semiconductors & Semiconductor Equipment" + Samsung Electronics (for MSCI EM).

Energy = GICS "Oil Gas & Consumable Fuels" + "Energy Equipment & Services."

Sources: FactSet, Pzena analysis

Data as of May 6, 2026.

# Extreme Market Conditions Relative to History

## Broad Market Is Highly Concentrated...

**US Large-Cap Stocks**  
**Share of Total Market Capitalization in the**  
**Top-Ten Stocks**  
 (January 1952 – March 2026)



Notes: Universe is the 1,000 largest US stocks ranked by market capitalization.  
 Sources: FactSet, Empirical Research Partners, Pzena analysis  
 Data from January 31, 1952 – March 31, 2026.

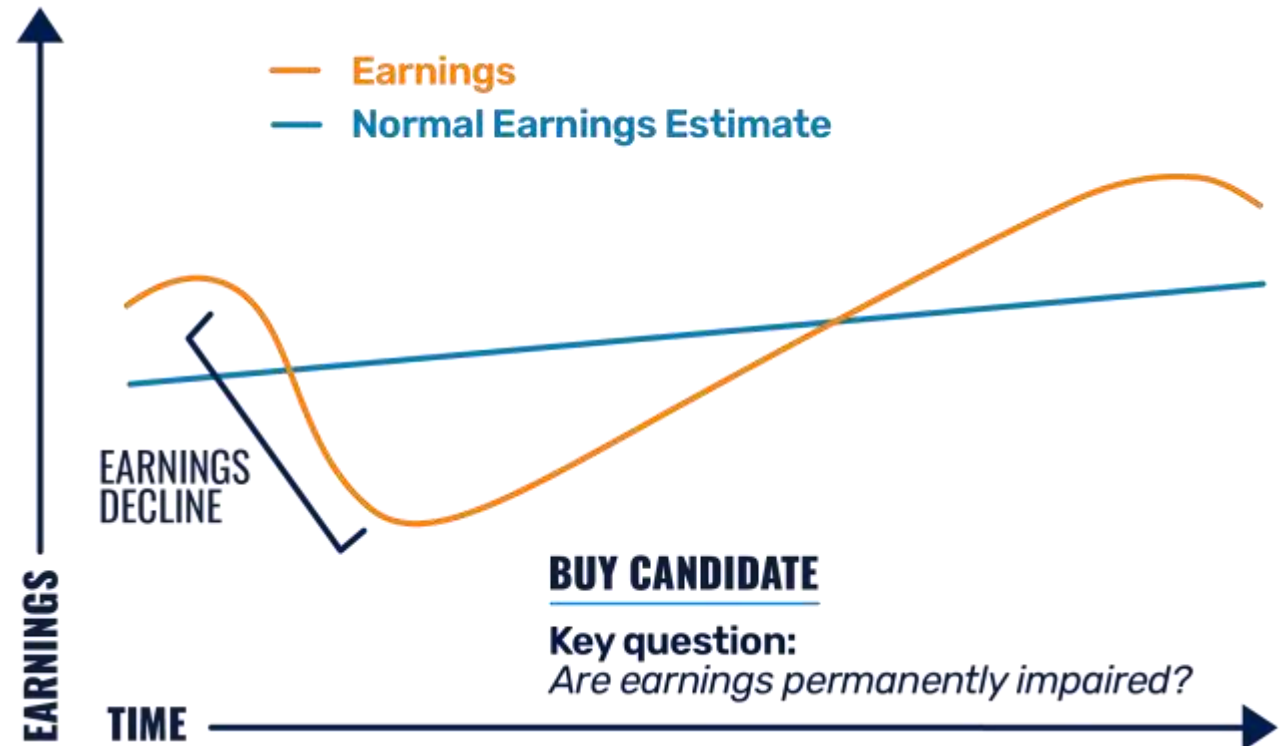
## ...at Elevated Valuations

**Shiller Cyclically Adjusted P/E**



Sources: FactSet, Pzena analysis  
 FY1 data per FactSet from December 31, 1990 – March 31, 2026.

1. The company's business is **good**
2. Current **earnings** are **below** historical norms
3. The problem is **temporary**, not permanent
4. Price is low relative to **normalized earnings**



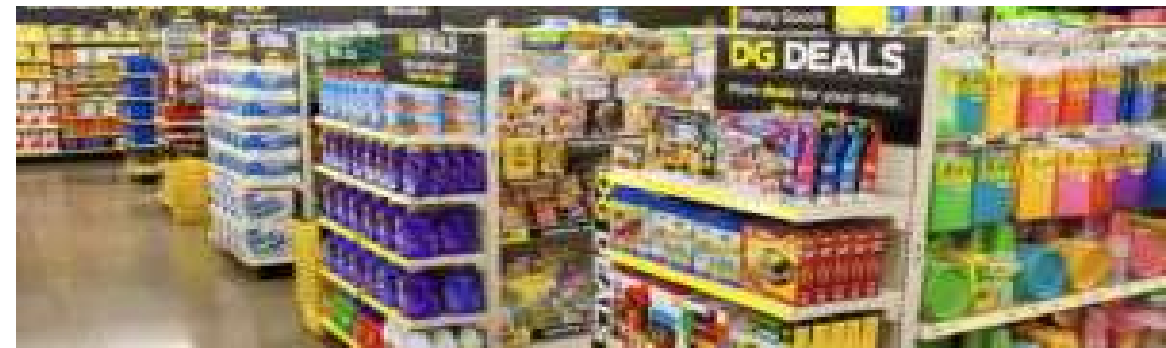
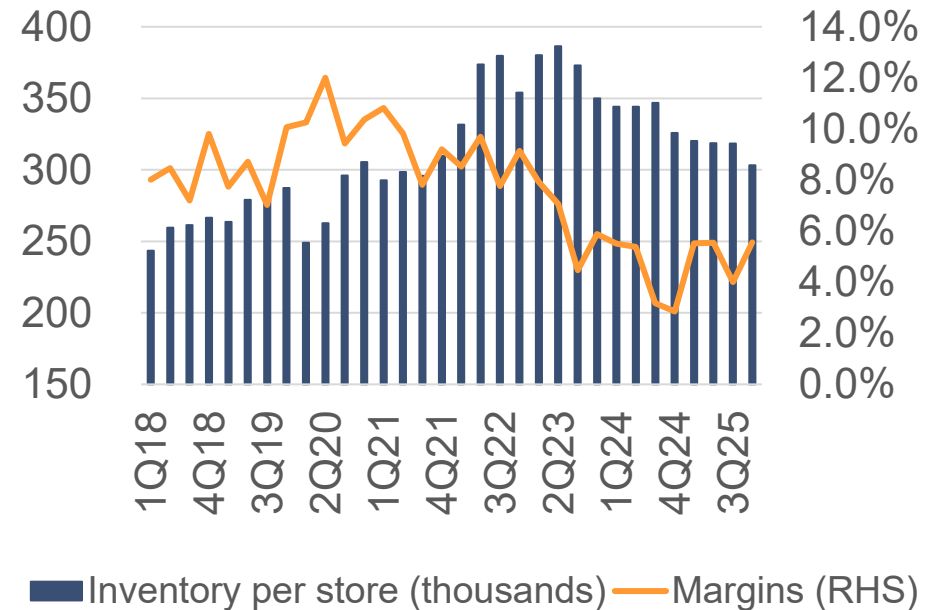
# Example of a Classic Value Opportunity: Dollar General



