

Changing Landscape

Brandes Investment Partners' Gerardo Zamorano describes how investing in emerging markets has changed over the years, why he follows regular bouts of negativity in pursuit of ideas, the unique valuation approach his team follows, and why he sees mispriced value in Millicom International, NetEase, Trip.com, Alibaba and Nova Ljubljanska Banka.

INVESTOR INSIGHT



Gerardo Zamorano
Brandes Investment Partners

Investment Focus: Targeting geographic and industry areas where current negativity might be overdone and excessively discounted in related-company share prices.

Gerardo Zamorano got an education in international finance as an undergrad at the University of Pennsylvania when a devaluation in his home currency, the Mexican peso, effectively doubled his dollar-denominated tuition. "An early brush with an emerging-markets crisis," he says.

Undaunted, Zamorano has made his career out of investing in developing markets. He is a member of the Brandes Investment Partners' committee responsible for the firm's \$4.6 billion (assets) emerging-markets strategy. Today he sees opportunity in such areas as telecom, videogames, online travel and banking.

What started you on a career path in emerging-markets investing?

Gerardo Zamorano: I grew up in Mexico City and came to the U.S. for college. When I was graduating from Wharton, I had originally considered joining Bain & Company as a consultant in Mexico City where they were looking to expand, but that got put on hold after the Mexican financial crisis of 1994/95. My other offer was from the International Finance Corporation, which is the part of the World Bank that provides long-term credit to the private sector in emerging markets

ON EMERGING MARKETS:

The opportunity set today is much broader geographically and country-level risks have also become more diverse.

to promote development. I was assigned to the Latin American/Caribbean department and from the beginning got to learn in depth about businesses and business models, from manufacturing ceramic engine parts, to textile production, to making flour tortillas. It was a great early experience with significant responsibility for someone my age.

After doing that for three years I went back to school for an MBA and was looking for buy-side opportunities broadly when I was contacted by a Northwestern alum then working at Brandes Investment Part-

ners who thought my background might be a good fit. The firm was actively invested in Latin America and they thought my background could bring something to the table. This was 1999 and, lo and behold, there was another financial crisis, this time in Brazil. My first project was going with a team of five analysts from Brandes to Brazil to look for opportunities resulting from that crisis. I have been with the firm since.

What have been the biggest changes in investing in developing markets since you started out?

GZ: One would be that emerging markets are more heterogeneous. It wasn't until the mid-1990s that China was even in the benchmark. Latin America, Europe, the Middle East and Africa were by far the biggest areas to invest in and a considerable part of the exposure there was to commodity producers and exporters to developed markets. EM in general had a great run from 2000 to 2010 but that was mostly driven by a supercycle in commodities. Now the opportunity set is much broader geographically in places like Asia, and the technology component has grown significantly, particularly in Korea, Taiwan and China.

Country-level risks have also become more diverse. Yields on sovereign debt in Taiwan, Korea and China are lower than in the U.S., and what India pays for its debt is also very competitive against European countries and the U.S. There's still plenty of sovereign risk to understand and assess across emerging markets, but in many countries the risks are not that

much different or more pronounced than in developed markets.

You mentioned that your first project at Brandes involved going to Brazil to look for opportunity in a crisis. Is that indicative of the firm's approach in general?

GZ: We are value investors so we do tend to gravitate toward countries and industries where negativity is high. We've benefited from the capital-spending cycle around AI in our holdings of Taiwan Semiconductor Manufacturing, Samsung Electronics and SK Hynix, for example, but we got interested in them when the semiconductor cycle was weak and the market was not very interested in them.

There are always areas of negativity that will attract our attention if we believe the market's reaction may be overdone. Recently we've added to existing positions or established new ones in places like Indonesia and the Philippines where there's high concern – which we believe may prove transitory – about inflation, consumer confidence and consumer spending given those countries' reliance on increasingly expensive imported oil because of the situation in the Middle East. We're also looking again at stocks we recently sold in Brazil after they fell sharply along with the market on news that a leading presidential contender was tied to a fraud investigation.

Another good example would be Mexico. Unresolved trade friction with the U.S. has weighed on certain sectors of the market, but we believe Mexico will ultimately continue to play an important role in the supply chain with the U.S. If they want a manufacturing footprint that relies less on China and elsewhere in Asia, U.S. companies will need a trading partner with low-cost manufacturing like Mexico. While it's not always clear in the current rhetoric from the U.S. administration, we'd argue a strong North American trade agreement is eventually the most logical outcome.

