

FUND MANAGER INTERVIEW | 03 Jul, 2026

## ‘We’ve bought and bought’: Causeway’s Sarah Ketterer bets big on AI losers

Causeway is getting Covid flashbacks as it hoovers up casualties of the AI boom.

BY ALGY HALL

Sarah Ketterer emerged victorious from her bet on stocks laid low by the Covid pandemic and today sees a similar opportunity in AI losers.

‘The bargains then were unbelievable... this is a similar time,’ said Ketterer, co-founder of Causeway Capital and co-manager of the \$19.2bn Causeway International Value fund and its \$271m Ucits-compliant cousin Causeway Global Value fund. ‘Especially coming

out of dislocation, value investing, as we embrace it, is really effective.’

Ketterer has made big bets on several stocks laid low by the selloff in the shares of companies perceived as vulnerable to AI disruption, including SAP (DE:SAP), Relx (GB:REL), Booz Allen Hamilton (US:BAH), and Tencent (HK:700).

While the price tags attached to these stocks may look like a dream ticket

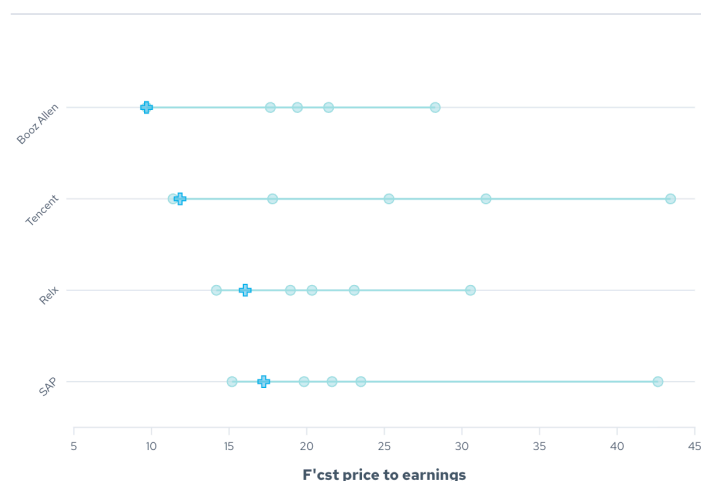
to value investors like Ketterer, her experience during Covid suggests she’s walking a fraught and lonely path.

‘We had all the Covid losers, and we were written off. But the clients who abandoned us made a terrible mistake,’ Ketterer said. ‘All we had to do was the most basic research to know that there were vaccines coming and things were not coming to an end.’

### Ketterer's favourite AI losers are historically cheap

10-year forecast price-to-earnings range

◆ Quartile ◆ Current value



Source: FactSet, consensus next 12-month forecasts

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### Causeway International Value top ten

Name - size in fund	F'cst price-to-earnings	F'cst divi yield	F'cst 2yr EPS CAGR
<a href="#">Kering (FR:KER)</a> - 4.4%	30	1.8%	46%
<a href="#">Renesas Electronics (JP:6723)</a> - 3.9%	22	0.7%	68%
<a href="#">Barclays (GB:BARC)</a> - 3.0%	9	3.3%	21%
<a href="#">Rolls-Royce plc (GB:RR)</a> - 2.9%	36	0.9%	17%
<a href="#">Alstom (FR:ALO)</a> - 2.9%	8	0.7%	18%
<a href="#">SAP (DE:SAP)</a> - 2.6%	17	2.1%	17%
<a href="#">Compagnie de Saint-Gobain (FR:SGO)</a> - 2.6%	12	3.0%	5.2%
<a href="#">Reckitt Benckiser (GB:RKT)</a> - 2.5%	14	4.6%	4.2%
<a href="#">AstraZeneca (GB:AZN)</a> - 2.5%	17	1.8%	13%
<a href="#">SMC (JP:6273)</a> - 2.5%	24	1.5%	9.1%

Source: Causeway, holdings as of 31 May 2026 / FactSet data as of 1 Jul 2026. EPS = earnings per share. Forecasts based on next 12 months unless otherwise stated.