## An American discount store chain

- **Good Business:** largest retail chain by store count in the U.S., with a history of strong growth and high returns
- **Value Opportunity:** supply chain disruptions led to elevated theft and lower margins – issues we believe are temporary and are already resolving

Dollar General Key Performance Indicators



Notes: Dollar General is held in one or more of our strategies as of March 31, 2026. Highlighted holdings are illustrative of our research process.

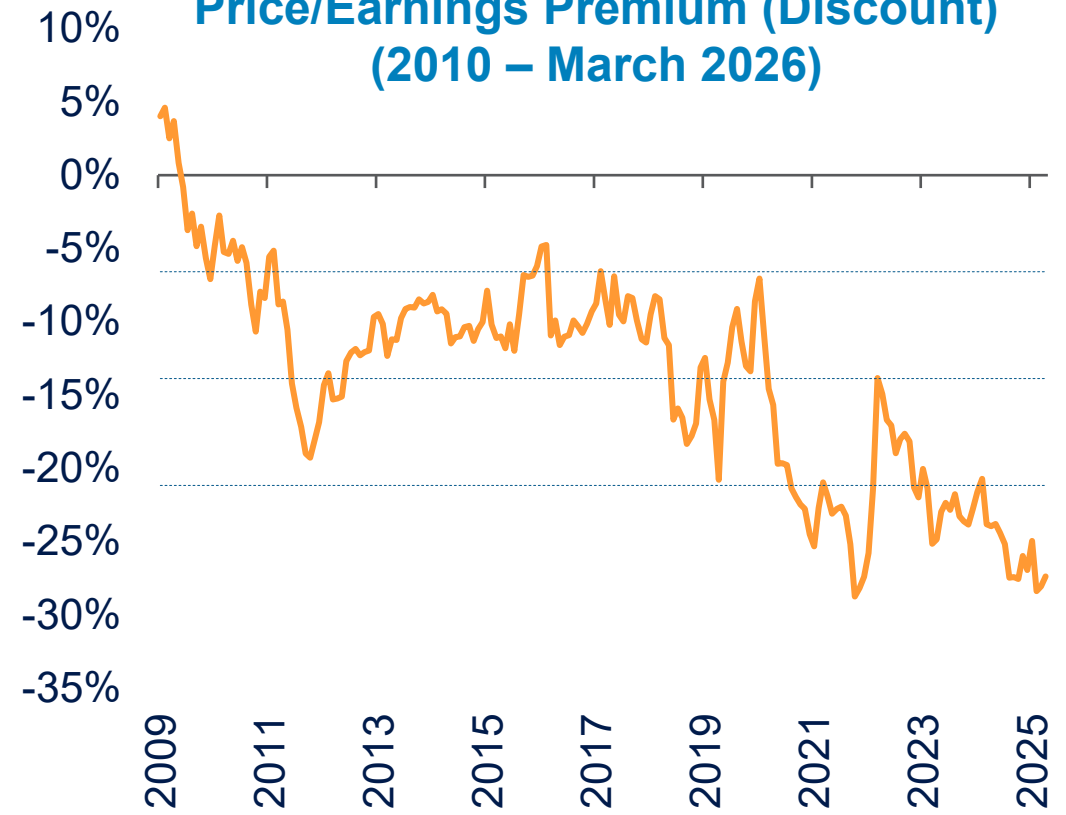
Sources: Company reports, FactSet, Pzena analysis

**Market concentration in one theme, with valuations at historic highs**

**Pzena’s approach is bottom-up, with exposure to diverse, company-specific drivers**

**Historically attractive valuation entry point**

**Pzena Global Value vs. MSCI World Value Index Relative Forward Price/Earnings Premium (Discount) (2010 – March 2026)**



Source: FactSet, Pzena analysis  
 Pzena Global Value Fund estimate data.  
 FY1 data per FactSet from December 31, 2009 – March 31, 2026.

# Thank you!

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## Presenter:

### **Daniel L. Babkes**

Principal and Portfolio Manager



## South African Distribution:

### **Anna Sperotto, CFA**

Director of Business Development  
& Client Services



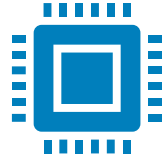
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visit [www.pzena.com](http://www.pzena.com)