One area as a result we find interesting is industrial real estate investment trusts, called Fibras in Mexico. These firms – including Fibra Uno Administracion [Mexi-

co City: FUNO11] and ProLogis Property Mexico [Mexico City: FIBRAPL14] – earn most of their revenues in dollars and we expect they will have significant pricing power as the demand for the industrial real estate they own continues to outpace the supply. Given the relative differences in scale, even a very small amount of manufacturing leaving China for Mexico would have a very large impact on demand for industrial property in Mexico.

ON VALUATION:

We want our intrinsic value estimates not to be conservative or aggressive, but to reflect the most likely outcome.

Global meat-processing company JBS [JBS] is a fairly recent portfolio addition. What was going on with it that attracted your attention?

GZ: JBS was founded in Brazil in 1953 and today is the world's largest meat processor. It operates around the world but still maintains sizeable operations in Brazil, where meat production costs are generally lower because there's plentiful land for grazing and considerable rainfall which allows animals to be fed with grass rather than grain.

This is clearly a cyclical business, but one that benefits from a long-term secular tailwind of protein consumption generally increasing as countries' GDP per capita goes up. One cyclical dynamic today is that due to the cattle cycle in the U.S. beef prices here are increasing rapidly, making Brazilian beef more competitive. We believe that will incrementally benefit JBS, but its stock relative to U.S.-based peers is trading at a significant discount that we don't believe is warranted. These types of dislocations in valuations can happen relatively often and we try to take advantage of them as best we can. [Note: At \$12.50, JBS shares are off 33% from their April high and trade at 8.5x forward earnings.]

Your team takes a somewhat unique collective approach to valuation when vetting new ideas. Describe how you approach it and why.

GZ: Individual analysts take responsibility for each individual idea, preparing what are probably fairly standard comprehensive research reports that fully flesh out the investment case. That will include a detailed valuation model with clear descriptions of the assumptions driving individual line items.

After the ideas have been presented and various questions have been asked and answered, each member of the four-person investment committee responsible for managing the strategy makes their own estimate of intrinsic value based on the assumptions they believe are most likely to happen. We may have different views on a number of things, from growth potential to regulatory risk to capital allocation, and those come clearly to light when we're all asked to estimate value. Sometimes the differences are not material and we can use an average of the four estimates to drive our decision to buy or not. If the differences are 20% or more, we probably need to understand why and to resolve them if we are going to go any further with the name.

We consider this a strength of our team-based approach. We want our estimates of intrinsic value not to be conservative or aggressive, but to reflect the most likely outcome. We think we can best get there with a balanced approach that takes all the key positives and negatives into account. That's what we're trying to do with this process around valuation.

You for some time have been Brandes' telecom team leader. Why are you high on the prospects for Millicom International Cellular [TIGO].

GZ: This is a company I've followed closely for some time. Its origins go back to the early 1990s when a Swedish industrial conglomerate called Kinnevik decided to invest in wireless companies in frontier markets in Asia, Africa and some parts of

Central and South America. They did that through a controlling stake in Millicom, which they held until spinning off their position in the company fully in 2019.

We most recently got interested in the stock in 2022 after a large equity rights offering. In late 2022 a French telecom billionaire, Xavier Niel, started buying Millicom shares on the open market, a stake which has since risen to about 45% of the outstanding shares. The company had been narrowing its geographic focus – the assets are now mostly in Latin America – and with Niel’s involvement the board and management team was overhauled

and the new team started an aggressive cost-cutting program, significantly reducing headcount, cutting capital spending and renegotiating contracts with suppliers. They also continued to buy out minority partners in certain countries and put a priority on debt reduction. The idea was, “We’re not doing less, just with less money.”

That strategy has proven very successful and the latest part of the story is that Millicom is starting to do more M&A in the region to consolidate its market positions in countries such as Colombia, Ecuador, Uruguay, Peru and Chile. Unlike in

other parts of the world, the regulatory environment for wireless services in Latin America has been relatively favorable. Regulators have understood that it’s better to have two healthy players in a market than three or four unhealthy players, and the majority of Millicom’s EBITDA now lies in countries that have consolidated essentially into duopolies. That provides a positive pricing backdrop and as the company applies its cost-cutting playbook to newly acquired assets – particularly after three transactions earlier this year in Colombia – that should result in margin expansion as well.