**SAP shares have tanked over the last year**  
12-month total return



Source: Factset



This time around, Ketterer reckons it will be six to a maximum of 12 months before the market starts to realise it is not all over for many of today's AI-pummeled shares.

**Keep believing**

Key to Ketterer's confidence is a belief that many of the companies hit hard by disruption angst have durable customer relationships which transcend AI's ability to offer alternative solutions.

SAP, which both Causeway International Value and Global Value count as a top 10 position, is a prime example for Ketterer.

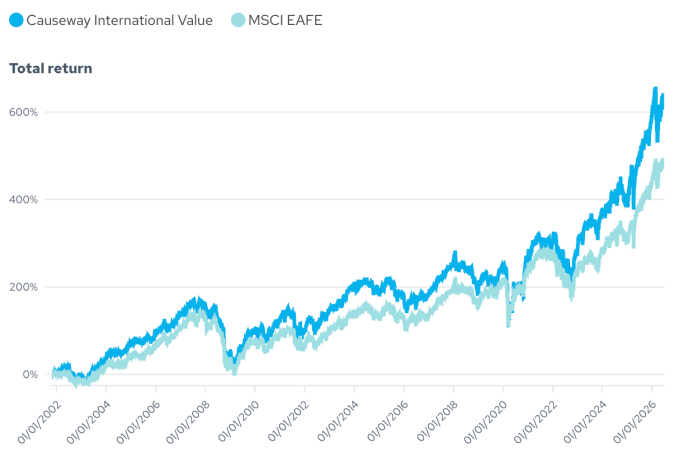
'Code is not the moat,' she said. 'The moat is in the customer relationships, ecosystem and complexity of transactions and data.'

She also sees more prosaic reasons to believe SAP's near-term prospects have solid foundations: 'Their customers are still making the transition to the cloud and there's no way to use AI without being in the cloud. The transition is very revenue-generating for [SAP].'

'We've bought and bought... this is the only chance.'

**Causeway International Value has produced solid long-term outperformance**

Total return since launch



Source: Morningstar • Instl share class USD total return



**Margins of memory companies, such as SK Hynix, have ballooned**



Source: FactSet, consensus broker forecasts and adjustments • Ebit = earnings before interest and tax



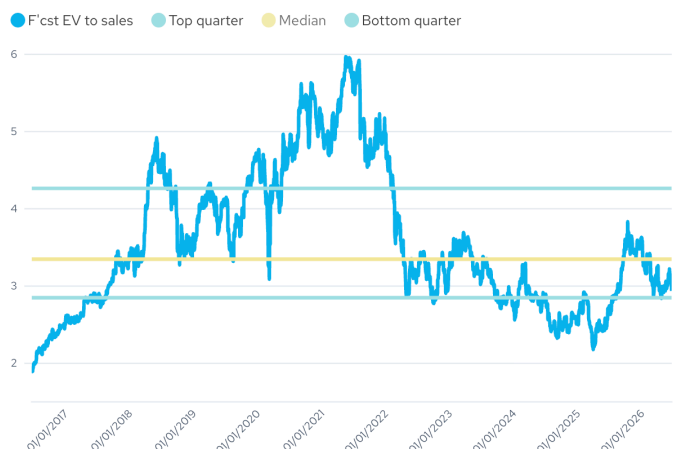
Ketterer sees similar deep-rooted, long-term relevance for other favoured AI losers: Booz Allen for its role in modernising US government IT; Relx for its ownership of must-have data across several domains; and Tencent as the operator of China's everything-app, WeChat.

Beyond the bet that these companies' businesses will survive intact, she sees potential for AI to help them thrive.

'Even in the AI losers, they too can have much more efficient supply chains, inventory management, HR and

**Kering's valuation remains in the doldrums as investors await a margin recovery**

Enterprise value to forecast sales over 10 years



Source: FactSet, broker consensus forecasts for the next 12 months. • EV = enterprise value



everything else,' she said. 'There's just so much opportunity for margin enhancement and making their own businesses more efficient.'

## Flipside frights

The flipside to the attractions of AI losers for Ketterer is the danger created by runaway share prices of perceived winners.

