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For Professional Investors only

A dividend-led view on what businesses are built to last

AI is changing how work is done, not what businesses are for

Artificial intelligence has become a new fault line in equity markets. As investors debate how quickly AI could reshape entire industries, valuations have moved sharply, often on broad assumptions rather than company specific analysis.

For dividend led investors, the question is more straightforward. AI can change how work is done, but that does not automatically mean it replaces the economic role a business plays. Automating activities is not the same as displacing the function a company performs within a wider system.

When uncertainty rises, markets tend to sell first and differentiate later. That can blur the distinction between businesses that may be genuinely vulnerable and those whose role in the economy is more durable than current market pricing suggests.

When markets sell first and think later

Periods of uncertainty tend to follow a familiar pattern. Investors sell first and begin to differentiate later. In the early stages, fear is often broad and indiscriminate, with entire sectors repriced on perceived vulnerability rather than business by business analysis.

This has been visible in parts of the market that have historically traded at a premium. Areas such as software and professional services have come under pressure as investors debate how quickly AI could automate certain activities. That does not mean all companies in these areas face the same risks, but it does show how quickly sentiment can shift before distinctions are made.

For long term investors, this reframes the question. The issue is not simply whether a company is exposed to AI, but whether its role in the economy can realistically be replaced.

What durability really means

Some businesses are built around physical assets and infrastructure that are difficult to displace quickly. The barriers are economic, regulatory and practical, not just technological.

The test is straightforward. We are unlikely to wake up tomorrow and find that an AI model can build an electricity grid or a telecom network, let alone a tractor or a drill ship. The real world constraints are still there.

The AI debate is often framed as a technology story. In reality, it is prompting a broader reassessment of business durability. Some companies sit at the centre of complex systems, provide essential services, or control assets that are deeply embedded in day to day operations. Others rely on activities that may be easier to replicate or automate.

For dividend led investors, durability is not about avoiding change. It is about understanding what underpins long term cash generation and whether a business can continue to earn its place in the economy as technology evolves.

Four questions that help separate strength from vulnerability

Rather than trying to predict where AI will have the biggest impact, it is often more useful to ask a small number of practical questions. These focus less on the pace of technological change and more on how a business is positioned today.

➤ **Concentrated power demand: Is the company a market leader with the ability to invest in the future?**

Scale, expertise and financial flexibility matter, particularly in uncertain environments where weaker players may struggle to adapt.

➤ **Does the business control proprietary data that is difficult to replicate?**

Where data has been built up over time and cannot easily be recreated, it can offer meaningful protection even as analytical tools become more powerful.

➤ **How embedded is the company in customer workflows?**

High switching costs matter. If a provider sits at the core of how clients operate, replacing it can be costly, disruptive and risky.

➤ **Where relevant, does the business benefit from brand strength or control of distribution?**

In some consumer facing contexts, owning the traffic still plays an important role in sustaining demand, even as the cost of producing alternatives falls.

Not every company needs to score highly on every dimension. The value lies in recognising that businesses caught in the same narrative may face very different realities.

Cheap is not the same as attractive

Sharp valuation moves can make some stocks look cheap at first glance. That alone is not enough. A lower price does not automatically mean a better opportunity, particularly when the reasons for the sell off have not been properly understood.

A company can be a market leader and still be vulnerable if it lacks proprietary assets or is not deeply embedded in customer workflows. Equally, some businesses may look dull or old fashioned, but prove more durable because they sit at the centre of essential systems or control assets that are hard to replace.

This is where discipline matters. Rather than repositioning portfolios quickly, the focus is on gradually adding quality businesses where valuations offer a margin of safety and durability is supported by fundamentals rather than hope.

What this means for dividend led investors

The AI debate has introduced a new source of uncertainty into equity markets. It has also encouraged investors to reprice risk in broad strokes, often before the fundamentals of individual businesses have been properly weighed.

For long term, dividend led investors, the aim is not to avoid disruption. It is to separate technological change from economic displacement, and to focus on businesses that remain hard to replace. That usually means companies that can invest through change, control assets or data that others cannot easily replicate, and are embedded in how their customers operate.

Markets may continue to debate the pace and reach of AI. The underlying investment question is more familiar: which businesses can keep earning their place in the economy and support sustainable cash generation over time.

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