**PZENA**

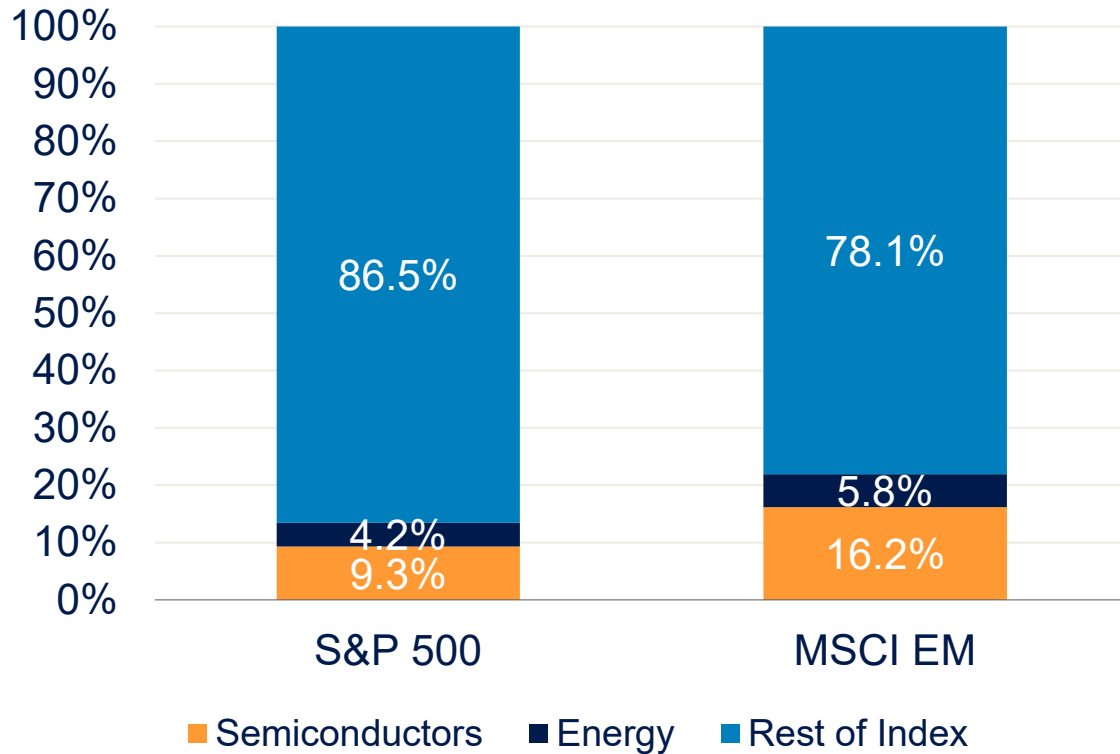
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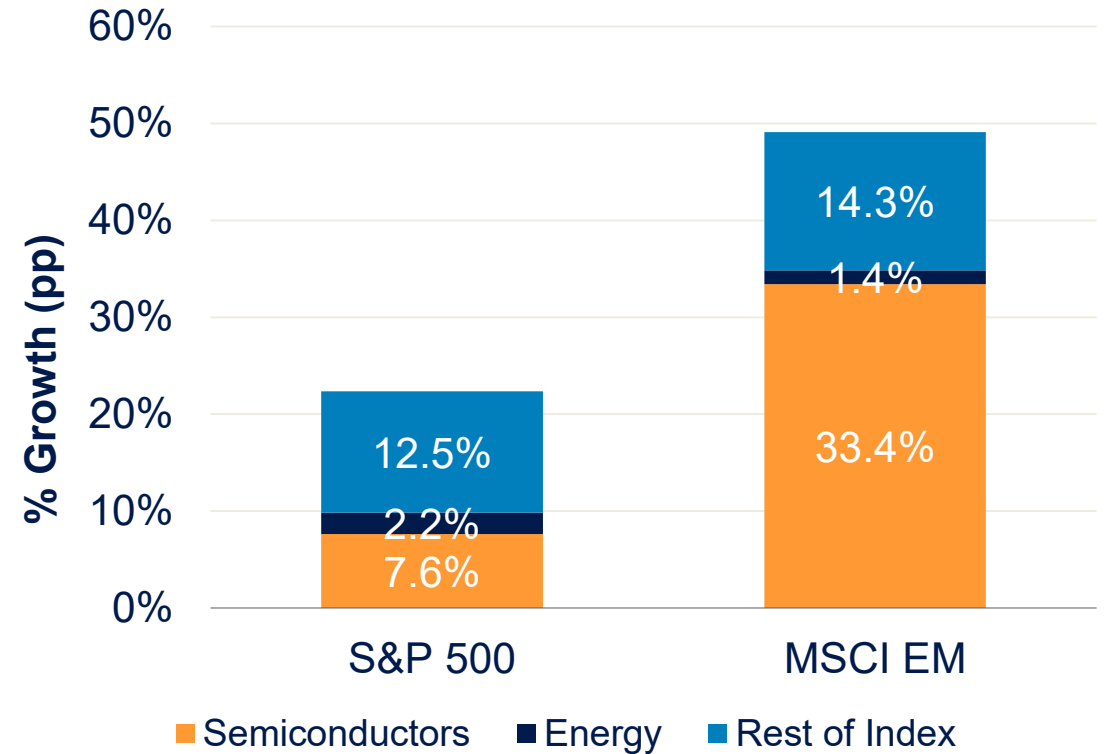
- **Our portfolio positioning reflects today's uncertainty:**
  - › Selective exposure to direct beneficiaries
  - › Opportunities where disruption risk may be overstated
  - › Focus on company-level outcomes
  - › Modest aggregate AI exposure

# Chip Stocks Increasingly Driving the Overall Market

### 2025 Share of Earnings



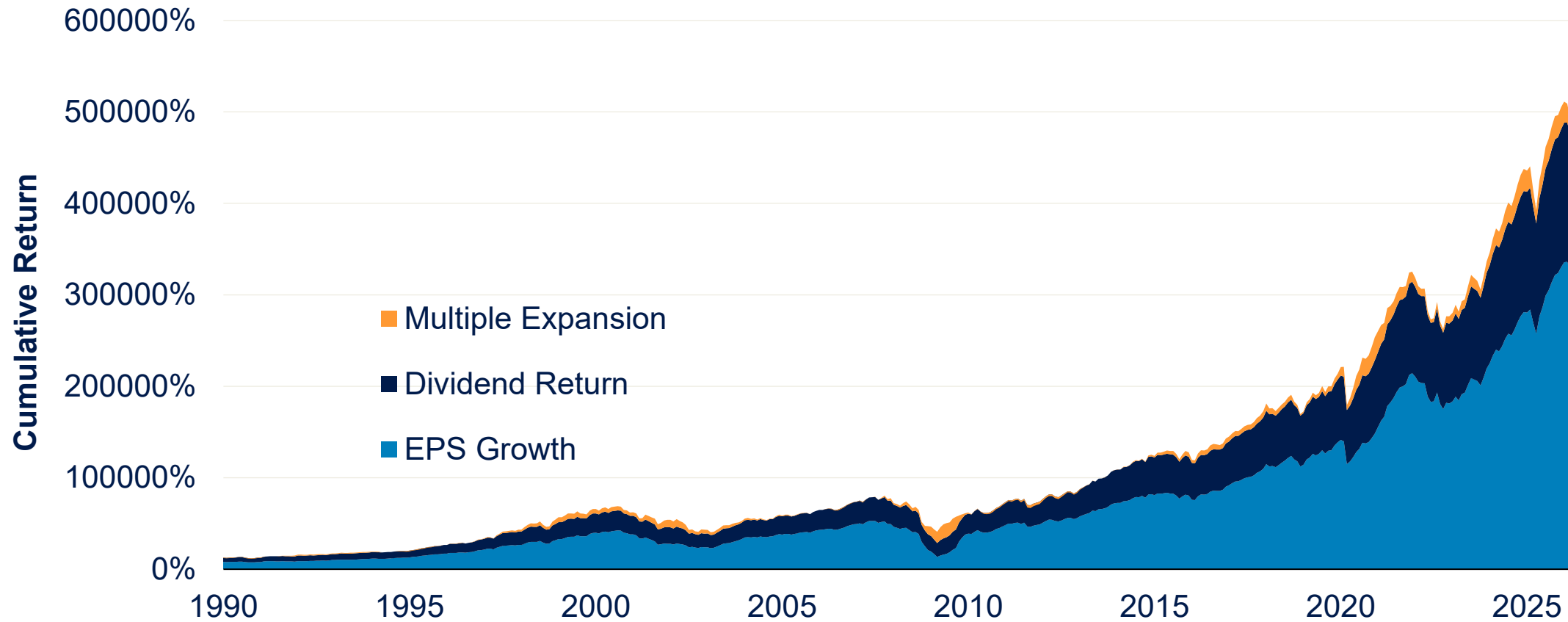
### 2026 EPS Growth Attribution (Percentage Points)



Notes: Semiconductors = GICS "Semiconductors & Semiconductor Equipment" + Samsung Electronics (for MSCI EM).  
 Energy = GICS "Oil Gas & Consumable Fuels" + "Energy Equipment & Services."  
 Sources: FactSet, Pzena analysis  
 Data as of May 6, 2026.

