

Brandes Investment Partners

Global Opportunities Value Strategy Notes

Second Quarter 2025 (April 1 – June 30, 2025)

The Brandes Global Opportunities Value Strategy rose 12.48% net of fees and 12.72% gross of fees, outperforming its benchmark, the MSCI ACWI Index, which was up 11.53% in the quarter.

Annualized total return as of June 30, 2025	1-year	5-year	10-year
Brandes Global Opportunities Value Composite (net)	28.97%	18.82%	8.37%
Brandes Global Opportunities Value Composite (gross)	29.93%	19.82%	9.33%
MSCI ACWI Index	16.17%	13.64%	9.99%

Past performance is not a guarantee of future results. One cannot invest directly in an index. Returns include reinvestment of all dividends and are reduced by any applicable foreign withholding taxes, without provisions for income taxes, if any.

Contributors to Performance

The largest contributors included holdings in financials, led by Austria-domiciled Erste Group Bank, Slovenia's Nova Ljubljanska Banka, and Spain-based Linea Directa Aseguradora. Erste Group gained from improving macro conditions in Central Europe; it also expanded into Poland following its announced acquisition of a stake in Santander Bank Polska.

Although our overweight to health care, the worst-performing sector in the benchmark, hurt relative returns, our stock selection more than offset the negative allocation impact. Standout performers included U.S. Elanco Animal Health and Germany-based Draegerwerk.

Other contributors included telecom services providers Millicom International Cellular, Magyar Telekom, and Telefonica Brasil. Select technology holdings, specifically U.S.-based Arlo Technologies and NETGEAR, also did well, along with industrials companies Embraer and MITIE Group.

Detractors from Performance

The largest detractor from relative returns was our significant underweight to technology, which rebounded in the second quarter and represented the best-performing sector in the benchmark.

At the holding level, poor performers included U.S. personal care products company Edgewell Personal Care, France-headquartered pharmaceutical firm Sanofi, and China's Alibaba.

Sanofi declined due to market worries about its profit margins, a concern we consider short-term in nature. We believe Sanofi remains well positioned for steady top-line growth, supported by its flagship drug Dupixent, its improved research and development productivity, and a lack of major patent expirations for the next five years. We continue to view Sanofi as a stable cash-flow generator with upside optionality from its pipeline.

After a strong rebound in the first quarter, Alibaba declined amid macroeconomic uncertainty in China. We remain confident in the company's long-term positioning in e-commerce and cloud computing, and believe the shares continue to trade at an attractive valuation level.

Portfolio Activity

The investment committee initiated positions in several companies: U.S.-based chemicals firm Westlake and health care company Becton Dickinson, U.K.-based professional services Pagegroup, and South Korean Hankook Tire & Technology.

Becton Dickinson (BDX) is one of the world's largest medical device manufacturers with the top U.S. market share in medication delivery, diagnostics, and interventional products. About 85% of BDX's revenues are recurring, and the company benefits from deep integration into hospital networks, a broad product portfolio, and scale advantages in manufacturing. Since the launch of its transformation plan in 2021, BDX has focused on organic growth, margin

expansion, and deleveraging. A pending divestiture of its Biosciences and Diagnostic Solutions businesses could potentially unlock value, and in our view, BDX offers a compelling combination of quality, stability, and upside optionality from product portfolio optimization.

Hankook Tire & Technology, Korea's largest tire manufacturer and the seventh largest globally, focuses on passenger and light-duty vehicle tires. Hankook is considered a second-tier player in the industry, producing good quality tires that sell at a discount to the products of first-tier players. In the last few years, Hankook has been able to modestly increase its market share in both the original equipment and replacement markets. Hankook's share price came under pressure over the past year, largely due to capital allocation concerns. Hankook, a longtime shareholder of auto components supplier Hanon Systems, increased its stake from 20% to a controlling interest over 50% at a significant premium to Hanon's share price in 2024. While we agree that the transaction was value destructive, we believe the market has overreacted to the news and undervalued the earnings power of the business.

We appreciate that Hankook maintains a strong, net-cash balance sheet following the Hanon Systems transaction. Additionally, the majority of demand for Hankook's tires is for replacement tires versus new vehicle tires, which, although somewhat cyclical in nature, positions Hankook more defensively. The company has also been making investments to gain market share in the U.S. and Europe, and it has a competitive offering in electric vehicle (EV) tires. EVs require more advanced tires, which are sold at a premium and can have a shorter replacement cycle. At its current valuation, Hankook offers a compelling investment opportunity to us.

Besides the new purchases, portfolio activity included several divestments, including a few positions in the U.K.: aerospace and defense firm Rolls-Royce, tobacco company Imperial Brands, facilities management firm MITIE Group, and currency printer De La Rue. The committee also sold Germany's Heidelberg Materials and Japanese consumer staples retailer Mitsubishi Shokuhin.

The exit from Rolls-Royce marked the conclusion of an investment that began in May 2022. At the time of purchase, the company was trading at a significant discount to our estimate of intrinsic value, following a period of severe disruption caused by the COVID-19 pandemic. Our thesis centered on Rolls-Royce's dominant position in the widebody aircraft engine market, its high-margin aftermarket services business, and its exposure to long-term secular growth in global air travel.

Over the course of our holding period, we made several upward adjustments to our estimate of Rolls-Royce's intrinsic value as the company made substantial progress in strengthening its balance sheet, improving operational execution, and restoring profitability. By mid-2025, the stock had appreciated significantly, supported by a rebound in civil aerospace volumes, margin expansion, and a return to investment-grade credit metrics. With the stock trading up to our revised intrinsic value estimate, we exited the position during the quarter. While we continue to view Rolls-Royce as a high-quality industrial franchise, we believe the risk/reward profile has become less compelling compared to other opportunities in the portfolio.

Year-to-Date Briefing

The Brandes Global Opportunities Value Strategy rose 22.58% net of fees and 23.03% gross of fees, outperforming its benchmark, the MSCI ACWI Index, which appreciated 10.05% in the six months ended June 30, 2025.

Outperformance was driven by stock selections across multiple sectors, most notably communication services, health care, financials, consumer staples, and industrials. At the stock level, top contributors were similar to those in the quarter, led by Embraer, Magyar Telekom, Millicom International, Erste Group Bank, and Linea Directa Aseguradora.

Meanwhile, detractors included holdings in the textile, apparel and luxury goods industry, namely Switzerland-based Swatch, France based Kering, and Hong Kong's Yue Yuen Industrial. U.S.-based oilfield services provider Halliburton also hurt performance, as did Edgewell Personal Care.

Current Positioning

The strategy holds overweight positions in consumer staples and health care, while retaining a significant underweight to technology. Geographically, it maintains overweights to emerging markets and the United Kingdom, while remaining underweight the U.S., which accounts for approximately 64% of the benchmark.

We believe the differences between our portfolio and the MSCI ACWI Index make it an appealing complement to index-tracking or passively managed strategies. Going forward, we remain optimistic about the portfolio's holdings composition and the risk/reward tradeoff it offers.

For term definitions: <https://www.brandes.com/termdefinitions>

The MSCI ACWI with net dividends captures large and mid cap representation of developed and emerging markets.

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