



Causeway Human Intelligence: Notes from the Road

October 2026

About the series

You may have noticed **Causeway Human Intelligence** alongside *Notes from the Road*. It's our way of highlighting first-hand insights and independent thinking from our investment professionals. While we embrace AI's potential, we also believe in the importance of human judgment in drawing investment conclusions.

The halls of Causeway's home office were quiet in September, but not for lack of activity. 19 of our fundamental investment professionals were on the road at company meetings and industry conferences. Across technology, healthcare, consumer, and power markets, they reached a common conclusion: the broad trends are easy to identify; the earnings winners are not.

Differences in pricing power, assets, commercial reach, execution, and capital discipline are driving divergent earnings outcomes. Meanwhile, index concentration in perceived winners from the AI infrastructure buildout can overshadow attractive businesses trading below our estimates of their value. Together, these conditions heighten the importance of stock selection and broaden the opportunity for it to add value.

AI, Meet the Bottom Line

By Jonny Shea

After more than 60 meetings in September with Asian technology, media and telecommunications companies, the strength of AI investment is unmistakable. The more difficult question is which companies can convert AI adoption into durable earnings.



Jonny Shea

Fundamental Senior Research
Analyst

Certain digital platforms may move from perceived AI losers to potential winners. Companies with established users, data, and distribution are mostly embedding AI into core services to deepen engagement and improve monetization. Investors focused on disruption risk may overlook the potential for stronger earnings and higher valuations among platforms using AI to improve their existing businesses.

Rising memory prices will pressure margins across the sector, but not evenly. Larger manufacturers may benefit from their sourcing scale, and companies able to raise prices and shift sales toward premium products may be able to offset some of the increase. If investors penalize the group broadly, they risk overlooking businesses positioned to defend earnings and strengthen their competitive positions.

The AI infrastructure race may favor suppliers over operators. Several technology and telecommunications companies are moving beyond their core businesses to build computing capacity, but our meetings offered limited evidence that they possess a sustainable operating advantage. Given the capital required and reliance on a small number of customers, server and component suppliers may capture better economics than some of the companies buying and operating the equipment.

*Causeway meetings included the following companies; those held in Causeway Global Value or International Value portfolios appear in bold: **KDDI Corporation**, Kioxia Holdings Corporation, MediaTek Inc., Recruit Holdings Co., Ltd., **Renesas Electronics Corporation**, **Samsung Electronics Co., Ltd.**, **Sea Limited**, SoftBank Group Corp., **Tencent Holdings Ltd.**, and Tokyo Electron Ltd.*



Turning Drug Pricing and Pipelines into Profitability

By Gavin Scott

Meetings in September with nearly 20 European biopharmaceutical businesses showed how broad concerns about drug pricing and clinical setbacks can obscure meaningful differences across companies.

Global pricing links make launch flexibility more valuable. With US policy linking domestic drug prices more closely to prices paid abroad, a low price negotiated in one country can affect a medicine's economics elsewhere. Some drugmakers may delay or skip launches in European markets demanding especially low prices, while prioritizing countries willing to pay more or offering faster growth. Companies with greater flexibility over where and when they launch may be better positioned to protect earnings.

Pipeline value depends on execution. A large pipeline of drugs has limited value if trials are poorly designed, dosing is wrong or the company lacks the commercial capabilities to launch successfully. Conversely, a single underappreciated late-stage medicine may materially improve a company's outlook. Recent clinical setbacks across the industry have weighed broadly on investor sentiment, potentially obscuring medicines with encouraging evidence and strong commercial support.

Fast-growing drug categories can produce very different earnings profiles. In obesity, lower-priced oral treatments are expanding the patient pool but reducing average revenue per patient. Stronger earnings growth may depend on broader employer and government coverage. In biosimilars, long development timelines and complex manufacturing tend to favor companies with flexible, in-house production. In both categories, growing demand



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does not guarantee stronger earnings; companies' ability to secure coverage or manufacture efficiently will determine how much of that demand they can convert into profits.