The stock at a recent price of around \$85 has done very well in recent years. How are you looking at valuation today?

GZ: We believe revenues can grow organically at a mid to high single-digit rate, with EBITDA growing better than that because of cost cutting and more efficiencies, and free cash flow growing better still because capital spending has been nominally flat. We could see free cash flow growing in the double digits, but the stock on a normalized basis we believe trades at around a 10% free-cash-flow yield. That level of potential growth at that valuation is attractive to us.

Because of the recent M&A the balance sheet hasn’t delevered as much as investors expected, but we think the leverage today is still reasonable at around 2.5x net debt to EBITDA. When they get closer in two years or so to a planned 2x, we’d expect them to start returning more capital to shareholders through increased buybacks and dividends. We could see some revaluation in the shares from that as well.

Your next few ideas to discuss are based in China. How generally are you assessing the investing environment there?

GZ: We are currently materially underweight the index in China because we haven’t owned banks and real-estate-related companies there. A few years ago when the headlines were most negative and there was a lot of discussion about wheth-

INVESTMENT SNAPSHOT

Millicom International Cellular

(Nasdaq: TIGO)

Business: While run primarily from Florida and domiciled in Luxembourg, provides primarily mobile and fixed telecommunications services in nine Latin American countries.

Share Information (@5/29/26):

Price	85.36
52-Week Range	35.62 – 87.05
Dividend Yield	3.6%
Market Cap	\$14.24 billion

Financials (TTM):

Revenue	\$6.44 billion
Operating Profit Margin	24.6%
Net Profit Margin	19.1%

Valuation Metrics

(@5/29/26):

	TIGO	S&P 500
P/E (TTM)	11.6	25.7
Forward P/E (Est.)	15.3	22.4

Largest Institutional Owners

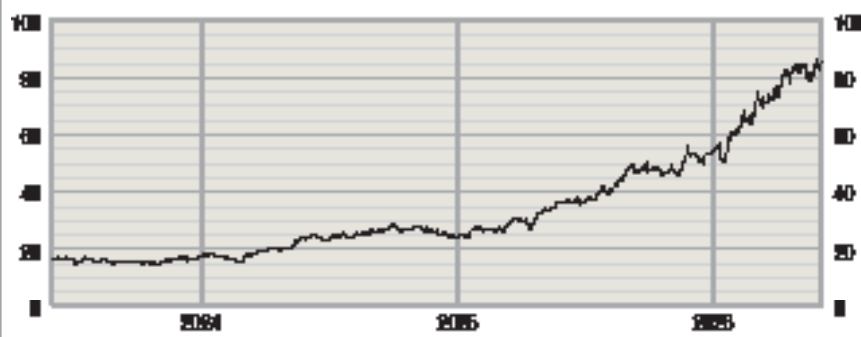
(@3/31/26 or latest filing):

Company	% Owned
MAYA SAS	44.2%
Dodge & Cox	10.1%
J.P. Morgan Asset Mgmt	4.3%
BlackRock	3.6%
Brandes Inv Partners	2.0%

Short Interest (as of 5/15/26):

Shares Short/Float	4.4%
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TIGO PRICE HISTORY



THE BOTTOM LINE

The company has refashioned its strategy and execution under controlling shareholder Xavier Niel and now the majority of its EBITDA comes in countries where it is one of two duopoly players, says Gerardo Zamorano. He doesn’t believe that competitive strength is reflected in the stock now trading on a normalized basis at a 10% free-cash-flow yield.

Sources: S&P Capital IQ, company reports, other publicly available information

er the country was even investable, valuations got to the point where we did start to increase our exposure and we were close to equal weight with the index. Since then several of our China holdings reached our estimates of intrinsic value and we have exited those positions.

We are not dismissive of the threat of government intervention that might impact the Chinese stocks we own, but generally we've focused on companies whose fortunes are tied much more to the consumer and the domestic market. The government has generally been supportive of fostering domestic consumption and the companies we own also tend to be less exposed to threats from tariffs and other trade frictions.

Describe your broader investment case for Chinese videogame company NetEase [Hong Kong: 9999].

