

Brandes Investment Partners
Global Small Cap Equity Strategy Notes
Second Quarter 2026 (April 1 – June 30, 2026)

The Brandes Global Small Cap Equity Strategy rose 3.68% net of fees and 3.88% gross of fees, underperforming its benchmark, the MSCI ACWI Small Cap Index, which was up 14.89% in the quarter, and the MSCI ACWI Small Cap Value Index, which gained 10.26%.

Annualized total return as of June 30, 2026	1-year	5-year	10-year
Brandes Global Small Cap Equity Composite (net)	20.69%	18.89%	13.44%
Brandes Global Small Cap Equity Composite (gross)	21.59%	19.80%	14.35%
MSCI ACWI Small Cap Index	28.82%	7.41%	10.72%

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. The 2026 returns are preliminary, unaudited and subject to change.

Positive Contributors

Holdings in communications services performed well, led by telecoms Millicom International Cellular and Magyar Telekom. Millicom, which operates entirely in Latin America, continued to improve margins in its core operations while enhancing profitability of newly acquired businesses in Uruguay and Ecuador. The company also further consolidated its Colombian operations, which we believe should help it strengthen free-cash-flow generation going forward. Meanwhile, Hungary's Magyar Telekom raised its financial guidance for the remainder of 2026, citing benefits from infrastructure expansion and greater operational visibility following the renewal of a key mobile spectrum license.

Select industrials holdings also contributed meaningfully to returns, led by machinery companies Aalberts, Graham Corporation and L.B. Foster, aerospace and defense businesses Moog and Park Aerospace, and construction and engineering firm Orion Group.

Moog, Park Aerospace and Graham continued to benefit from robust demand across their defense, satellite and space end markets, driving strong year-over-year growth. Orion Group benefited from significant expansion of its concrete segment, fueled by increasing data-center-related construction activity. Meanwhile, L.B. Foster delivered double-digit revenue growth, led by strength in its rail business.

Other notable contributors included U.S.-based Edgewell Personal Care, oil and gas company World Kinect, and building materials business Mohawk Industries. Edgewell's shares rose following reports that its board had rejected an acquisition proposal from Yellow Wood Partners, owner of brands including ChapStick and Suave. The \$30-per-share offer represented more than a 30% premium to Edgewell's market cap at the time, but the board deemed the bid insufficient.

Performance Detractors

The majority of our underperformance came from both our holdings and underweight position in the technology sector. Technology companies, specifically those benefiting from AI infrastructure spending, such as semiconductors, tech hardware, and electronic equipment, performed exceptionally well during the period. In aggregate, the sector was responsible for nearly half of the MSCI ACWI Small Cap Index's returns.

In addition to our underweight, stock selection within technology also detracted from relative performance. Our holdings are concentrated in IT services and software, areas that lagged the broader technology sector. Notable detractors included IT services firms Globant and Amdocs, as well as software company NICE. Investor concerns about the durability of legacy enterprise software models amid the rapid AI advancement weighed on NICE's shares. Similarly, the proliferation of generative AI sparked questions about the need for traditional IT service business models, pressuring Globant's shares. In our view, the market is overly focused on the near-term disruption risk.

Other detractors included holdings in health care, specifically Spanish biotech firm Grifols and U.S.-based Prestige Consumer Healthcare. Switzerland's Montana Aerospace, South Korean commercial services company S-1 Corporation, and U.K. paper and forest products company Mondi also declined.

Select Activity in the Quarter

Portfolio activity was relatively high in the quarter. New additions included Japanese hematology business Sysmex, Luxembourg-based luggage manufacturer Samsonite Group, and U.S. food products companies Ingredion and The Campbell's Company. The committee also made several new buys and full sells within the industrials sector, purchasing U.K.-based Morgan Advanced Materials (machinery), Travis Perkins (trading business), and QinetiQ (aerospace and defense), while divesting U.S.-based Hurco (machinery), Moog (aerospace and defense), MSC Industrial Direct (trading business), and UniFirst (commercial services), as well as U.K.-based Balfour Beatty (construction and engineering). Additionally, the committee exited the position in U.S. chemicals firm Minerals Technologies.

