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Barrow Hanley: How to own high quality AI-related stocks without overpaying

By Perpetual Asset Management

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AI-related demand is creating opportunities beyond the largest technology stocks, says Barrow Hanley portfolio manager DAVID GANUCHEAU

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Barrow Hanley is finding AI-related opportunities outside big tech as data-centre power demand reshapes the earnings outlook for US utilities, says portfolio manager David Ganucheau.

Much of the market's focus on AI has been on the hyperscalers like Microsoft, Alphabet, Amazon and Meta, which are on track to spend hundreds of billions this year alone on data centres, chips and power.

But Ganucheau says investors do not have to pay big-tech multiples to get exposure to that build-out. He says the key for the hyperscalers now is finding data-centre sites that combine access to electricity with high-capacity fibre.

"If you look at the bottleneck for AI in the United States, we identified utilities that have land near fibre, and we made investments in them," Ganucheau says.

Power demand

Ganucheau says those utility investments are contributing to portfolio performance.

US utility Entergy has signed three large deals with hyperscalers, lifting its expected five-year rate-base growth from 5-6 per cent to 11-13 per cent.

"That's the incredible kind of upward and to the right we're seeing on these utilities that are set up to get these hyperscaler deals," he says.

"And there's more to come. They're going to need more power for these data centres."

Barrow Hanley's Global Value Equity portfolio held 8.9 per cent in utilities at 31 March 2026, compared with 2.9 per cent for the MSCI World Index. Entergy was a 1.7 per cent portfolio holding.

AI optionality

Ganucheau says AI demand is also supporting other technology holdings linked to data centres.

"A lot of our semiconductor stocks were working. We had a lot of optical networking stocks working," he says.

Barrow Hanley says the portfolio's technology holdings outperformed MSCI World technology stocks in April, despite the portfolio being underweight the sector.

Ganucheau says investors are starting to recognise the role some less obvious technology companies can play in the AI build-out.

"I think it's the market coming around and realising that they have a spot at the table, that they can feast on the AI and the data-centre trend," he says.

"Businesses like Nokia, with its optical networking business, Sunny Optical, Qualcomm and Hewlett Packard Enterprise.

"Some of these things where we said there's AI optionality – people are waking up to it and it's starting to work."

Software pressure

Still, Ganucheau remains cautious on software companies that have fallen sharply on AI disruption concerns.

He says many companies with valuations typically in the top third of the market are now appearing in the bottom third.

"I've never seen this many fallen angels at once," he says.

But it is unclear if those companies still have durable competitive advantages.

"You're seeing multiples get cut in half because people don't know if they're going to survive," he says.

"We have to be very careful – there's going to be more value traps in the software sector than there's ever been.

"Even though they may have positive momentum in earnings, they're never going to get the multiple.

"You can't disprove the negative of rapid obsolescence when you have news items that say 'Claude just replicated your business'.

"Lots of opportunity, but we're not sure if it's fool's gold yet."

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