# Valuation Changes Contribute Little to Long-Term Returns

## Shiller S&P Composite Contributions to Returns Post-WW2



Notes: The x-axis begins in 1990 to improve scale readability. EPS growth based on trailing reported earnings.  
 Sources: Robert J. Shiller, Pzena analysis  
 All data in US dollars, December 31, 1945 – March 31, 2026. Past performance does not predict future returns.

Last Decade (Mar 2016 – Mar 2026)	Total Return	Less: Multiple Change	Equals: Fundamental Return
MSCI World Index	11.8%	1.6%	10.2%
MSCI World Value Index	9.4%	0.8%	8.5%
Pzena Global Value (gross)	10.6%	-1.2%	<b>11.8%</b>

Notes: Fundamental return = Total return minus the estimated contribution from changes in earnings multiples. It primarily reflects income and earnings growth, plus other non-multiple effects from composition changes and portfolio activity.

Past performance does not predict future returns. Returns could be impacted, positively or negatively, by currency fluctuations, where applicable.

A full exhibit of composite performance (the "GIPS Compliant Presentation") that adheres to the Global Investment Performance Standards (GIPS®) is provided later in this presentation. Gross rates of return are presented gross of investment management fees and net of the deduction of transaction costs. An investor's actual return will be reduced by investment management fees. Net returns are derived using a model fee applied monthly to Gross returns. Pzena uses the highest tier fee schedule to illustrate the impact of fees on performance returns. As product fees change, the current highest tier schedule will be in effect.

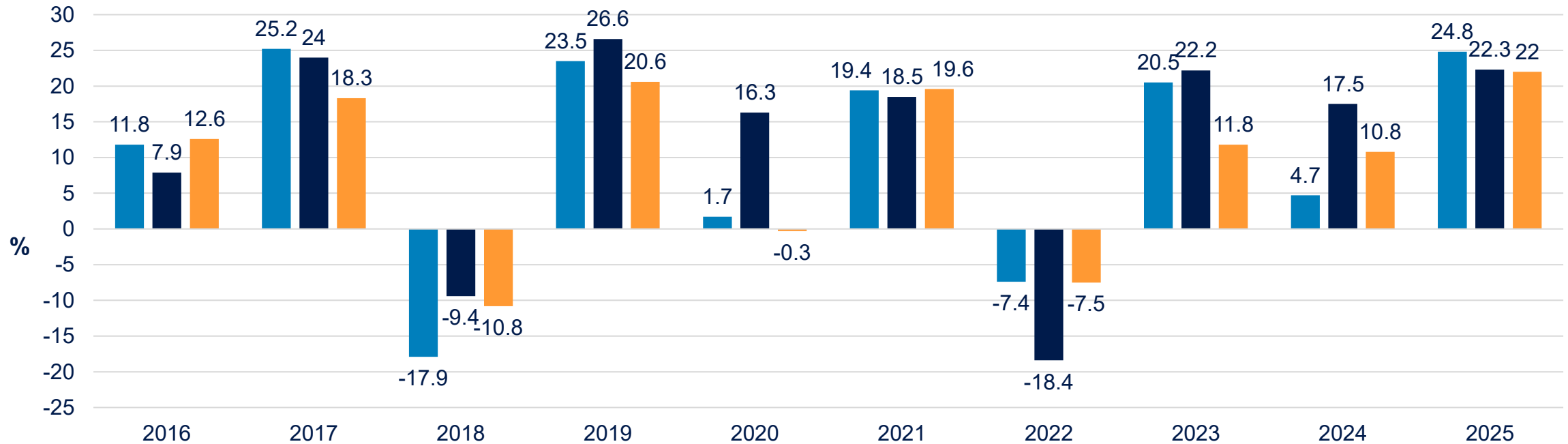
Sources: FactSet, MSCI, Pzena analysis

Data from March 31, 2016 – March 31, 2026. All returns annualized in US dollars.

Pzena Global Value Composite data. The net return of the Composite for the same period was 10.0%.

# Calendar Year Performance:

## Pzena Global Focused Value Fund A USD Acc



	Annualised Performance	Since Inception <sup>^</sup>	1 Year Highest (Apr 2009 - Mar 2010)	1 Year Lowest (Mar 2008 - Feb 2009)
<span style="color: #0070C0;">■</span>	Pzena Global Focused Value Fund – A USD Acc Net*	4.7%	80.4%	-58.5%
<span style="color: #192F4A;">■</span>	Benchmark: MSCI ACWI Index – Net**	7.7%	55.5%	-48.2%
<span style="color: #FF8C00;">■</span>	MSCI ACWI Value Index – Net**	6.1%	58.8%	-49.9%

Notes: Last 10 Calendar Years of Master share class shown. Past performance does not predict future returns. Returns could be reduced or losses incurred, due to currency fluctuations.

\*Fund performance is net of all fees, please see Disclosure section for more information. <sup>^</sup>As of March 31, 2026.

One Year (highest and lowest) data from March 31, 2009 to March 31, 2010 and from Feb 29, 2008 to Feb 27, 2009.

\*\*The information provided is for equity returns including dividends net of withholding tax rates as calculated by MSCI. All performance numbers are preliminary and subject to change.



# Appendix

# Pzena South Africa Registered UCITS Funds Summary

## Pzena Global Equity Funds

Fund Name	Fund AUM	Currency available <sup>^</sup>	Share class <sup>1</sup>	Min. Initial Subscription*	Management Fees**	TER (12month)**
Global Focused Value Fund	\$326 mil	USD, EUR, GBP	Institutional (A)	1,000,000	A: 0.75%	A: 0.90%
Global Value Fund	\$532 mil	USD, EUR, GBP, JPY	Institutional (A)	No min. subscription	A: 0.55%	A: 0.70%
BCI Pzena Global Focused Value Feeder Fund^^	N/A	ZAR	Retail (R)	1,000,000	R: 0.90%	N/A

## Pzena Emerging Market Equity Funds

Fund Name	Fund AUM	Currency available <sup>^</sup>	Share class available <sup>1</sup>	Min. Initial Subscription*	Management Fees**	TER (12month)**
Emerging Markets Focused Value Fund	\$508 mil	USD, EUR, GBP	Institutional (A)	1,000,000	A: 1.00%	A: 1.19%
Emerging Markets Select Value Fund	\$49 mil	USD, EUR, GBP	Institutional (A)	1,000,000	A: 0.70%	A: 0.90%

As of March 31, 2026

<sup>1</sup>The above table is a general representation and does not include every share class available, please reference our prospectus and MDD for full details (available here [Fund Info](#)).