GZ: NetEase is the second-largest videogame developer in China, with a strong 30-year track record of internally developing successful game franchises and keeping them relevant with upgrades and add-ons over time. They consistently have four, five or six titles among China's top 20 games. It's not a big part of our case, but the company also owns equity stakes in streaming-music company NetEase Cloud Music and online-education provider Youdao, providing some diversification with identifiable asset value.

In the first quarter we re-established our position in the stock for the second time in just over three years. The first time around we were able to buy the shares at 10x earnings when the government was slowing the approvals for new-game launches and putting new time restrictions on underage children playing videogames. NetEase had also recently lost its distribution rights in China to Activision Blizzard games, including *World of Warcraft*. We thought the actual impacts of those issues were more than reflected in the share price at 10x earnings. Net cash at the time was also close to 20% of the market cap.

That worked out well as the regulatory approval process improved and the Ac-

tivision Blizzard distribution rights came back after the company was bought by Microsoft. The P/E got into the high teens and we ended up selling in the early part of 2025. While the shares went up quite a bit more from there they started falling again in the second half of last year, this time apparently over concerns about consumer spending in China and that AI was going to disrupt the videogame business. The multiple got down to around 12x and we took a new position.

Our basic investment case is that the market is undervaluing the quality and durability of the company's earnings. Vid-

egames remain a secular-growth business and NetEase has a proven history of developing and maintaining long-lived game franchises in a market where it is one of the two largest players, behind Tencent.

If AI makes it easier and less expensive to create videogames, on balance we expect that to be more of a positive than negative for the company, which could lower its costs of production while it sustainably benefits from competitive advantages from its brand, distribution capability and existing relationships with game players. We believe those are durable advantages that won't be easy to overcome.

INVESTMENT SNAPSHOT

NetEase
(Nasdaq ADR: NTES)

Business: Develops, markets and sells online games in China; also holds majority stakes in public music-streaming (NetEase Cloud Music) and online-education (Youdao) affiliates.

Share Information (@5/29/26):

Price	122.82
52-Week Range	106.06 – 159.55
Dividend Yield	2.4%
Market Cap	\$76.78 billion

Financials (TTM):

Revenue	CNY 114.39 billion
Operating Profit Margin	33.3%
Net Profit Margin	29.8%

Valuation Metrics
(@5/29/26):

	NTES	S&P 500
P/E (TTM)	15.9	25.7
Forward P/E (Est.)	12.9	22.4

Largest Institutional Owners
(@3/31/26 or latest filing):

Company	% Owned
BlackRock	3.0%
Capital Research & Mgmt	2.4%
Vanguard Group	1.9%
UBS Asset Mgmt	1.7%
CSOP Asset Mgmt	1.2%

Short Interest (as of 5/15/26):

Shares Short/Float	0.5%
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NTES PRICE HISTORY

THE BOTTOM LINE

Given its proven history in developing long-lived game franchises in China where it is one of two large players, Gerardo Zamorano believes the market is undervaluing the quality and durability of the company's earnings. He thinks EPS can grow at a high-single-digit rate, warranting more like a high-teens P/E rather than today's 13x on forward estimates.

Sources: S&P Capital IQ, company reports, other publicly available information

How inexpensive do you consider the ADRs at a recent price of around \$123?

GZ: The stock currently trades at less than 13x estimated consensus forward earnings, near the low end of global large-cap gaming peers. Net cash now accounts for around 24% of the market cap.

Here we estimate annual EPS growth at least in the high single digits and that there's upside in the valuation as investors get more comfortable with what we believe is the sustainability of the business. The stock in the past has traded at over a 20x P/E, but even a level in the high teens would strike us as reasonable for a business with this return and growth profile. If they start to return more cash to shareholders that could provide further upside.

What's behind your interest in Trip.com [TCOM]?

GZ: This is another fairly recent addition to the portfolio. The company provides online travel services that allow people to plan and book their flights, hotels, trains, tours and car rentals from various providers through a single platform. It's #1 in China with around 50% market share and is also expanding rapidly elsewhere in southeast Asia.

The share price has been under pressure due to similar concerns over consumer spending and AI disruption that we talked about with NetEase. The company also announced that regulators were examining its business for potential monopolistic practices. From P/Es in the high teens to low-20s not that long ago, the stock now trades at less than 12x.