'The US market is as concentrated as it's ever been. I mean, it's crazy concentrated,' she said. 'Everything is in AI infrastructure; everything is in the US market... [US valuations] are a couple of standard deviations from the long-term average.'

Ketterer also feels semiconductor companies, particularly memory-chip makers, carry 'enormous' risk should conditions change.

While valuations may not look high on the face of it, with the likes of SK Hynix (KR:000660) and Samsung Electronics (KR:005930) on single-digit multiples of forecast earnings, margins have ballooned on soaring memory-chip prices and that could quickly reverse.

'The millisecond the market gets any wisp of an indication that supply is going to increase enough to satisfy demand... the stocks will collapse,' she warned.

Illustrating just how vulnerable profits could be to a reversal in elevated chip prices, SK Hynix's expected 2026 operating profit margin could halve and still be in the top 30% of the range of the last 10 years.

However, for now, supply remains tight and the long build times for new chip-making facilities means this is likely to remain so until well into next year. As such, both Ketterer's funds continue to hold positions in Samsung, although she's been selling into strength.

## Looking good

Ketterer's penchant for AI losers underlines a broader focus for Causeway on finding dislocations between genuine

## Eli Lilly has outmaneuvered Novo Nordisk

### Five-year total return



Source: Factset

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long-term prospects and share prices that extrapolate temporary problems. The exceptional longevity of tenure of portfolio managers at Causeway and the blending of quantitative and fundamental teams aid this endeavour. It also underpins an impressive long-term performance record.

Backing turnaround situations often requires great patience, though. That's certainly been the case with the largest holding in Ketterer's funds, Gucci owner Kering (FR:KER).

However, after multiple missteps, Ketterer is hopeful the value she believes exists in the business is set to be realised following the appointment of Luca de Meo, who used to run Renault (FR:RNO).

'[The family] knew that they needed a new chief executive, and they found somebody really good,' said Ketterer. 'We thought there was a lot of latent value there and the assets just needed to be managed better, and now they are.'

'Once costs are under control, all you need is a little bit of a revenue uplift, and then all of a sudden you've got some significant profitability.'

The ability of profits to recover depends on the Gucci brand having retained its lustre despite recent mismanagement.

'We don't think [the Gucci brand] is damaged. We do think the prior management letting older products, like last year's styles, get sold in bulk was a very bad idea... You can't have your products being sold in lower-tier type retail environments.'

## Drugged up

Ketterer is also finding interesting opportunities in the pharmaceuticals sector with AstraZeneca (GB:AZN) and Merck (US:MRK), both in the top 10 holdings of the Global Value fund, which takes greater exposure to the US than the International Value fund.

While Merck is held chiefly on value grounds, Astra is a play on innovation in the sector, which Ketterer views as an increasingly important differentiator for drug companies as the US attempts to push down drug prices.

'The reason why innovation is so important is because of price pressure,' she said. 'The only way to hold price is to have a drug that's so innovative that it has little to no competition and the payers have no choice; they have to pay for it.'

'[Astra] seems to be able to deliver more, especially in oncology, out of their pipeline than any other pharmaceutical company we have access to.'

AI could be a threat to the sector by disrupting drug discovery, but it also has the potential to create opportunities for

pharma companies, and Astra is one of the most advanced adopters of the technology.

Ketterer has also been getting exposure to the hottest trend in pharma, weight-loss medicines. She's doing this through Novo Nordisk (DK:NOVO.B), the sector pioneer which has witnessed dramatic share-price falls after being outflanked by its only serious rival, Eli Lilly (US:LLY).

While she expects there to be 'acute' downward pressure on the price of weight-loss drugs, she nevertheless believes the massive size of the market and the second-order benefit of treating obesity on other health conditions create an amazing opportunity.

'Novo has just got to get better at managing their business,' Ketterer said.

'They're accustomed to having great medicine. They're not accustomed to being a commercial organisation that appeals directly to consumers. So, it's catch-up for them.'

An appetite to take gutsy bets on fallen heroes is evident throughout Ketterer's portfolio. As strategies go, it comes with significant risk but the diversity of holdings and sector exposure helps limit the potential for downside, while also offering big upside when corporate woes do indeed prove to be only temporary.

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