



Gunslinger

We look at how investors can diversify their US exposure beyond tech mega caps.

Update
12 May 2026

Lucky Luke, the main character of the eponymous comic series, is best known for his shooting skills, earning him the epithet ‘the man who shoots faster than his shadow’. This ability enables him to emerge unscathed from numerous face-offs with the criminals populating the American Wild West and to triumphantly ride back home at the end of each episode.

Beyond the geographical setting, this may bear some resemblance to US equities. For example, their long-term track record of outperforming the rest of the world could be reminiscent of Lucky Luke’s invincibility, while their ability to grow earnings faster than their global peers could be likened to the gunslinger’s shooting prowess.

Since late 2022, following the initial launch of ChatGPT by OpenAI, earnings growth in the US has been driven largely by companies linked to artificial intelligence (AI), with the market strongly rewarding these stocks. However, the AI rally has been highly concentrated in a handful of names, notably chip designers and hyperscalers, which now dominate US equity indices. Using the MSCI USA Growth Index as a proxy for tech mega caps, we note that these companies are expected to continue delivering significantly higher earnings growth than the broader US equity market as well as the rest of the world over the next one to two years, albeit at elevated valuations. However, in recent months, trust managers have been dialling down their exposure to the tech mega caps and the companies that have led the AI trade. But while this industry has become almost synonymous with the US equity market, it is not simply a case of selling America, as we discuss below.

Valuation And Earnings Growth Expectations

MEASURE	MSCI USA GROWTH	MSCI USA	MSCI ACWI EX USA
P/E (forward to the end of 2027) (x)	24.7	19.3	13
P/E (forward to the end of 2028) (x)	20.8	17.2	11.9
Earnings growth (1-yr forward) (%)	21.7	13.4	13.1
Earnings growth (2-yrs forward) (%)	17.4	11.4	9

Source: Bloomberg, as at 06/05/2026

Analysts:

Jean-Baptiste Andrieux

Jean-Baptiste@keplerpartners.com



Kepler Partners is not authorised to make recommendations to Retail Clients. This report is based on factual information only.

The material contained on this site is factual and provided for general informational purposes only. It is not an invitation or inducement to buy, sell or subscribe to any product described, nor is it a statement as to the suitability or otherwise of any investments for any person. The material on this site does not constitute a financial promotion within the meaning of the FCA rules or the financial promotions order. Persons wishing to invest in any of the securities discussed in the website should take their own independent advice with regard to the suitability of such investments and the tax consequences of such investment.

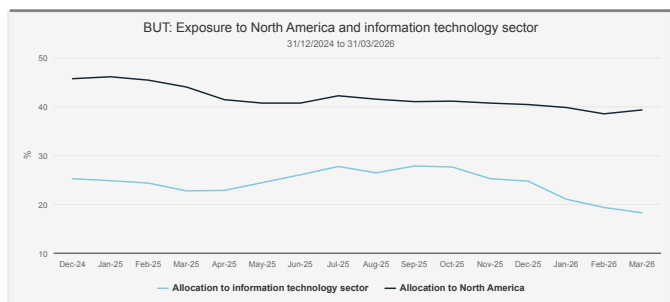
Riding out of tech mega -caps

Since late 2024, several managers of global equity trusts have reduced their exposure to AI-related mega caps. In addition to elevated valuations, they have cited concerns about the substantial capital expenditures being undertaken by these companies and whether they will ultimately generate adequate returns.

For example, the managers of **Brunner (BUT)** highlight the relatively low monetisation of AI products until now. As a result, they reduced their allocation to semiconductor companies in 2025. That said, they remain cognisant of AI’s disruptive potential and have exited positions in companies whose business models they believe could be at risk. As such, BUT’s exposure to the information technology sector and the North American region has decreased significantly since the start of 2025, as the chart below shows. Instead, they have allocated to companies embedded in the physical world, including US-listed businesses, where they see a lower risk of disruption. One example of such stocks is Federal Signal, an Illinois-based manufacturer of specialised vehicles such as street sweepers and road-marking lorries.