<sup>^</sup>Please contact your Pzena rep for further details of share classes available in your region. \*Min. subscription figures are subject to manager's discretion are expressed in the respective currency of the share class.

<sup>^^</sup>Fund launched in June 2026. \*Min. subscription figures are subject to manager's discretion are expressed in the respective currency of the share class.

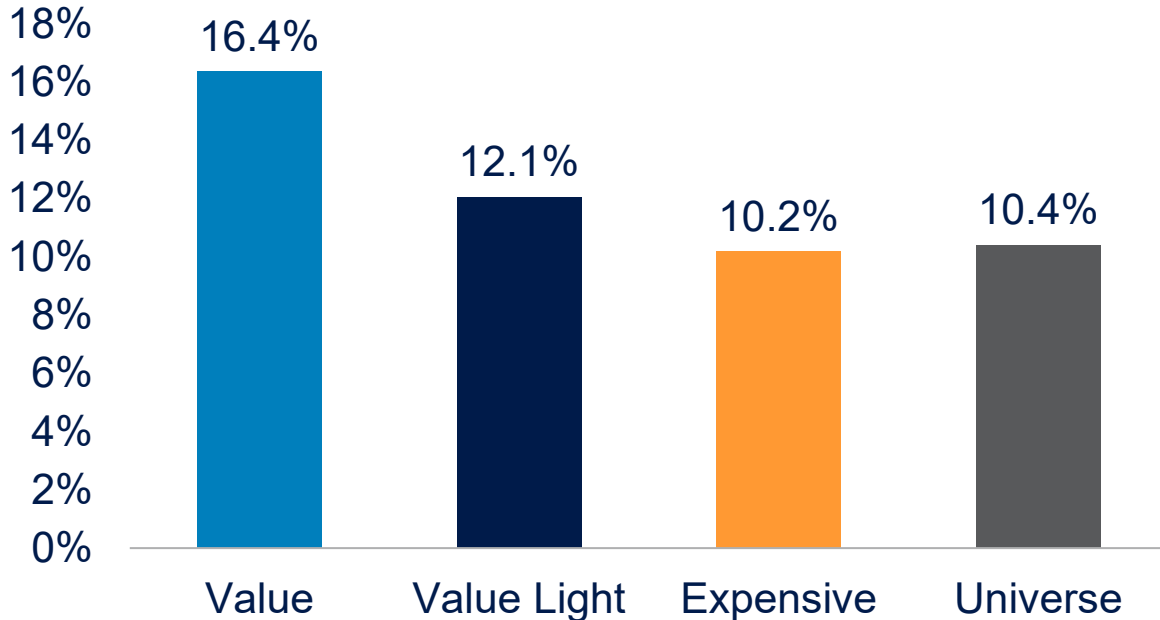
\*\*Fees remain the same in other currencies of each respective share class.

# Misconceptions About Risks and Returns in Value Investing

**Over a Longer Time Horizon, Superior Returns Can Be Found in Global Value...**

**... and the Best Return/Risk Ratio**

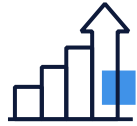
**ACWI Average 5-Year Rolling Return Since 1975**



**ACWI Average Rolling Return/Risk Since 1975**

	1-Year	3-Year	5-Year
<b>Value (Q1)</b>	<b>0.66</b>	<b>1.22</b>	<b>1.50</b>
Value Light (Q2)	0.67	1.12	1.34
Expensive (Q5)	0.56	0.92	1.24
Universe	0.68	1.08	1.40

Notes: Return/Risk = Average rolling return divided by the standard deviation of the rolling returns.  
 Value = stocks within the cheapest quintile based on price/book of the MSCI ACWI universe. Value Light = 2<sup>nd</sup> cheapest quintile. Growth = most expensive quintile.  
 The quintiles are measured on an equally weighted basis. Universe = cap-weighted returns of MSCI ACWI universe.  
 Does not represent any specific Pzena product or service. Past performance is not indicative of future returns.  
 Sources: Sanford C. Bernstein & Co., Pzena analysis  
 Total return US dollar data from January 1, 1975 – December 31, 2025.



Commit to deep value investing through all market cycles.

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Build concentrated portfolios from the bottom up using fundamental research.

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Apply one valuation metric using normalized earnings.

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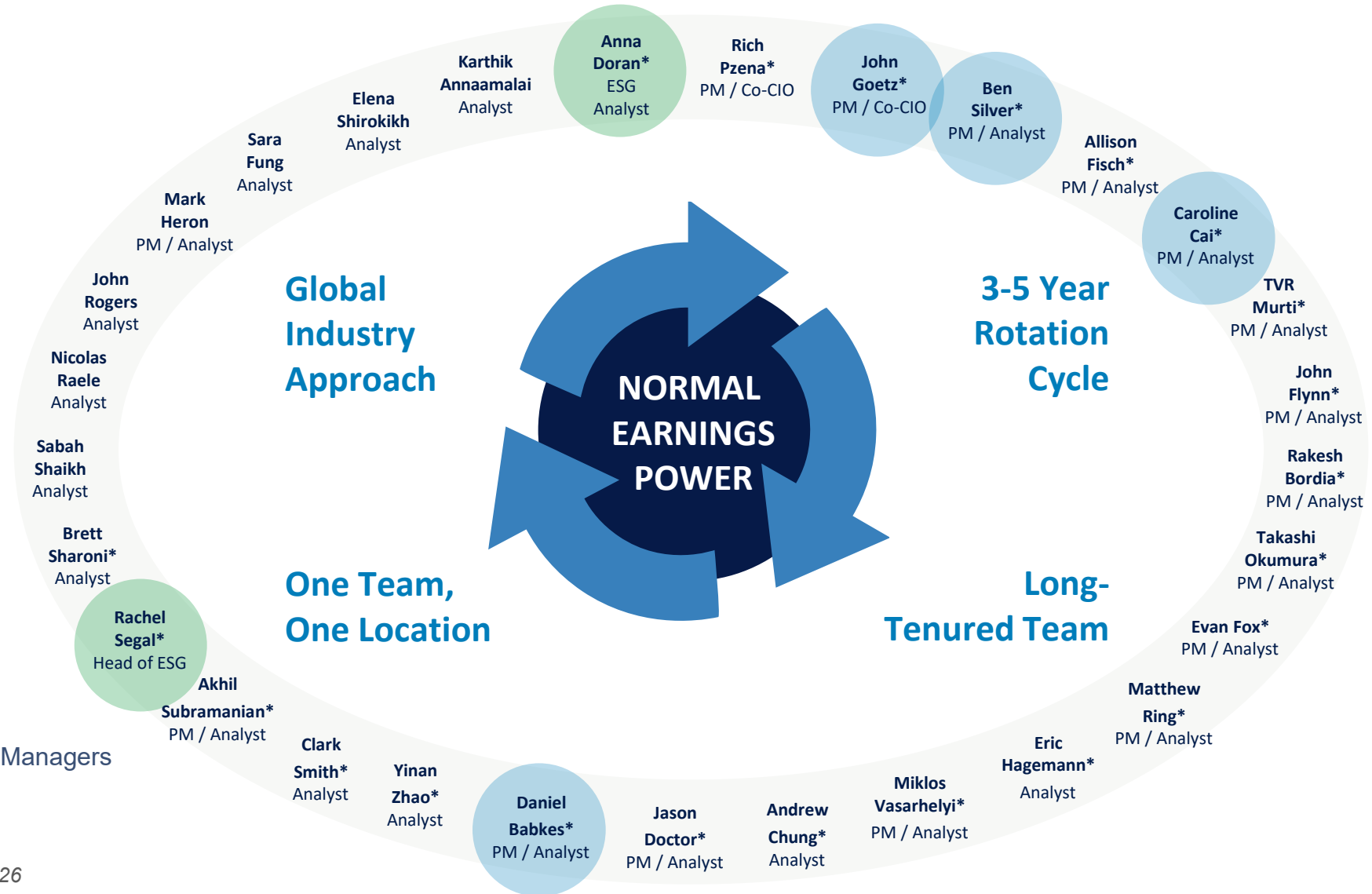
Use one investment process, one global research team across all of our equity strategies.

