

Brandes Investment Partners**International Equity Strategy Notes****Fourth Quarter 2025 (October 1 – December 31, 2025)**

The Brandes International Equity Strategy rose 5.67% net of fees and 5.77% gross of fees, outperforming its benchmark, the MSCI EAFE Index, which was up 4.86% in the quarter, and underperforming the MSCI EAFE Value Index, which returned 7.83%.

Annualized total return as of December 31, 2025	1-year	5-year	10-year
Brandes International Equity Composite (net)	39.13%	15.43%	10.09%
Brandes International Equity Composite (gross)	39.73%	15.91%	10.59%
MSCI EAFE Index	31.22%	8.92%	8.18%

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

Exposure to emerging markets helped returns, led by South Korean Samsung Electronics, Mexico's Cemex, and Erste Group Bank, which is domiciled in Austria but operates across emerging Europe. Samsung benefited from optimism toward its next-generation memory products as well as higher pricing fueled by sustained demand tied to AI infrastructure. Meanwhile, construction materials firm Cemex advanced on robust construction activity and a favorable currency backdrop.

From a sector perspective, holdings in industrials and materials were meaningful contributors. In addition to Cemex, Germany-based logistics company Deutsche Post was a standout performer, as healthy logistics demand and cost-optimization initiatives drove margin improvement. In our view, Deutsche Post's alignment with global e-commerce trends continues to position it well for long-term growth.

Health care was among the benchmark's strongest performing sectors, rebounding from earlier weakness as investor negativity around changes in the U.S. market began to subside. Our overweight aided returns, and several holdings in the sector performed well, such as U.K.-based GSK and Japan's Astellas Pharma. GSK's solid execution in its vaccine and specialty medicines portfolio boosted market sentiment, while Astellas Pharma benefited from resilient pharmaceutical demand and investor confidence in its pipeline.

Performance Detractors

Our overweight to consumer staples and underweight to financials detracted from relative returns, as financials was one of the strongest performing sectors in the benchmark while consumer staples lagged overall. Notable detractors included beverage holdings such as France-based Pernod Ricard and Hong Kong's Budweiser Brewing APAC. Pernod Ricard declined due to concerns about slowing global spirits demand. While these headwinds persist, we remain confident in Pernod's strong brand portfolio and pricing power, which should support long-term prospects. For Budweiser Brewing APAC, soft demand in key Asian markets hurt market sentiment, along with competitive pricing pressures. Despite near-term volatility, we see structural growth opportunities from premiumization and evolving consumption trends in emerging markets.

China's Alibaba also weighed on performance, giving back some of its earlier gains amid continued weak consumer demand in China. We believe Alibaba's scale and ecosystem remain compelling for long-term growth. Other detractors included Spain-based biotech firm Grifols and Canadian software company Open Text.

Select Activity in the Quarter

The investment committee initiated positions in three U.K based companies: paper and packaging company Mondi, utility company National Grid, and beverage company Diageo.

Mondi is a leading European producer of corrugated packaging, containerboard, kraft paper, and uncoated fine paper. With a strong presence in Eastern and Western Europe and a vertically integrated model from pulp to finished products, Mondi enjoys cost advantages and scale benefits. It is the number one virgin containerboard producer in Europe and the global leader in kraft paper, supplying essential packaging solutions for industries ranging from e-commerce to construction.

Currently, Mondi is out of favor due to a prolonged downturn in the European containerboard market, driven by oversupply and weak demand since 2022. Margins have been pressured by inflation in non-fiber input costs and an influx of new capacity, leaving much of the industry operating below breakeven. This cyclical weakness has weighed on profitability and led to a more leveraged balance sheet following Mondi's recent investment program and mergers and acquisitions activity.

Despite these near-term challenges, Mondi offers an attractive long-term opportunity. Secular trends such as sustainability, convenience, and the shift from plastic to paper underpin steady growth in fiber-based packaging. Mondi's cost leadership, strong positioning in the high-barrier-to-entry kraft paper market, and integrated operations provide resilience and competitive advantage, in our opinion. The company's completed investment program is expected to increase profits over the next few years, while its expanded converting capacity enhances downstream integration. As industry capacity rationalizes and demand normalizes, Mondi could be poised for margin recovery and free-cash-flow inflection. For patient investors like us, Mondi represents a well-positioned leader in sustainable packaging with meaningful upside potential.

National Grid is one of the world's leading regulated utilities, responsible for electricity transmission and distribution in Great Britain and electricity and gas networks in the northeastern United States. The company operates under well-established regulatory frameworks that provide predictable returns and inflation protection in the U.K., while its U.S. operations benefit from nominal rate structures and legally binding decarbonization mandates. Over the past decade, National Grid has strategically repositioned its asset base toward electricity networks, reducing exposure to gas and aligning with long-term energy transition trends. Today, roughly 75% of its regulated asset base is in electricity, and this share is expected to rise to 80% by 2029, supported by structural growth in electrification and renewable integration.