Fig.1: Sector And Geographical Exposure

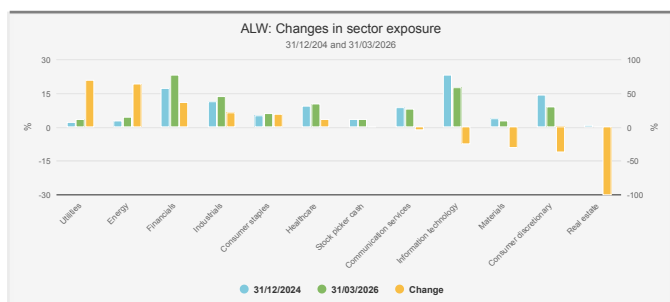


Source: Allianz Global Investors

Similarly, the managers of **Invesco Global Equity Income (IGET)**, Stephen Anness and Joe Dowling, have trimmed their allocation to semiconductor companies and recycled the proceeds into unloved parts of the market. That includes the US healthcare sector, where Stephen and Joe initiated two new positions in December 2025 alone. We note that healthcare companies have faced headwinds under the current US administration, particularly due to uncertainty caused by trade tariffs and pressures on pharmaceutical companies to reduce drug prices. However, taking a longer-term view, we believe the sector offers exposure to structural growth themes, including ageing populations and continued innovation in drugs and medical devices. In addition, the defensive and non-cyclical nature of many healthcare companies may provide resilience in the event of an economic slowdown. Stephen and Joe have also found attractive opportunities in the US financials sector, including East West Bancorp, which primarily serves Chinese American customers. They see it as one of the best banks they have ever analysed, viewing its CEO as an exceptional steward of capital and highlighting the company’s underwriting performance during the global financial crisis.

Some of the stock pickers within the multi-manager strategy **Alliance Witan (ALW)** have also trimmed their exposure to US tech mega caps since late 2024, reducing the trust’s allocation to North America and the information technology sector, as the bar chart below shows. These stock pickers note that free-cash-flow generation at many

Fig.2: Geographical Exposure



Source: Willis Towers Watson

of these companies is being squeezed by elevated capital expenditure. Instead, they have reallocated towards businesses in more defensive sectors such as healthcare, consumer staples, and utilities, as well as in the energy sector, highlighting that these companies offer more attractive valuations alongside reliably growing free cash flow.

Meanwhile, the team at Marylebone Partners, which has managed **Majedie Investments (MAJE)** since 2023, continues to have very limited exposure to US tech mega caps. They have long held the view that there are opportunities in the US offering superior risk-adjusted returns outside of these names. This includes, among others, mid-cap biotechnology firms and undervalued software companies, which they access through specialist third-party funds. Since the start of the year, they have taken advantage of the sell-off in software businesses, triggered by fears of AI disruption, to increase their exposure. They believe the sell-off has been overdone and that many software companies benefit from strong competitive advantages and are deeply embedded in their users’ operations, making them difficult to displace.

Conversely, Paul Niven, manager of the multi-manager strategy **F&C Investment Trust (FCIT)**, remains constructive on AI-related mega caps. In his view, their premium valuations may not be excessive over a ten-year horizon, given their ability to deliver superior earnings growth, and he believes the market may be approaching a phase of broader AI adoption. That said, as Paul has trimmed exposure to one of the trust’s global funds, which is primarily exposed to US equities, to fund share buybacks, FCIT’s exposure to both the US and the information technology sector has slightly reduced too.

On the trail of overlooked opportunities

While the US equity market has become increasingly associated with tech mega caps, we think it is worth remembering that it is a broad market, home to many leading companies across a range of industries. Many of these have been overlooked amid the AI rally, despite offering exposure to other structural growth themes or benefitting from operational improvements. In fact, some of the constituents of the AIC North America sector have been increasing their exposure to these areas.