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Maintain a long-term investment horizon (3-5 years).

# Experienced Global Investment Team



As of March 31, 2026

\*Partners as of March 31, 2026

# Investment Process:

## Characteristics of Investment Opportunities

**We seek to expose our clients to skewed potential outcomes\***

### Quantitative Screen

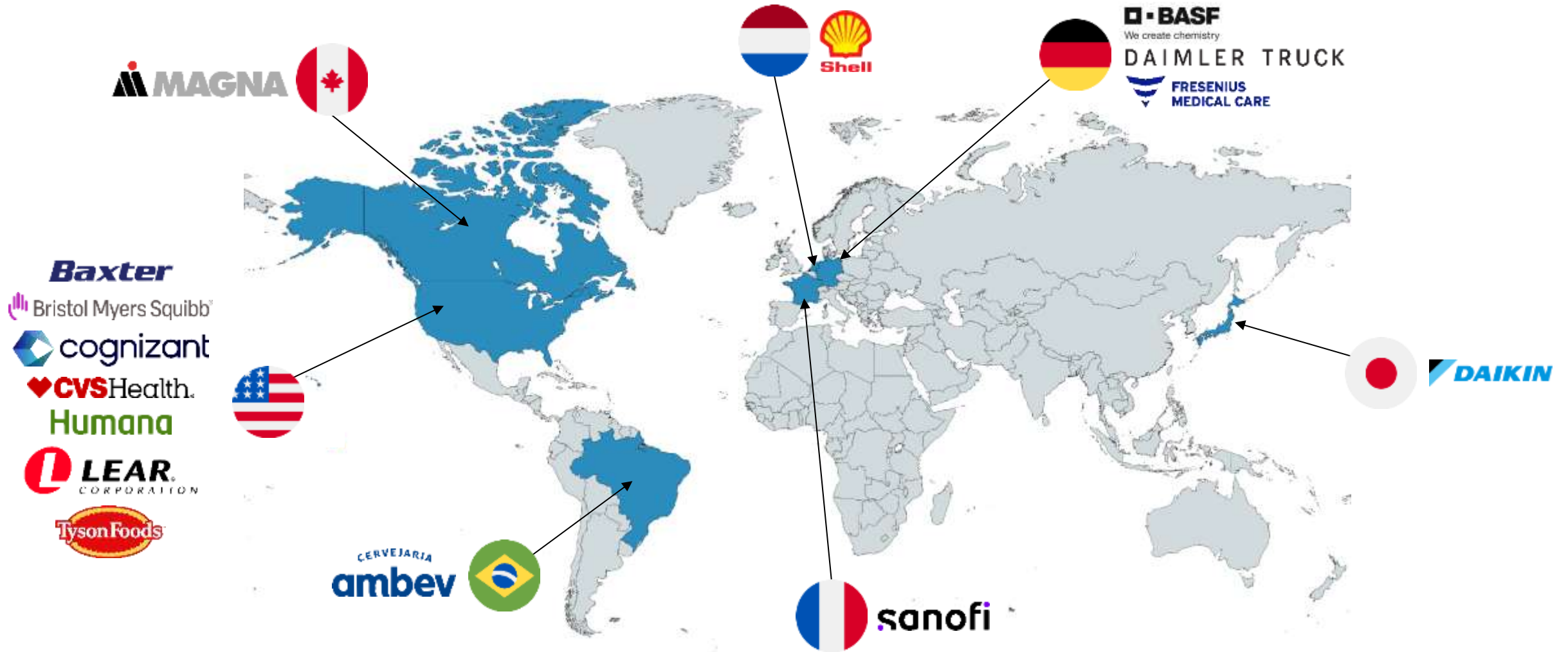
- Low price-to-normal earnings level
- Current earnings below historical norms

### Fundamental Research

- The problem is temporary and not permanent
- The company's business is good
- Downside risk analysis