Sysmex is the top player in the global hematology (blood testing) diagnostics market, with over 50% market share. The company manufactures blood-testing instruments and reagents (chemical inputs) required to run those tests, creating a recurring revenue model similar to selling printers and ink cartridges. While Sysmex competes in nine different diagnostic categories, its three major product lines are hematology (60% of sales), hemostasis/blood clot testing (16%), and urinalysis (8%). We see Sysmex as a fairly high-quality company, with approximately 75% of Sysmex's revenues from recurring sources such as reagents and maintenance services and nearly 90% of sales generated outside Japan.

Historically, Sysmex was viewed as a growth stock as its global expansion and market share gains in hematology and hemostasis diagnostics helped buoy earnings. The opportunity to invest in the company emerged as investor sentiment weakened following a sharp slowdown in China, where government efforts to reduce "wasteful health care spending" with uncertainty of recovery led to a roughly 30% decline in revenue. At the same time, Sysmex's margins recently came under pressure, further weighing on the shares.

Key risks include the potential for poor deployment of the company's robust free cash flows, excessive investments outside its core hematology business, and a prolonged downturn in China. However, we believe the company's leading market position, recurring revenue model, and diversified geographic footprint position it to navigate these challenges. Faster-than-expected recovery in China, margin improvement, continued emerging markets expansion (especially in India) could provide further upside potential, along with successful new product launches and progress in non-hematology diagnostics. At its current share price, we believe Sysmex offers an attractive risk-reward profile.

The Campbell's Company is a North America-focused, branded packaged-food company operating primarily in two segments: Meals & Beverages and Snacks. The Meals & Beverages segment includes iconic brands such as Campbell's condensed and ready-to-serve soups, Swanson broths, Prego, Rao's, and V8. The Snacks segment features equally well-known brands including Goldfish, Pepperidge Farm, Snyder's of Hanover, and Kettle Brand. The company holds number one or number two market positions across most of its categories. Moreover, its portfolio has evolved well beyond its legacy soup identity through acquisitions such as Snyder's-Lance and Sovos Brands, which added premium brands including Rao's. While its core categories are mature, they remain relatively defensive, with below-average and broadly stable private-label penetration, strong brand recognition and exposure to at-home eating occasions where convenience, value, and health-conscious choices continue to resonate with consumers.

At its current price, Campbell's trades at what we consider an attractive discount to a conservative estimate of intrinsic value. Our valuation assumes only modest revenue growth, a return closer to category-average operating performance, realization of restructuring benefits, and margin improvement from currently depressed levels. Potential margin recovery, disciplined cost execution, stabilization in the Snacks segment, continued strength in soup, broth and pasta sauce, and disciplined capital allocation represent primary upside drivers. Although Campbell's has a long history of value-destructive mergers and acquisitions, and portfolio repositioning and management turnover remain a risk, we believe the durability of its brands, stable cash generation, and defensive exposure create a compelling setup for long-term value accretion if management can execute even a moderate operational recovery.

Year-to-Date Briefing

The Brandes Global Small Cap Equity Strategy rose 5.94% net of fees and 6.34% gross of fees, underperforming its benchmark, the MSCI ACWI Small Cap Index, which appreciated 16.11% year-to-date, and the MSCI ACWI Small Cap Value Index, which rose 11.81%.

Performance drivers were largely consistent with those for the second quarter. Information technology accounted for nearly 50% of the benchmark's returns, making our underweight position a significant detractor from relative performance. Additionally, our technology holdings are mostly in companies facing elevated concerns about AI-driven disruption, including IT services providers Globant and Amdocs, as well as software companies NICE and Open Text, which also weighed on returns.

Outside technology, several holdings in consumer staples performed poorly, most notably C&C Group and Molson Coors Beverage. Other detractors included Montana Aerospace, Grifols, and Mondi.

Strong performers included telecoms Millicom International Cellular and Magyar Telekom, as well as machinery companies Kennametal, Graham, and Aalberts. Aerospace and defense businesses Moog, Park Aerospace, and Hexcel also did well, along with Edgewell Personal Care.

Current Positioning

As market returns have become increasingly concentrated in a small number of AI-related companies, we believe the index-agnostic Brandes Global Small Cap Equity Strategy offers meaningful diversification from prevailing market exposures.