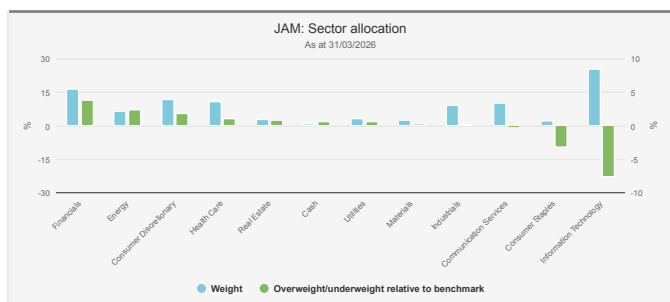
This is notably the case for **JPMorgan American (JAM)**. Like the managers of IGET, they have identified several opportunities in healthcare. They observe that, with the exception of companies involved in GLP-1 therapies such as Eli Lilly, the sector has been largely ignored since the post-COVID reopening. For example, they built a new



position in multinational pharmaceutical company Johnson & Johnson, which was trading at a discount to peers at the time of purchase, while exhibiting stronger profitability metrics.

The JAM management team has also increased exposure to the so-called ‘have-nots’ in the industrials sector, referring to the constituents that have not benefitted from the AI-driven infrastructure build-out. The managers believe these companies are trading at attractive valuations, while also beginning to show signs of operational improvement in some cases. This includes 3M Company, which produces industrial and consumer goods and was added to the portfolio over the past year, with the managers highlighting that the business is now beginning to deliver organic growth. Finally, they have also initiated new positions in energy companies, highlighting that some businesses within the sector have the potential to grow independently of price movements in the underlying commodities they sell (e.g. oil). This includes, for instance, ExxonMobil, which is expanding into new areas such as low-carbon solutions.

Fig.3: Sector Allocation



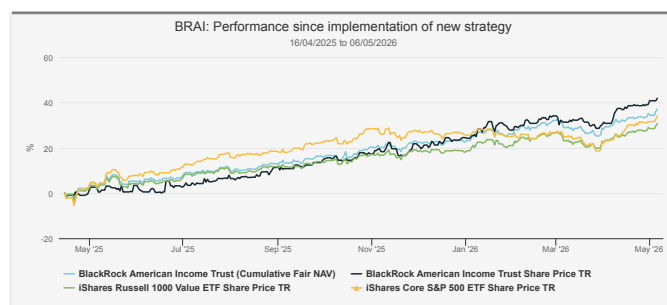
Source: JPMorgan

Meanwhile, the managers of **North American Income (NAIT)**, Fran Radano and Jeremiah Buckley, find quality companies attractive at this juncture. Last year was particularly challenging for those stocks, as the markets favoured more speculative, often pre-profit or loss-making names. As such, Fran and Jeremiah took advantage of these headwinds to build new positions. In terms of sector allocation, they remain overweight in healthcare and financials, as they believe companies in these sectors could benefit from a more balanced regulatory environment in the US. They have also moved from an overweight to a neutral position in information technology over the trust’s previous financial year. However, we note that the trust has had limited exposure to tech mega caps, as these typically pay low or no dividends and are, therefore, difficult to reconcile with NAIT’s income mandate.

Travis Cooke and Muzo Kayacan, who have managed **BlackRock American Income (BRAI)** since April 2025, also find quality companies compelling at this juncture,

highlighting that companies with strong fundamentals have historically outperformed over the long term. That said, they continue to see short-term opportunities in AI-related stocks. Interestingly, despite BRAI’s emphasis on the value factor, the trust holds names such as Alphabet and Amazon. This is because stock inclusion in its benchmark, the Russell 1000 Value, is determined by valuation metrics such as lower price-to-book ratios, meaning that relatively cheaper tech mega caps have entered the index and, by extension, BRAI’s investment universe. We also note that Travis and Muzo have made a strong start as managers of BRAI, having outperformed both their benchmark and the S&P 500 index since their appointment, as the chart below shows.

Fig.4: Performance Under Current Strategy



Source: Morningstar

Past performance is not a reliable indicator of future results.