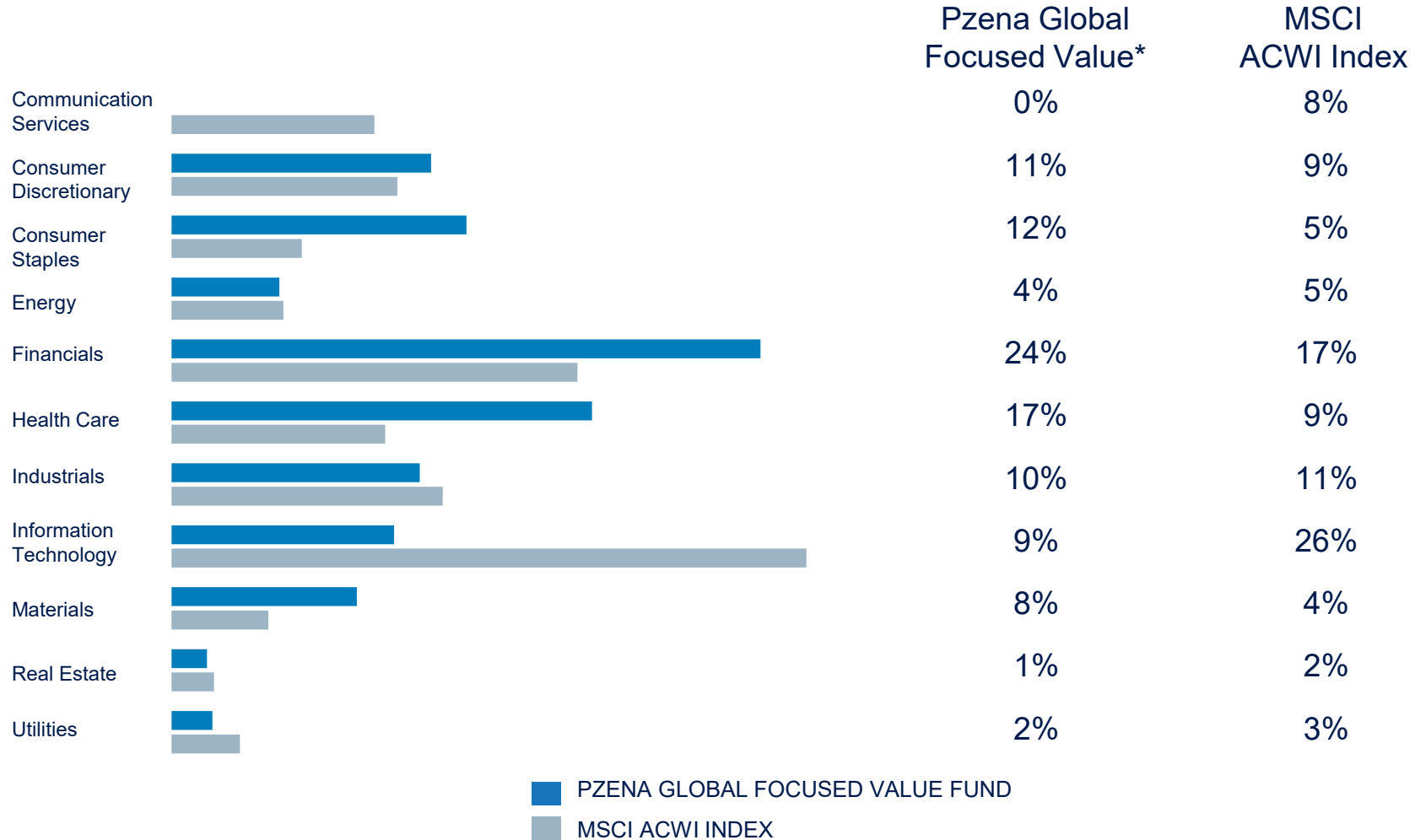
# Pzena Global Focused Value Fund – Geographical Exposure

## Top 15 Holdings – Breakdown by Country of Listing



# Sector Weights:

## Pzena Global Focused Value Fund



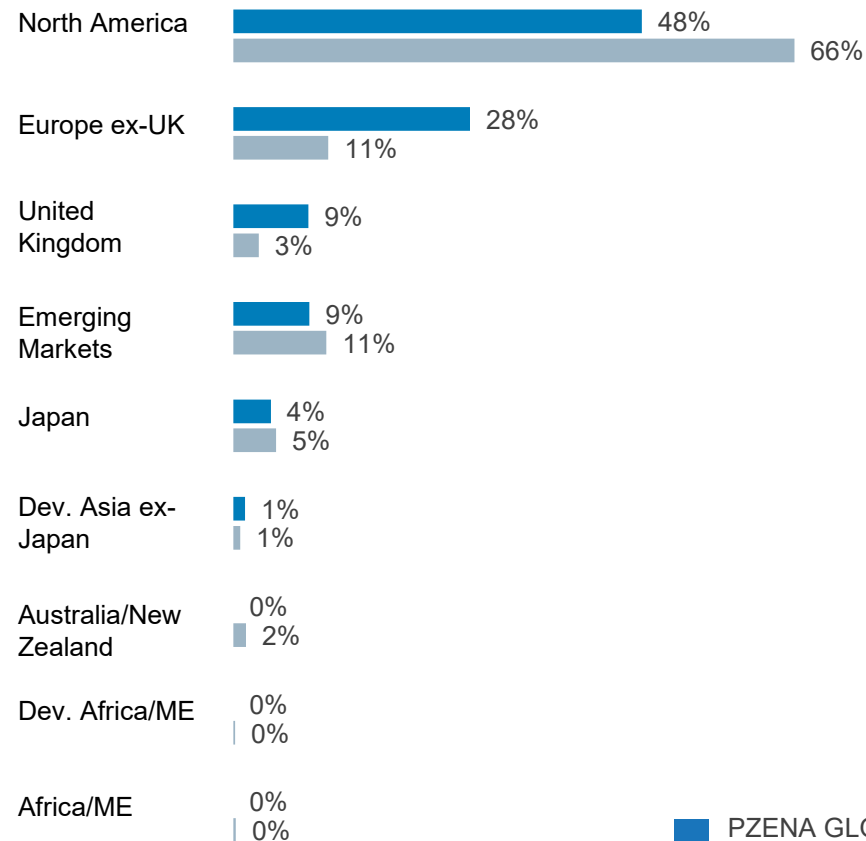
As of March 31, 2026

Notes: Sector, region, and country weights adjusted for cash – may appear higher than actual. Numbers may not add to 100% due to rounding