Despite its strong fundamentals, National Grid is currently out of favor, weighed down by weak U.K. macro sentiment and concerns over interest rates. There is also a lack of market enthusiasm toward National Grid due to its lower-than-peers dividend yield as the company currently implements a lower payout ratio to help fund its upcoming capital expenditure and growth cycle. Over the next five years, National Grid plans to deploy significant capital expenditure across its jurisdictions, with major projects in U.K. electricity transmission aimed at alleviating congestion and connecting renewable resources, and in the U.S., focused on grid modernization and resiliency. These investments are expected to drive attractive growth in the regulated asset base and earnings per share, while dividends should grow in line with U.K. inflation. Importantly, the balance sheet is fully funded, which should eliminate equity funding needs through the next five years.

Longer term, National Grid's position as a critical enabler of decarbonization, combined with high regulatory visibility and inflation-linked returns, underpins its profile as a defensive compounder with attractive risk-adjusted returns. Trading at a discount to U.S. and EU peers, National Grid offers a compelling risk-reward tradeoff.

Besides the new buys, other portfolio activity included the divestments of Japanese bank Mitsubishi UFJ and U.K. retailer Tesco.

We first invested in Tesco over a decade ago when the company faced operational restructuring challenges and a weak U.K. retail environment overall. We viewed Tesco as a dominant food retailer with significant real estate assets and the potential for margin recovery following an accounting scandal and intense competitive pressures. Throughout our holding period, Tesco experienced many ups and downs. The early years were marked by price wars and structural shifts toward online grocery, which pressured the company's profitability. However, under new management, Tesco executed a successful turnaround, improving margins and cash flow while strengthening its balance sheet.

Despite these improvements, the competitive landscape continued to evolve, with discounters gaining share and consumer habits shifting. More recently, Tesco was able to stabilize its market share as some competitors struggled in a higher interest-rate environment after going private. As the share price approached our intrinsic value estimate, we elected to exit the position.

Over the years, Tesco was frequently mentioned in our quarterly commentaries, sometimes as a contributor to returns, but more often, as a detractor from performance. While the company's progress has not been linear, our investment in Tesco underscores, in our opinion, how maintaining a long-term perspective can benefit the portfolio.

Year-to-Date Briefing

The Brandes International Equity Strategy rose 39.13% net of fees and 39.73% gross of fees, outperforming its benchmark, the MSCI EAFE Index, which appreciated 31.22% in the year ended December 31, 2025, and underperforming the MSCI EAFE Value Index, which rose 42.25%.

Although the outperformance of value stocks (MSCI EAFE Value vs. MSCI EAFE) provided a favorable backdrop for our value-oriented strategy, it was our stock selection across various sectors and countries that mostly drove outperformance relative to the benchmark.

Leading contributors included holdings in emerging markets, led by Alibaba, Samsung, Taiwan Semiconductor Manufacturing Company, as well as Brazil's Embraer and Mexico-based Cemex. Other contributors included European holdings such as Germany's Heidelberg Materials and France-based Orange, Kering and BNP Paribas.

Meanwhile, our underweight to financials, along with overweights to health care and consumer staples, hurt relative returns, even though stock selection impact was positive in all three sectors. At the holding level, notable detractors included ad agencies WPP and Publicis, consumer products company Henkel, beverage company Pernod Ricard, and pharmaceutical firm Sanofi.

Current Positioning

With our index-agnostic investment approach, our portfolio continues to look different than both the MSCI EAFE Index and the MSCI EAFE Value Index. Its largest overweights are in consumer staples, consumer discretionary, and health care, while its most notable underweights are in financials and industrials. Over the past year, we have increased our exposure to consumer staples and technology, in which the portfolio now has an overweight position. In contrast, we have pared our allocation to strong performing financials holdings. Geographically, we continue to have a larger weighting to businesses in Europe and select emerging markets, particularly Mexico, South Korea, and Brazil. We remain confident in the portfolio's composition, which in our opinion strikes a good balance between defensive and cyclical holdings.

For much of the decade leading up to the COVID-19 pandemic, international stocks had underperformed U.S. stocks (MSCI EAFE vs. MSCI USA), and within the international equity asset class, value stocks had lagged the broader market (MSCI EAFE Value vs. MSCI EAFE). As a result, many investors have likely been under-allocated to international value stocks.

This year's appreciation and outperformance of international stocks—especially value—have been a positive development for us, and we view this as a timely reminder of the benefit of diversification. Despite the strong rebound, international value stocks continue to trade within the least expensive valuation quartile relative to growth stocks (MSCI EAFE Value vs. MSCI EAFE Growth) since the inception of the style indices. This valuation gap is evident across multiple metrics, including price/earnings, price/cash flow, and enterprise value/sales. Historically, such discount levels often preceded attractive relative returns for value stocks over the subsequent three- to five-year period. This is encouraging for us as our strategy, guided by our value philosophy and process, has had the tendency to outperform the value index when it outperformed the benchmark.

The Brandes International Equity Strategy trades at more compelling valuation levels, in our opinion, while offering more attractive long-term growth characteristics relative to both the benchmark and the MSCI EAFE Value Index. We believe the

strategy is well-positioned to benefit if there is a continued rotation toward value and international equities. Looking ahead, we remain optimistic about the prospects 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>.

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