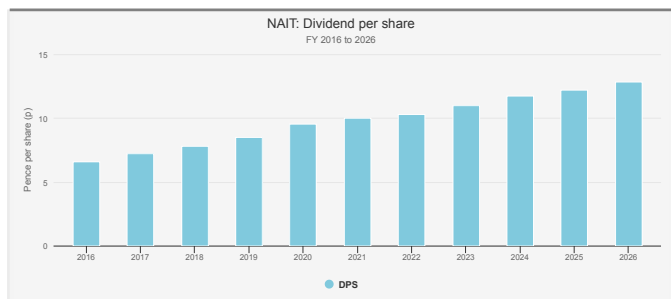
Beyond the mega caps, the US is also home to many lesser-known businesses plugged into the AI theme across both public and private markets. In fact, **Baillie Gifford US Growth (USA)** has initiated new positions in some of these over its previous financial year. This includes Runway, a generative AI video platform, with managers Gary Robinson and Kirsty Gibson viewing the unlisted business as a pioneer in the use of machine learning in creative workflows. They also built a position in Globant, a listed IT services provider, which they expect to benefit from companies seeking support to integrate AI into their operations. That said, USA offers exposure to more than just AI, and some of the recent additions to the portfolio are unrelated to this theme. This includes, for example, SharkNinja, which they see as gaining market share in the home appliance market, and online sports betting company DraftKings, which they believe will benefit from looser regulatory barriers. However, we note that Saba Capital still holds a c. 29% stake in the trust and has previously attempted to replace the trust’s board with its own nominees, as well as blocking a merger with Edinburgh Worldwide (EWI). As such, we believe further activism by Saba cannot be ruled out.

Conclusion

We find it interesting that healthcare has been a common destination for a number of investment trust managers seeking to diversify away from tech mega caps. As discussed, it is a sector that has faced several headwinds, notably since the last US election, but it continues to offer exposure to long-term structural growth themes. In addition, it comprises companies with both offensive and defensive characteristics. As such, we think the healthcare sector could thrive in both a buoyant market environment and during an economic slowdown.

NAIT has a particularly high allocation to this sector, at 16.5%. This represents a 610 basis point overweight relative to its benchmark, the Russell 1000 Value Index. As such, the trust could provide an attractive way to gain exposure to the healthcare sector. In addition, NAIT could offer diversification within a US allocation, given that its income mandate naturally steers the portfolio away from tech mega caps, as these stocks tend to pay low or no dividends, resulting in a differentiated exposure compared with a core US equity strategy. Moreover, we note that NAIT is the only US equity-focussed constituent of the AIC North America sector to have a long-term track record of annual dividend increases, spanning 15 years.

Fig.5: Dividend Per Share



Source: Janus Henderson

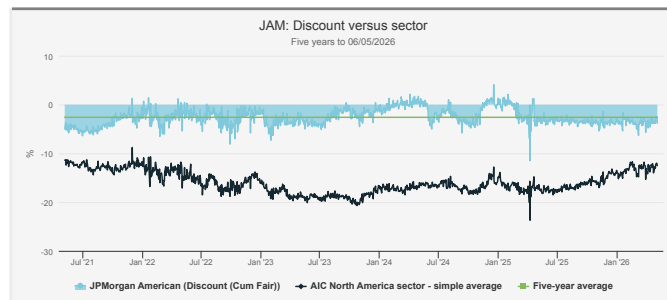
Past performance is not a reliable indicator of future results.

We also find JAM's positioning interesting at this juncture. The trust has added to its exposure to areas that have been overlooked amid the AI rally, including healthcare, while also maintaining exposure to tech mega caps. As such, we think the trust should be able to capture upside across different scenarios, including a continuation of the AI rally or a broadening of market returns.

At the time of writing, JAM was trading at a 3.8% discount. Albeit modest, this was also the widest discount among US equity-focussed investment trusts in the AIC North America sector (with the exception of **Pershing Square Holdings (PSH)**). This was also slightly wider than the trust's

long-term average, with the trust having consistently traded at narrow discounts or premiums. In fact, JAM still commanded a small premium until early 2025. We think the loss of this premium reflects the weaker relative performance the trust delivered last year, with the market favouring more speculative names, whereas JAM focusses on high-quality companies. However, this could reverse if the recent changes in the portfolio prove successful.

Fig.6: Discount



Source: Morningstar

Overall, we think the US continues to offer many exciting opportunities for growth, and the AI craze may have left some opportunities on the table to get access at a good price. While there is a lot of talk of rotating away from the US, we think it's important not to throw the baby out with the bathwater.



Disclaimer

Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

PLEASE SEE ALSO OUR TERMS AND CONDITIONS

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 70 Conduit Street, London W1S 2GF with registered number OC334771.