Here we believe the long-term secular growth for travel and tourism in China remains quite positive and that the prospects for the company's international operations are particularly interesting. The non-China business is growing rapidly and is close to moving beyond the money-losing investment stage as they build out their presence in local markets and benefit from operating leverage as they grow. As the international franchises scale, we would expect their margin profile to be at

least at the level in China, if not potentially higher.

Here we also believe AI can be more of a help than a hindrance. Trip.com's platform is quite evolved already in what it allows travelers to do in researching and booking their travel plans and it is a well-established and trusted brand in China and elsewhere. They have already been using AI to improve their customer-service automation and have launched an AI Genie that provides trip-planning recommendations for wherever you want to go. New AI competition won't easily overcome the advantages Trip.com has.

What's your take on the ongoing regulatory issue?

GZ: There's not a lot of information to go on. They disclosed they are being investigated for practices primarily having to do with their agreements with hotels. We can't know exactly how this particular case will turn out, but the Chinese government does want to shift the economy more from its industrial and manufacturing base to more consumer and services. Tourism is underdeveloped in China and longer term we would expect regulators to want to see a company like Trip.com succeed.

INVESTMENT SNAPSHOT

Trip.com

(Nasdaq: TCOM)

Business: China-based provider of travel services, allowing users to research, plan and book flights, hotels and transportation through online platforms Ctrip and Trip.com.

Share Information (@5/29/26):

Price	47.43
52-Week Range	45.92 – 78.99
Dividend Yield	0.6%
Market Cap	\$29.87 billion

Financials (TTM):

Revenue	CNY 62.41 billion
Operating Profit Margin	25.3%
Net Profit Margin	53.3%

Valuation Metrics

(@5/29/26):

	TCOM	S&P 500
P/E (TTM)	7.0	25.7
Forward P/E (Est.)	11.5	22.4

Largest Institutional Owners

(@3/31/26 or latest filing):

Company	% Owned
Capital Research & Mgmt	7.6%
Baidu	7.3%
BlackRock	5.5%
Vanguard Group	3.2%
Fidelity Mgmt & Research	2.6%

Short Interest (as of 5/15/26):

Shares Short/Float	2.2%
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TCOM PRICE HISTORY



THE BOTTOM LINE

Gerardo Zamorano expects long-term secular growth for travel and tourism in China and southeast Asia to be quite positive and that the company's market-leading online travel platform will be a prime beneficiary. With the stock trading at less than 12x estimated forward earnings, he sees upside from sustainable earnings growth and share revaluation.

Sources: S&P Capital IQ, company reports, other publicly available information

It's early, but in assessing both the AI and regulatory risks here we make assumptions about the range of potential outcomes and then judge whether the market is appropriately pricing the risk. Our job is not to avoid risk entirely, but to selectively accept it when expected returns are attractive – at less than 12x earnings we think the risk/reward is in our favor.

If you're right, are you expecting a revaluation of the shares, now trading in the U.S. at around \$47.40, to generate a lot of the upside?

GZ: With ongoing organic revenue growth and the international business going from loss-making to profitable, we believe overall annual EPS growth over the medium term here can be in the high single digits. There is also upside from a revaluation if the business proves as sustainable as we believe it will. The P/E as recently as 2024 averaged around 20x – you don't have to believe that is the right level to still see plenty of upside from the current level.

Turning to another Chinese online powerhouse, what do you think the market is missing in Alibaba [BABA]?

GZ: Alibaba is the largest e-commerce business in China, operating business-to-business and business-to-consumer online platforms including Alibaba.com, Taobao and Tmall. It also through Alibaba Cloud is China's largest cloud-services provider.

This is another high-flying growth company that fell significantly out of the market's favor in recent years. There have been a number of reasons for that, including at various times run-ins with regulators (particularly around fintech affiliate Ant Financial), slowing growth, rising delivery costs pressuring margins, and increasing competition from companies such as Pinduoduo and Meituan. As recently as early 2025 the stock got down to about 10x earnings.

At that level we thought there was a large disconnect between Alibaba's continued prospects for growth and what was being priced into the shares. It wasn't that

the market concerns were completely unfounded, but that the company was still a dominant player in growing markets and we believed it was responding well to both the threats and opportunities ahead of it.