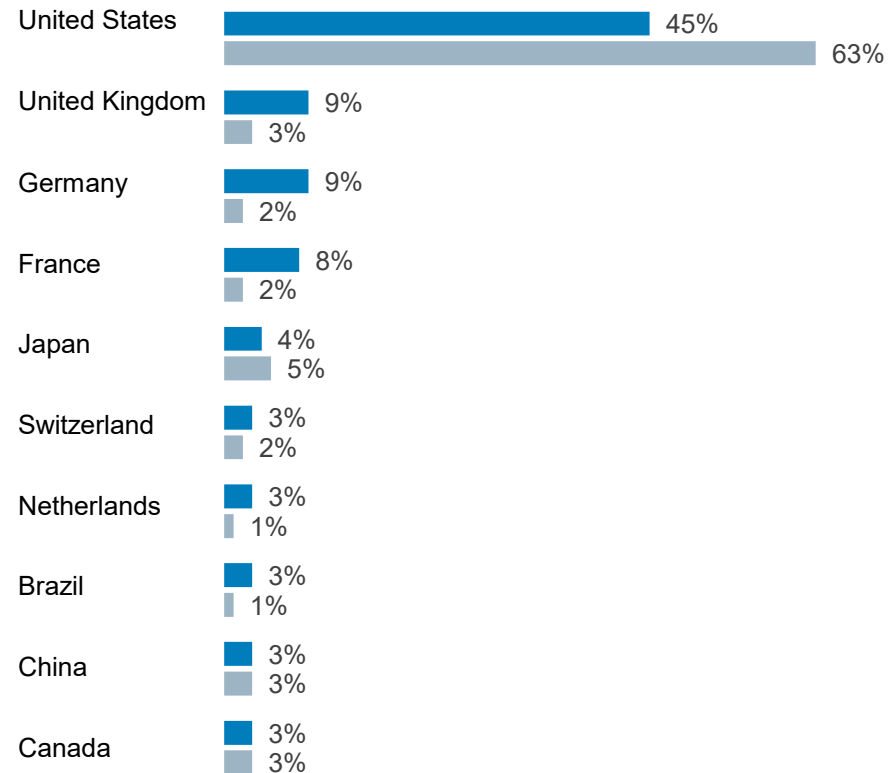
Sources: FactSet, Morgan Stanley Capital International Inc., The Global Industry Classification Standard (GICS®)

# Regional & Country Weights: Pzena Global Focused Value Fund

## REGION



## TOP 10 COUNTRIES



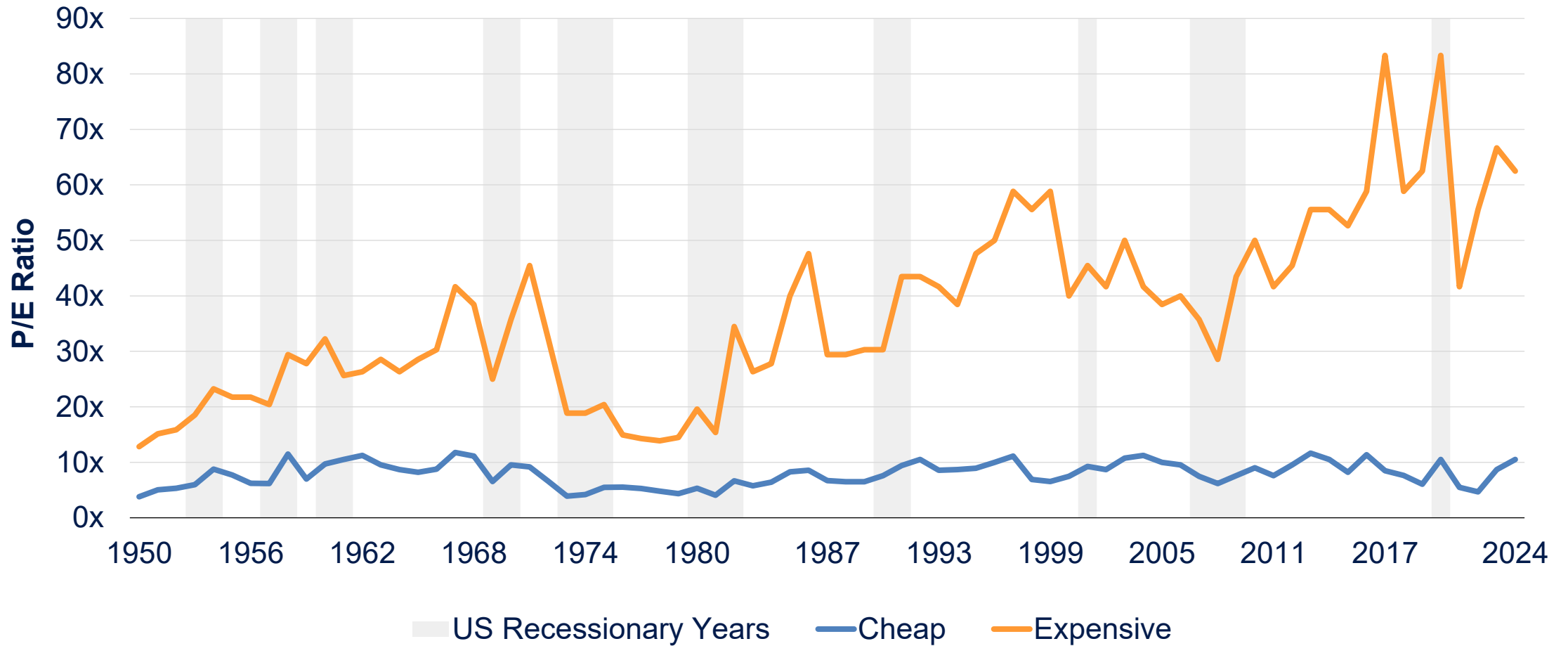
■ PZENA GLOBAL FOCUSED VALUE FUND  
■ MSCI ACWI INDEX

As of March 31, 2026

Notes: Sector, region, and country weights adjusted for cash – may appear higher than actual. Numbers may not add to 100% due to rounding

Sources: FactSet, Morgan Stanley Capital International Inc., The Global Industry Classification Standard (GICS®)

# P/E Ratio Dispersion Remains High



Source: Kenneth R. French, Pzena analysis  
 The solid lines show the market-cap weighted trailing P/E ratios for the most expensive and cheapest quintiles of the US market.  
 Annual December data from 1950 - 2024. Universe is all NYSE, AMEX, and NASDAQ stocks defined by Kenneth R. French data library.

## Further Information

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Fund returns are benchmarked to the MSCI ACWI Index - Net(the “Benchmark”).The Benchmark is used for comparative purposes only. The MSCI ACWI Index –Net captures large and mid-cap representation across Developed Markets and Emerging Markets countries. The index covers approximately 85% of the global investable equity opportunity set. The Benchmark cannot be invested in directly. The performance of the Benchmark reflects the reinvestment of dividends net of withholding tax rates. The Fund’s performance reflects the deduction of all Fund fees and expenses and reflects reinvested dividends (different share classes may vary). The Fund is significantly more concentrated in its holdings and has different sector and regional weights than the Benchmark. Accordingly, the performance of the Fund will be different from, and at times more volatile, than that of the Benchmark.

## Further Information

### For South African Investors Only:

Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CISs are traded at the ruling price and can engage in scrip lending and borrowing. A schedule of fees, charges and maximum commissions is available on request from the Manager. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. There is no guarantee in respect of capital or returns in a portfolio. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request. Annualised performance shows longer term performance rescaled to a 1-year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request. Highest and lowest returns for any 1 year over the period since inception have been shown. NAV is the net asset value represents the assets of a Fund less its liabilities. Representative Office: Prescient Management Company (RF) (Pty) Ltd is registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). For any additional information such as fund prices, fees, brochures, minimum disclosure documents and application forms please go to [www.pzena.com](http://www.pzena.com).

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