BRANDES
INVESTMENT PARTNERS

**Brandes Investment Partners**
## Global Small Cap Equity Strategy Notes
## Fourth Quarter 2025 (October 1 – December 31, 2025)

The Brandes Global Small Cap Equity Strategy returned 5.73% net of fees and 5.77% gross of fees, outperforming its benchmark, the MSCI ACWI Small Cap Index, which was up 2.66% in the quarter as well as the MSCI ACWI Small Cap Value Index which gained 3.57%.

| Annualized total return as of December 31, 2025 | 1-year | 5-year | 10-year |
|---|---|---|---|
| Brandes Global Small Cap Equity Composite (net) | 46.37% | 23.23% | 13.63% |
| Brandes Global Small Cap Equity Composite (gross) | 47.10% | 24.12% | 14.52% |
| MSCI ACWI Small Cap Index | 19.72% | 7.29% | 9.32% |

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***

Holdings in consumer discretionary, communications services, and industrials were major contributors to returns. Top performers included machinery companies Kennametal and Graham Corporation, South Korean Hankook Tire & Technology, and Luxembourg-domiciled wireless telecom operator Millicom International Cellular.

Hankook Tire & Technology announced strong third-quarter results that exceeded consensus estimates. The company successfully mitigated tariff headwinds through price hikes and benefited from volume growth and a healthy product mix.

Select health care holdings also performed well, led by Ireland-based Avadel Pharmaceuticals. In October, Avadel announced an agreement to be acquired by Alkermes for a total value of $2.1bn, with the full value realization contingent upon FDA approval of Lumryz for treating idiopathic hypersomnia in adults by the end of 2028. The following month, H. Lundbeck made an unsolicited proposal valuing Avadel at approximately $2.4bn, prompting Alkermes to raise its offer. Amid the bidding war, Avadel's share price reached our estimate of its intrinsic value, leading us to divest our position.

Other notable contributors included energy equipment and services business Innovex International.

***Performance Detractors***

Detractors included holdings in consumer staples and information technology, specifically personal care products companies Ontex Group (Belgium) and Edgewell Personal Care (U.S.), Canadian software company Open Text, Hong Kong's PAX Global Technology, and U.S.-based Arlo Technologies.

Ontex fell primarily due to sharper-than-expected decline in European and North American baby care sales, leading management to issue a significant downward revision of its full year financial outlook. We believe this situation is short-term in nature and maintain our allocation to the company. Meanwhile, Open Text experienced weakness in enterprise software spending and struggled with integration challenges following recent acquisitions, which weighed on results. Our investment thesis remains anchored in the company's recurring revenue model and cost synergies over time.

Other poor performers included South Korean security management company S-1 and Spanish insurer Linea Directa Aseguradora.

***Select Activity in the Quarter***

The small-cap investment committee initiated positions in U.K.-based packaging manufacturer Mondi and professional services company Hays, as well as Netherlands-based machinery company Aalberts. The committee also added a few U.S. companies to the portfolio: commercial services and supplies business UniFirst, chemical company Scotts Miracle-Gro, and health care firm Prestige Consumer Healthcare.

Mondi is a leading player in the European packaging industry, operating across three segments: corrugated packaging, flexible packaging, and uncoated fine paper. In both corrugated and flexible packaging, Mondi is “net long paper,” meaning it produces more containerboard and kraft paper than it consumes in its box and paper bag operations.

Mondi is one of the largest producers of virgin containerboard (primary component for making corrugated board) in a predominately recycled European market. It also boasts a strong position in kraft paper, which represents a small and opaque market with steep barriers to entry. Thanks to its access to lower-cost Central and Eastern European fiber and its vertical integration from pulp to converted box/bag, Mondi has what we consider favorable cost positioning. Its kraft paper business, which supplies diverse end uses such as cement, pet food, groceries, and protective mailers for Amazon, delivers higher margins relative to peers. Given the breadth of its product portfolio, Mondi serves as a one-stop shop for customers, adding value by fulfilling a wide range of packaging needs.

Overcapacity in European recycled containerboard, along with inflation in non-fiber input costs, has pressured Mondi’s margins in its corrugated packaging business, weighing on its share price and creating an attractive entry point for investment. We believe these challenges are temporary and Mondi is well positioned to navigate them. Looking beyond the short-term demand turbulence and capacity issues, our investment thesis centers on Mondi’s competitive positioning and the solid long-term volume growth potential for fiber-based packaging supported by secular trends in sustainability, convenience, and plastic-to-paper substitution. At its current valuations, Mondi represents a compelling value opportunity.

Besides the new buys, other portfolio activity included the divestments of Avadel Pharmaceuticals, French cement company Vicat, U.S. pizza restaurant chain Papa John’s International, Panama’s Banco Latinoamericano de Comercio Exterior, and Brazilian electric utility Neoenergia.

***Year-to-Date Briefing***

The Brandes Global Small Cap Equity Strategy rose 46.37% net of fees and 47.10% gross of fees, outperforming its benchmark, the MSCI ACWI Small Cap Index, which appreciated 19.72% in 2025, and the MSCI ACWI Small Cap Value Index, which rose 20.29%.

Stock selection across various sectors drove outperformance. Key contributors included holdings in industrials, financials, communication services, consumer discretionary, and health care. Geographically, holdings in the U.S., the U.K., Luxembourg, France, and emerging markets performed well. At the company level, standout performers included aerospace and defense businesses Embraer, Montana Aerospace, and LISI, telecom firms Millicom International Cellular and Magyar Telekom, and Elanco Animal Health.

Detractors included holdings in consumer staples, such as Edgewell Personal Care, Ontex Group, and Indofood. Allocation to information technology also hurt relative returns, partly due to our lack of semiconductor and technology hardware storage holdings. On a country basis, holdings in Canada performed poorly, notably Dorel Industries and Canfor. Other detractors included energy firm World Kinect and machinery businesses Hurco Companies and L.B. Foster.

***Current Positioning***

The portfolio maintains large allocations to industrials, consumer staples, and health care, while holding underweight positions in technology, materials, real estate, and consumer discretionary. Additionally, we ended 2025 with a lower weighting to financials as we divested several holdings that appreciated to our estimates of their intrinsic values during the year. The sector now represents our largest underweight relative to the benchmark. Geographically, the portfolio continues to have significant exposure to companies in the United States (although still significantly underweight relative to the benchmark), the U.K., and emerging markets, while remaining underweight in Australia, Japan, and India.

A good portion of the portfolio continues to be allocated to domestically oriented companies, which tend to benefit from larger competitive moats and reduced direct exposure to international trade disputes compared to their export-driven peers. Additionally, many of our holdings also represent mature and stable business models where earnings and free cash flow generation have historically shown resilience during macroeconomic or cyclical disruptions.

In recent years, we have gradually increased our weighting to cyclical industries, especially in areas where the market appears to be overreacting to cycle risk. However, we remain cautious as many opportunities still present risks of elevated earnings and valuations. Throughout our investment process, we maintain a sharp focus on balance sheet quality. We feel this is particularly important in the global small-cap equity space as the low interest-rate environment has increased corporate debt appetite and foreign currency exchange mismatches can pose a risk.

Going forward, we remain optimistic about the portfolio's holdings composition and the risk/reward tradeoff it offers.

For term definitions, please refer to https://www.brandes.com/termdefinitions.

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