The stock has done relatively well over the past 18 months, but we still don't believe it reflects the revenue and earnings growth potential here. The company has revamped the e-commerce businesses in China, streamlining what were siloed operations, enhancing functionality to better serve buyers and sellers, and improving the reach and efficiency of last-mile delivery. Alibaba Cloud has continued to

scale and isn't yet making money, but we believe it should be on a trajectory not unlike those of the big cloud-services providers in the U.S. toward much higher profitability. This has particularly helped the narrative of late, but AI has and should continue to benefit both the e-commerce and cloud businesses.

Is regulatory intervention a worry?

GZ: The biggest issues in the past have been around Ant Financial, which was blocked from going public in 2020 and then became subject to new regulation

INVESTMENT SNAPSHOT

Alibaba

(NYSE: BABA)

Business: Owns and operates large Chinese e-commerce platforms Alibaba.com, Taobao and Tmall as well as Alibaba Cloud, the country's biggest cloud-services provider.

Share Information (@5/29/26):

Price	124.22
52-Week Range	103.71 – 192.67
Dividend Yield	0.8%
Market Cap	\$283.64 billion

Financials (TTM):

Revenue	CNY 1.02 trillion
Operating Profit Margin	6.2%
Net Profit Margin	10.1%

Valuation Metrics

(@5/29/26):

	BABA	S&P 500
P/E (TTM)	19.5	25.7
Forward P/E (Est.)	20.2	22.4

Largest Institutional Owners

(@3/31/26 or latest filing):

Company	% Owned
BlackRock	5.5%
SoftBank	3.5%
Vanguard Group	3.3%
Norges Bank Inv Mgmt	2.3%
J.P. Morgan Asset Mgmt	1.6%

Short Interest (as of 5/15/26):

Shares Short/Float	1.7%
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BABA PRICE HISTORY



THE BOTTOM LINE

The company has revamped its giant e-commerce business in China for the better and its cloud-services division appears to be on a trajectory toward much higher profitability, says Gerardo Zamorano. Valuing those two businesses separately, he doesn't consider today's 20x P/E valuation at all aggressive relative to the firm's attractive growth prospects.

Sources: S&P Capital IQ, company reports, other publicly available information

that negatively impacted its business model. That obviously reduced the value of Alibaba’s one-third stake in the company, but that’s now water under the bridge and has a small impact on the investment case today. Regulatory risk in China is always something to consider, but it doesn’t appear Alibaba is or could be the target of severe scrutiny for the time being.

What do you think the shares, at around \$124 off 35% from their 52-week high, are more reasonably worth?

GZ: We believe the e-commerce business over the next few years can grow at 10%-plus annually, while Alibaba Cloud can potentially grow at twice that rate and start to generate real operating profitability. We value those two businesses separately, but don’t consider the current 19-20x overall P/E at all aggressive relative to the growth profile here.

Now for something completely different, explain your thesis for Nova Ljubljanska Banka [London: NLB].

GZ: Our strategy allows us to invest in frontier markets and we continue to find good opportunity in such markets, particularly in Latin America and Eastern Europe. As background here, going back to the global financial crisis the government in Slovenia made considerable financial contributions to two large state-owned banks – one of which was NLB – to help them through the crisis. Years later Slovenia was working with the European Union and the International Monetary Fund on a financial-support program, and one condition of the help was that the country privatize the bank. That’s when we first got involved, at the IPO in 2018 at €51.50 per share. We’ve held it since. [Note: NLB shares today trade on the Ljubljana Stock Exchange at around €222. Its Global Depositary Receipts traded in London represent 1/5 of an ordinary share.]

The company is a traditional bank, offering consumer and corporate loans that are well funded by low-cost deposits. The two big banks in Slovenia control close to

60% of the market, which has resulted in healthy net-interest and net-profit margins. Financial services in Slovenia are still underpenetrated, providing a nice tailwind for growth, and NLB has also expanded at a measured pace throughout the region and now operates as well in Serbia, Macedonia, Kosovo and Montenegro.

How would you characterize the country risk here?

GZ: The Balkans have always been a rather volatile region, but in the last decade or so we’ve seen the governments and popu-

lations gravitating toward closer alignment with the west rather than the east. The regulatory environments are generally positive and the rule of law is fairly consistent with what you find in Europe.

