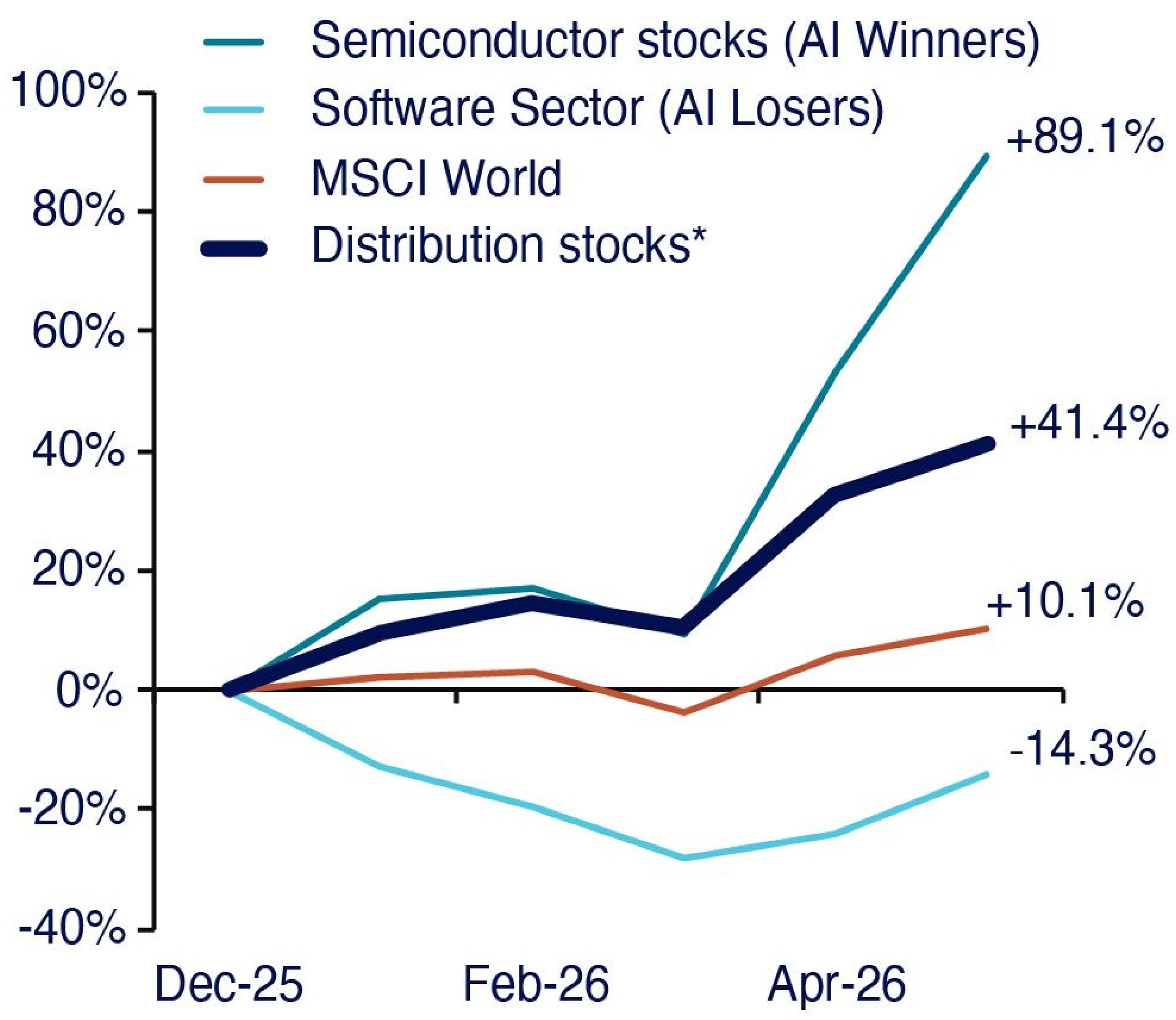
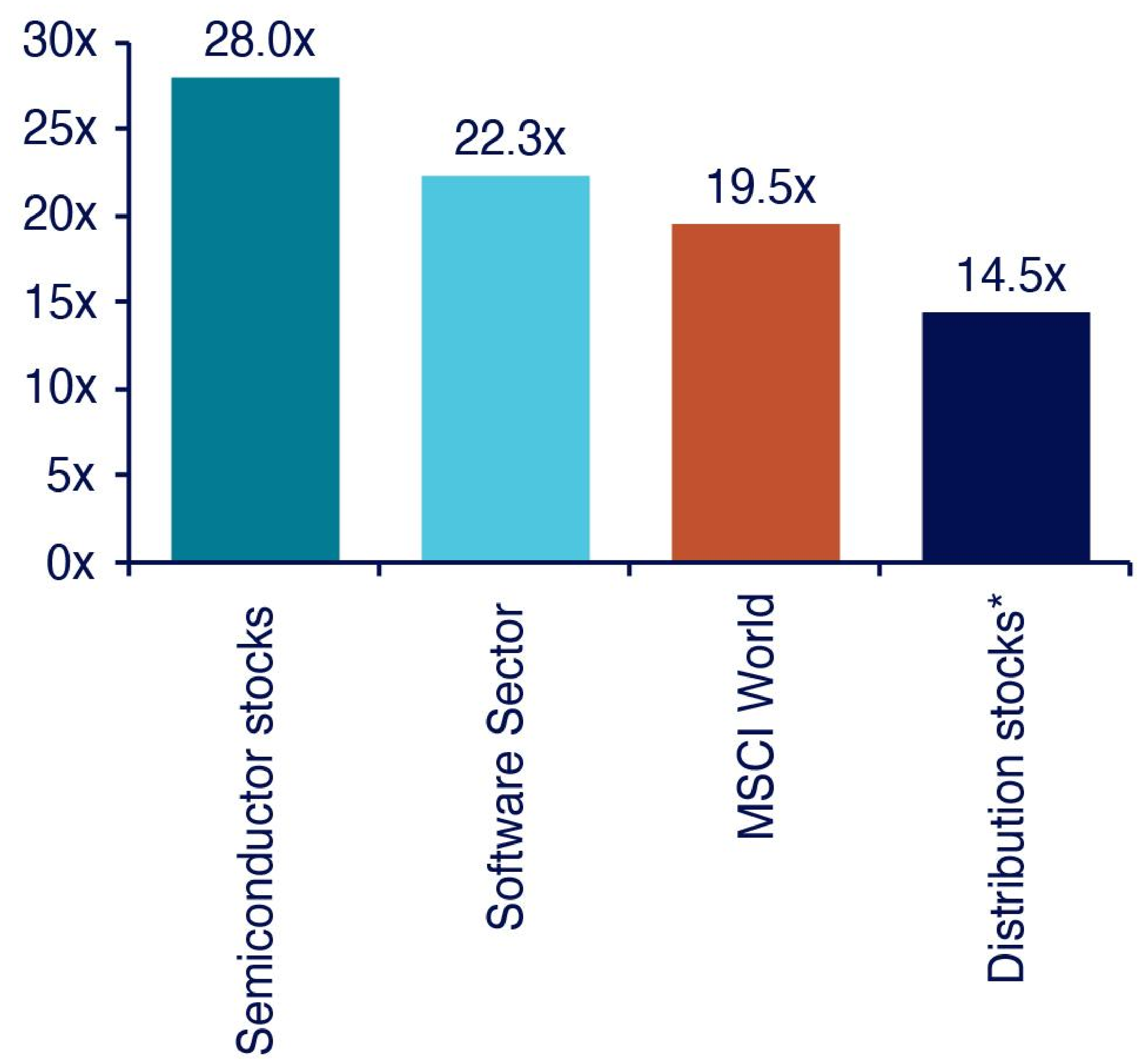
Although the market is enthusiastic about AI beneficiaries such as semiconductors and bearish on perceived AI underperformers like software, neither of these areas of the market is cheap.

