

Brandes Investment Partners
Global Opportunities Value Strategy Notes
First Quarter 2026 (January 1 – March 31, 2026)

The Brandes Global Opportunities Value Strategy rose 4.10% net of fees and 4.31% gross of fees, outperforming its benchmark, the MSCI ACWI Index, which fell 3.20% in the quarter.

Annualized total return as of March 31, 2026	1-year	5-year	10-year
Brandes Global Opportunities Value Composite (net)	32.78%	15.12%	10.47
Brandes Global Opportunities Value Composite (gross)	33.53%	16.02%	11.41%
MSCI ACWI Index	20.01%	9.48%	11.33%

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.

Positive Contributors

The energy sector rose significantly amid the geopolitical conflict in the Middle East, and our exposure aided relative returns. Brazil’s Petroleo Brasileiro (Petrobras) was a top performer in the quarter, benefiting from higher oil prices and its lack of production exposure in the region. Our other energy holdings, namely U.S. Halliburton and Innovex, and U.K.-based Shell also did well.

Apart from energy, notable contributors included holdings in health care and communication services.

In communication services, top performers were Latin American Millicom International Cellular and Hungary’s Magyar Telekom. Millicom benefited from stronger cash-flow generation, which reflected its post-restructuring lower-cost structure, progress in improving profitability in newly acquired operations in Uruguay and Ecuador, and the closing of multiple transactions in Colombia where it has been consolidating the market and acquiring minorities.

In health care, leading contributors were German medical equipment business Draegerwerk, as well as pharmaceutical holdings GSK (U.K.), Pfizer (U.S.) and Takeda Pharmaceutical (Japan).

Other contributors included South Korean Samsung Electronics and U.S.-based machinery firm Kennametal. Shares of Samsung Electronics advanced strongly as infrastructure spending linked to AI continued to underpin memory demand and pricing. Given its scale, balance-sheet strength, and vertically integrated manufacturing footprint, Samsung is well positioned, in our opinion, to see robust growth in margins and free-cash-flow generation.

Performance Detractors

Major detractors included a few technology-related holdings which were pressured by heightened concerns around perceived AI disruption.

Amdocs, Cognizant, and Globant were among the largest detractors, as their shares fell despite what we consider limited changes to underlying fundamentals. While these businesses continued to benefit from long-standing client relationships and high customer switching costs, market sentiment during the quarter reflected heightened uncertainty around longer-term demand and competitive dynamics. We selectively added to our positions, as we believe the market does not fully recognize the durability of their business models, given their significant embedded technological and customer data expertise and the reality that enterprise customers need help implementing AI customized for their businesses.

Similarly, intensifying competition and uncertainty over how quickly AI-driven innovation will translate into incremental revenue growth weighed on German enterprise software vendor SAP. Despite these challenges, SAP continued to benefit from a deeply embedded customer base and long-term secular demand for enterprise resource planning solutions. We took advantage of the share-price decline to add to our position.

Other detractors included French advertising agency Publicis and luxury goods firm Kering, as well as China's Alibaba. Despite posting better-than-expected earnings, Publicis guided for slightly weaker growth than the market had anticipated. Additionally, the broader sell-off in businesses perceived as vulnerable to potential AI disruption negatively impacted the company. We believe the market response during the quarter overstated near-term risks, while giving little credit to Publicis's long-term adaptability and client relationships.

Select Activity in the Quarter

During the quarter, the investment committee initiated positions in Ireland-based contract research organization ICON, U.K.'s London Stock Exchange Group, Bank Rakyat Indonesia, Chinese entertainment business NetEase, and U.S.-based flooring manufacturer Mohawk Industries. The committee divested position in U.S.-based logistics firm FedEx.

Mohawk Industries is the world's largest flooring manufacturer. With a leading position on ceramic tile, carpet, laminate, vinyl and stone products, the company serves residential remodeling, new construction and commercial markets. Its global manufacturing and distribution footprint provides substantial scale advantages, broad product reach and cost efficiency across cycles.

The market is currently focused on near-term headwinds facing Mohawk, including slowing home-remodeling demand, elevated input costs and margin pressure after an unusually strong post-COVID rebound.

While cycle risks are still elevated, the company benefits, in our opinion, from a strong balance sheet and a free-cash-flow profile that has stayed positive throughout this period. Additionally, management owns a meaningful equity stake and has shown a willingness to deploy capital opportunistically through share repurchases and acquisitions during times of industry stress.

In our view, Mohawk trades at a valuation that can withstand a prolonged downturn scenario. Based on our assessment of normalized earnings power and balance sheet strength, we believe its shares offer an attractive margin of safety and favorable long-term return potential.

Current Positioning

The portfolio maintains overweight positions in consumer staples, health care, and communication services, while remaining significantly underweight in information technology. With the full sale of FedEx, our underweight to industrials expanded during the quarter. Geographically, the portfolio maintains meaningful overweights to emerging markets and the United Kingdom, while remaining underweight the U.S., which accounts for approximately 63% 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 holdings composition and the risk/reward tradeoff it offers.

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

For index definitions, please refer to <https://www.brandes.com/benchmark-definitions>.

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