The Slovenian government still owns 25% of Nova. Its ownership hasn’t proven particularly problematic, although the government did enact a temporary tax on banks to support a reconstruction fund after severe floods in 2023 caused widespread damage in the country. This isn’t uncommon in countries like this and the good thing in this case is that the taxes are set to expire after five years. We would ex-

INVESTMENT SNAPSHOT

Nova Ljubljanska Banka
(London: NLB)

Business: One of the two large commercial and consumer banks in Slovenia, with regional subsidiaries operating as well in Kosovo, Serbia, Macedonia and Montenegro.

Share Information
(@5/29/26, Exchange Rate: \$1 = €0.86):

Price	€44.00
52-Week Range	€27.60 – €48.95
Dividend Yield	5.8%
Market Cap	€4.44 billion

Financials (TTM):

Revenue	€1.30 billion
Operating Profit Margin	n/a
Net Profit Margin	38.1%

Valuation Metrics
(@5/29/26):

	NLB	S&P 500
P/E (TTM)	8.9	25.7
Forward P/E (Est.)	8.4	22.4

Largest Institutional Owners
(@3/31/26 or latest filing):

Company	% Owned
Government of Slovenia	25.0%
Capital Research & Mgmt	3.0%
Schroder Inv Mgmt	2.9%
Eaton Vance	1.9%
Goldman Sachs Asset Mgmt	1.5%

Short Interest (as of 5/15/26):

Shares Short/Float	n/a
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NLB PRICE HISTORY

THE BOTTOM LINE

Since going public in 2018 the company has capitalized on its strong market position and favorable economic and regulatory environment to significantly increase earnings and profitability, says Gerardo Zamorano. He expects more of the same going forward, which he doesn't consider appropriately priced into the shares at the current less than 9x P/E.

Sources: S&P Capital IQ, company reports, other publicly available information

pect that to happen as planned, but to be conservative in our valuation we have assumed the taxes stay in effect.

How attractive do you consider the shares at today's €222 price in Slovenia and €44 GDR price in London?

GZ: The shares have done well because of earnings growth rather than multiple expansion. Earnings per share have doubled over the past five years and the return on equity over that period has averaged in the mid-teens. But the P/E multiple today is still under 9x. We think the combination of earnings growth, even a modest re-rating, and share buybacks and dividends – the current dividend yield is 5.8% – still provide us with a very attractive potential shareholder return.

Describe one or two positions you have recently sold and why.

GZ: One interesting example is ZTO Express [Hong Kong: 2057], which is one of the four or five big package-delivery companies in China. In a market with healthy parcel volume growth due to e-commerce, the competition had gotten so intense among the large delivery companies that earnings weren't really growing because volume increases were offset by price decreases. We thought that wasn't sustainable and that ZTO would benefit as competition in the market normalized.

That's in fact what has happened, prompted by government intervention with what they call an "anti-involution" campaign, where regulators push industries that have gotten too cutthroat to compete more rationally. As that effort took hold in the package-delivery space and people started to see earnings growth coming in, the shares revalued and hit our estimate of intrinsic value and we sold.

We also recently sold our position in Cemex [CX], the large cement producer whose two largest markets are Mexico and the U.S. This is another idea where we've invested on and off over a long period depending on the market's reaction to what can be fairly volatile end-market

cycles. In the latest rendition, we thought a slowdown in construction in Mexico prompted by the latest change in administration would prove temporary and that increasing cement demand in the U.S. for infrastructure projects would benefit Cemex's volumes and pricing there. At the time the market was expecting very little and the stock traded at a free-cash-flow yield in the mid-teens.

Cement prices in the U.S. have since increased meaningfully and Cemex has generated more cash flow that it has used to pay down debt, which had also been an investor concern. As free cash flow got to more of a typical mid-cycle level and a re-rating of the stock took the normalized free-cash-flow yield closer to 6-7%, we recycled the money into what we considered more attractive ideas.

You bought a position a year ago in IT-services company Globant [GLOB] after its shares had fallen sharply, in large part over fears that AI would disrupt its business. The stock has taken another significant leg down since. How are you processing what's gone on there?

GZ: The company is headquartered in Luxembourg but has significant operations across emerging markets, with the vast majority of its workforce based in Latin America and India. Unlike many larger IT-services firms that maintain broad exposure to slower-growing segments, Globant generates nearly all its revenue from advanced, high-margin and project-based services in areas such as customer experience, cloud transition, software development and, increasingly, AI implementation.