According to **Lyrical**, investment manager of the **Curate Global Value Equity Fund**, there are many more attractive opportunities to invest in companies that fall into neither bucket. One such opportunity is distribution businesses, which can be described as high-quality businesses with durable cash flows that have outpaced S&P 500 earnings growth over the past 15 years, yet they trade at a significant discount. Demonstrating that boring companies can produce exciting returns.

Year-to-date (YTD) return



Forward P/E ratio



*Distribution stocks selected within the Curate Global Value Equity Fund

Source: Lyrical Asset Management, Factset, Data at 31 May 2026

Summary of chart

The market is extremely enthusiastic about AI beneficiaries such as semiconductors (+89% YTD) and bearish on perceived AI underperformers like software (-14% YTD), as shown in the chart on the left. However, neither of these areas of the market is cheap, as shown in the chart on the right. Both semiconductors at a P/E ratio of 28x and software at 22x P/E are more expensive than the MSCI World index. Lyrical's deep value approach has instead led them to six distribution companies that are doing well (+41% YTD) and still trade at a steep discount to the market at 14.5x.

How does this link to the positioning of the fund?

Boring companies can produce exciting returns. About 10% of the Curate Global Value Equity Fund is invested in distribution companies across various sectors, such as Henry Schein, a top dental distributor or Wesco, a leading electrical distributor in North America. These are high-quality businesses with durable cash flows that have outpaced S&P 500 earnings growth by more than 2% per year over the past 15 years, yet they trade at a 30% discount.

Why is this relevant?

Distributors are high-quality businesses with strong competitive advantages, created by their size, broad product range and extensive networks. On average, Lyrical's selected distributors have delivered a 20% return on invested capital (ROIC) since 2016.

Distributors are resilient because they can sell existing stock without needing to replace it immediately, which boosts cash flow. Lyrical's selected distributors grew free cash flow (FCF) per share by 40% during the Global Financial Crisis, even as the S&P 500 declined by nearly 40%.

While the market is focused on clear AI winners and losers, Lyrical believes well-run and scaled distribution companies can use the technology to widen their moats and continue outgrowing the market.

Curate Global Value Equity Fund

Managed by Lyrical Asset Management

LYRICAL
ASSET MANAGEMENT

Overview of the Curate Global Value Equity Fund

This fund is designed for investors who want exposure to the value style in global stock markets. It has the potential to deliver high levels of return over long periods.

For more information, visit our website here.