Our largest allocations remain in industrials, health care, consumer staples, and consumer discretionary. Conversely, we maintain lower exposure to technology, for which our underweight widened as the benchmark's technology weight mechanically increased alongside rising share prices in the quarter. We are also significantly underweight financials and real estate. Geographically, the portfolio continues to have meaningful exposure to companies in the U.K., Hong Kong, and emerging markets, while holding a meaningful underweight position in the U.S., which accounts for over 55% of the benchmark. In our view, the portfolio's positioning continues to reflect opportunities for which near-term uncertainty has created a disconnect between price and long-term fundamentals.

Looking ahead, we believe the current environment remains particularly attractive for disciplined value investors. Market enthusiasm continues to be concentrated in a narrow group of AI-related companies, often with limited regard for valuation. While the long-term potential of AI is significant, history suggests periods of extreme optimism can create opportunities for active investors to uncover appealing investments elsewhere in the market. We believe that is the case today.

Across the portfolio, we are finding companies that in our opinion have strong competitive positions, durable cash-flow generation, and attractive valuations that appear increasingly overlooked by investors, including businesses that can benefit from technological change rather than be disadvantaged by it. In our view, the portfolio's differentiated exposures can provide investors with meaningful diversification potential and make it a compelling complement to passive and growth-oriented approaches. The portfolio also offers what we consider a more attractive aggregate valuation profile than the benchmark, while staying focused on long-term return potential. We remain encouraged by the prospects for value stocks and the risk-reward tradeoff of our holdings.

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

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

MSCI has not approved, reviewed or produced this report, makes no express or implied warranties or representations and is not liable whatsoever for any data in the report. You may not redistribute the MSCI data or use it as a basis for other indices or investment products.

The foregoing Quarterly Commentary reflects the thoughts and opinions of Brandes Investment Partners® exclusively and is subject to change without notice. The information provided in the commentary should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any security transactions, holdings or sectors discussed were or will be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will

equal the investment performance discussed herein. 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. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that the securities sold have not been repurchased. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Securities of small companies generally experience more volatility than mid and large sized companies. Although the statements of fact and data in this report have been obtained from, and are based upon, sources that are believed to be reliable, we cannot guarantee their accuracy, and any such information may be incomplete or condensed. Strategies discussed are subject to change at any time by the investment manager in its discretion due to market conditions or opportunities. The Brandes investment approach tends to result in portfolios that are materially different than their benchmarks with regard to characteristics such as risk, volatility, diversification, and concentration. Please note that all indices are unmanaged and are not available for direct investment. Past performance is not a guarantee of future results. No investment strategy can assure a profit or protect against loss. Market conditions may impact performance. The performance results presented were achieved in particular market conditions which may not be repeated. Moreover, the current market volatility and uncertain regulatory environment may have a negative impact on future performance. The margin of safety for any security is defined as the discount of its market price to what the firm believes is the intrinsic value of that security. The declaration and payment of shareholder dividends are solely at the discretion of the issuer and are subject to change at any time.

United States: Issued by Brandes Investment Partners, L.P., 4275 Executive Square, 5th Floor, La Jolla, CA 92037.

Singapore/Asia: FOR INSTITUTIONAL/ACCREDITED INVESTOR USE ONLY. Issued by Brandes Investment Partners (Asia) Pte Ltd., The Gateway West, 150 Beach Road, #35-51, Singapore 189720. Company Registration Number 201212812M. ARBN:164 952 710. This document is for "institutional investors" or "accredited investors" as defined under the Securities and Futures Act, Chapter 289 of Singapore and may not be distributed to any other person. This document is being provided for information purposes only. Incorporated in Singapore in 2012, Brandes Investment Partners (Asia) Pte Ltd (Brandes Asia) provides portfolio management services to clients in Asia (as permitted under local law). Brandes Investment Partners, L.P., a U.S. registered investment adviser and a sister entity to Brandes Asia, provides research, portfolio construction and other support to Brandes Asia.

Canada: FOR REGISTERED DEALERS AND THEIR REGISTERED SALESPERSONS' USE ONLY. NOT FOR DISTRIBUTION TO INVESTORS. Distributed by Brandes Investment Partners & Co., 6 Adelaide Street East, Suite 900, Toronto, ON, M5C 1H6. This communication is for information purposes only and should not be regarded as a sales communication or as advice regarding any financial product or services.