*Causeway meetings included the following companies; those held in Causeway Global Value or International Value portfolios appear in bold: argenx SE, **AstraZeneca plc**, Bayer AG, Gilead Sciences, Inc., Novartis AG, **Novo Nordisk A/S**, **Roche Holding Ltd.**, Sandoz Group AG, **Sanofi SA**, and UCB SA.*

Same Shopper, Different Outcomes

By Nicholas Wells

Meetings with retailers, consumer goods companies, restaurant operators and travel businesses at a September conference in Orange County suggested the US consumer is holding up better than feared. Spending is stable—though not strong—and shoppers are continuing to buy products or experiences that feel worthwhile. That creates very different outcomes for companies serving the same customer.



Nicholas Wells, CFA

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Value is about more than price. Consumers are weighing quality, service, convenience and experience alongside cost. Some restaurant operators are gaining customers despite charging more than competitors, while categories that raised prices too aggressively—including snacks and candy—are seeing shoppers trade down or buy less. The advantage likely belongs to companies that can demonstrate value without relying on heavy discounting.

Today's stable margins may face a tougher test in 2027. Ocean freight and domestic trucking costs have risen, with many annual contracts due to reset in late 2026 and early 2027. Packaging, petroleum-based materials and labor are also becoming more expensive, including in Southeast Asia as companies

shift production away from China. Some businesses will also lose the benefit of tariff refunds they received in 2026 but did not pass onto customers. These pressures create a potential advantage for companies with stronger supply chains, productivity programs, and pricing power.

Return to IRL: In-person shopping and dining are regaining relevance, but not uniformly. Several companies reported stronger demand for shopping, dining and other activities “in real life,” particularly among younger consumers seeking time away from screens. Even demand for traditional hobbies and creative products appears to be benefiting. This does not signal a broad revival for every retailer or shopping center; it favors brands that give customers a reason to visit.

*Causeway meetings included the following companies; those held in Causeway Global Value or International Value portfolios appear in bold: Alimentation Couche-Tard Inc., Chipotle Mexican Grill, Inc., **Diageo plc**, Target Corporation, Unilever PLC, and Walmart Inc.*



Durable Power Demand, Uneven Economics

By Ryan Greenwald

US electricity demand has risen about 2% annually over the past two years, following two decades of flat consumption. Data centers already under construction point to continued growth into the 2030s. Asset quality and market exposure should determine which companies turn that demand into earnings.

Owners of existing generation assets may hold the clearest advantage. The cost of building a new gas plant has more than doubled over the last five years, while higher interest rates add another hurdle. Existing plants that can provide reliable power in constrained markets may therefore become more valuable. Expanding output at existing nuclear plants is generally faster and less costly than building new reactors. The earnings benefit will depend on asset location, regulation, and power contracts.

Fast-to-market power solutions have a limited operating record. Grid-connection delays are increasing the need for on-site generation while data centers await access to the grid. Much of the equipment now marketed to bridge this gap for three to six years was designed primarily for backup power and has a limited track record of continuous operation as a primary power source. Investors must therefore assess which companies offer reliable, scalable solutions, and which are pursuing an opportunity their technology has yet to prove it can meet.

Regional regulation may divide the power-market winners. Regulatory decisions, which vary by market, could materially alter how data-center demand flows through to earnings for generators, utilities, and electricity retailers. Rules that speed data centers' grid connections and enable more long-term power supply contracts could potentially lift



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shares of some US power companies, while prolonged uncertainty or political opposition could weigh on investor sentiment.

*Causeway meetings included the following companies; those held in Causeway Global Value or International Value portfolios appear in bold: First Solar, Inc., Mitsubishi Heavy Industries, Ltd., NRG Energy, Inc., Oklo Inc., **Talen Energy Corporation**, and Vistra Corp.*

These trips reinforced why a favorable theme is only the beginning of an investment case. The earnings impact depends on how each company manages pricing, costs, assets and execution—and whether those strengths are already reflected in its valuation. That is the work of fundamental research and active stock selection.

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