After a pandemic-era surge in digital-transformation spending, the company a year ago was facing a cyclical slowdown as enterprises focused on cost efficiency and were delaying discretionary technology investments. The rise of generative AI also introduced long-term uncertainty, with the potential to automate commoditized tasks and disrupt traditional outsourcing models. These concerns brought the P/E down from 25x to about 10x when we first got

interested in it. The forward multiple is now closer to 6-7x.

When we first bought in, we thought the cyclicity and AI-related risks were more than accounted for in the market valuation. In our view the company was well positioned to benefit as IT budgets normalized and clients moved from AI pilots to scaled adoption and turned to Globant for its expertise. It also had the ongoing potential to expand its scope of work to more complex, higher-value projects in areas such as product design, data integration and business-process reengineering.

I would say that our overall view on the company's prospects hasn't changed. Clearly the debate over the impact of AI on IT consulting is ongoing and the market's judgment has been mostly negative. We didn't originally take a big position given the uncertainty, but we have averaged down once to maintain the position at a 1-1.25% weight. We're comfortable at that level and still think the market is pricing this as a shrinking business when we don't believe it is. [Note: Globant's shares at a recent price of around \$40.50 trade at 20% of their early 2025 levels and 6.4x estimated forward earnings.]

Emerging-market stocks have had a good run over the last 18 months. Is the valuation case for the category versus the U.S. still intact?

GZ: Yes. As of the end of April, the MSCI Emerging Markets Index traded at 12.1x forward earnings, compared to 22.3x for the MSCI USA Index. Within the asset class itself, value stocks also continue to trade at wider-than-historical-average discount levels to growth stocks across multiple valuation metrics.

But as I described earlier, the opportunities aren't uniform. For example, while the AI capex cycle in semiconductors may have some room to run, the appreciation in EM semiconductor stocks has been so dramatic that we have to assess reducing our exposure there. The good news is that there are regular bouts of negativity elsewhere that provide us the opportunity to recycle capital. **VII**

Past performance is not a guarantee of future results. All investments carry a certain degree of risk including the possible loss of principal.

The declaration and payment of shareholder dividends are solely at the discretion of the issuer and are subject to change at any time.

Examples selected based on sector/company type to demonstrate our value spectrum framework; selection was not performance-based. Not a recommendation to buy or sell any security. Intrinsic value estimates can change over time. Holdings are subject to change and may not be representative of all investments.

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International and emerging markets investing is subject to certain risks such as currency fluctuation and social and political changes; such risks may result in greater share price volatility. Such risks are increased when investing in emerging and frontier markets. Additional risks associated with emerging and frontier markets investing include smaller-sized markets, liquidity risks, and less established legal, political, social, and business systems to support securities markets. Some emerging and frontier markets countries may have fixed or managed currencies that are not free-floating against the U.S. dollar. Certain of these currencies have experienced, and may experience in the future, substantial fluctuations, or a steady devaluation relative to the U.S. dollar.

It is not possible to invest directly in an index.

The S&P 500 Index with gross dividends measures equity performance of 500 of the top companies in leading industries of the U.S. economy.

The MSCI Emerging Markets Index with net dividends captures large and mid cap representation of emerging market countries.

The MSCI USA Index measures the performance of the large and mid cap segments of the U.S. equity market.

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Capital Expenditure (CapEx): The money an organization or corporate entity spends to buy, maintain, or improve its fixed assets.

Cash Flow: Amount of cash generated minus the amount of cash used by a company in a given period.

Dividend Yield: Dividends per share divided by price per share.

EBITDA: Earnings before interest, taxes, depreciation and amortization.

Earnings Per Share (EPS): Commonly used measure of a company's profitability. EPS is calculated by dividing a company's net income by the total number of outstanding shares. Free Cash Flow: Total cash flow from operations less capital expenditures.

Forward Earnings: Consensus earnings estimates for a future period, usually the next 12 months or next fiscal year.

Gross Domestic Product (GDP): The total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

Market Cap: The current value of a publicly traded company, based on the total dollar amount that all of its outstanding shares are worth.

Mergers and Acquisitions (M&A): Refers to various strategies in the business environment that enable the consolidation of companies into a single, larger entity.

Net Debt-to-EBITDA: The net debt-to-EBITDA ratio compares a company's debt to its earnings and can indicate its ability to make its debt payments.

Price/Earnings (P/E): Price per share divided by earnings per share.

Return on Equity: Net income divided by shareholder equity.

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