

Brandes Investment Partners
International Equity Strategy Notes
Third Quarter 2026 (July 1 – September 30, 2026)

The Brandes International Equity Strategy rose 3.76% net of fees and 3.87% gross of fees, outperforming its benchmark, the MSCI EAFE Index, which was up 0.81% in the quarter. The MSCI EAFE Value Index rose 4.27%, while the MSCI ACWI ex USA Value Index returned 3.50%.

Annualized total return as of September 30, 2026	1-year	5-year	10-year
Brandes International Equity Composite (net)	16.35%	14.71%	10.60%
Brandes International Equity Composite (gross)	16.88%	15.20%	11.11%
MSCI EAFE Index	15.69%	9.32%	9.06%

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

The third quarter was marked by a reversal of the artificial intelligence (AI) infrastructure trade that had driven international markets in the second quarter. The overall technology sector fell, led by semiconductor shares, while software and IT services companies rebounded from their declines earlier in the year.

Germany-based enterprise software provider SAP recovered as investors became more constructive on its cloud transition and less concerned about the potential for AI to displace its mission-critical applications. With its software deeply embedded in customers' operations, SAP benefits from long-standing relationships and high switching costs. In our view, its ability to introduce AI functionality within existing workflows strengthens the value of its installed base. We added to the position earlier in the year when disruption concerns created what we considered an attractive opportunity.

Customer relationship management software firm NICE advanced as fears of AI-related disruption moderated. We continue to believe NICE's proprietary data, customer relationships, and mission-critical applications position the company well to participate in the adoption of AI-enabled customer service solutions.

Several emerging-markets holdings also helped returns, notably Brazilian Petrobras and Embraer, as well as China's Alibaba. Petrobras increased on higher oil prices, while aerospace manufacturer Embraer continued to benefit from a substantial order backlog, supported by robust demand across commercial aviation, business jets and defense. Meanwhile, Alibaba rose on improved optimism around its AI positioning.

Other major contributors included Japanese pharmaceutical companies Takeda Pharmaceutical and Astellas Pharma, which both gained on recent operating results and improving visibility into their product pipelines. Additionally, U.K.-based advertising agency WPP rebounded strongly as investors responded to evidence that its transformation plan was stabilizing the business more quickly than anticipated.

Performance Detractors

The portfolio's main detractors were concentrated in Mexico and Brazil, along with select building materials and consumer staples holdings. These companies faced a combination of political, regulatory, cyclical, and company-specific concerns. In several cases, we viewed the market response as disproportionate to the change in long-term business value and maintained or increased our positions where valuations became more appealing.

Retailer Wal-Mart de Mexico declined as investors assessed softer consumer conditions, increased competitive spending, and uncertainty surrounding Mexico's regulatory environment. Despite these challenges, we continue to view the company as a high-quality retailer with significant economies of scale, purchasing advantages, and a well-developed physical and digital distribution network. In our opinion, these characteristics result in a durable competitive position and the potential for continued long-term growth as formal retail penetration and digital commerce expand.

Latin American telecommunications services providers America Movil and Telefonica Brasil also detracted. Telefonica faced pressure from near-term uncertainty surrounding competitive dynamics and the pace at which operating improvements would translate into financial results. We continue to believe the company benefits from a high-quality mobile network, a substantial customer base, and a more consolidated industry.

Building materials companies Cemex in Mexico and Buzzi in Italy weakened amid concerns about construction demand, input costs, and the sustainability of margins following a period of strong pricing. While we recognize that both businesses are cyclical and sensitive to regional economic activity, we believe the industry structure has improved over time, with greater producer discipline, more balanced capacity, and an increased focus on cash generation rather than volume growth.

New portfolio addition JBS, a Brazil-based global food producer, declined as investors focused on the anticipated normalization in strong poultry profitability and the ongoing downturn in the North American beef-processing cycle. Switzerland's Swatch and France-based Kering also hurt performance as the luxury goods industry continued to face consumer headwinds amid rising fuel costs and inflation.

Additionally, our underweight to financials weighed on relative returns as the sector was the benchmark's strongest performer during the period.

Select Activity in the Quarter

Amid a fairly bifurcated market, portfolio activity remained elevated during the quarter with several new purchases and full sells. We exited South Korean Samsung Electronics after it reached our estimate of intrinsic value. We also divested our positions in Netherlands-based flavor and fragrance business DSM-Firmenich and Germany-based logistics firm DHL. New purchases included Germany-based personal-care company Beiersdorf, Brazil's JBS, and Japanese entertainment company Nintendo.

Beiersdorf is a leading global beauty and personal-care products company whose leading brands include NIVEA, Eucerin, and Aquaphor. The company also owns Tesa, a global adhesives business serving industrial and consumer markets. Beiersdorf's shares declined as its skincare segment weakened, driven mainly by slowing growth of its largest brand, NIVEA, and as investors became concerned that additional marketing and product investment could pressure margins. Competition has also intensified across several categories, including from multinational companies, digital-native brands, private labels, and Asian beauty brands. These challenges have reduced earnings visibility and weakened investor confidence following several guidance reductions.

We believe the market's concerns are understandable, and our assumptions incorporate a measured recovery rather than a rapid return to historical growth. We appreciate that Beiersdorf retains valuable global brands, significant financial resources, and a leading position in science-backed dermatological skincare. Its Derma portfolio has continued to gain market share, and the balance sheet provides flexibility to invest in innovation, improve execution, and return capital to shareholders. In our view, Beiersdorf's valuation offers an attractive margin of safety even after accounting for the aforementioned risks, with upside potential if NIVEA stabilizes and the company improves its cash conversion.

Brazil-based JBS is the world's largest animal-protein producer, with leading positions in beef, poultry, and pork, and operations that span the United States, Brazil, Australia, and other international markets. The company's broad geographic and product diversification means that different regional and commodity cycles can partially offset one another, helping reduce earnings volatility over time.

JBS's shares have declined due to several factors, including a weak North American beef cycle driven by restricted supply and high pricing, the potential normalization of poultry margins, and concerns about financial leverage, governance, and litigation risk.

Our view is that JBS's scale, operational record, and diversified platform are not fully reflected in its market valuation. We do not assume that JBS will fully close the valuation gap with its U.S. peers, but even a partial narrowing, combined with

cash distributions and earnings improvement, could offer attractive long-term returns. Given the cyclical and governance risks, we established the position gradually.

Nintendo is one of the world's leading interactive-entertainment companies, with a portfolio of globally recognized intellectual property and an integrated hardware-and-software ecosystem. Its franchises, including Mario, Zelda, and Pokémon-related titles, have demonstrated unusual longevity across multiple console generations. The shares have been pressured by uncertainty surrounding the transition to a new hardware cycle, the timing of major software releases, and questions about whether recent earnings represented a cyclical peak.

We believe the market underappreciates the enduring value of Nintendo's intellectual property, its strong balance sheet, and its expanding ability to monetize its franchises across games, digital services, film, licensing, and location-based entertainment. Hardware transitions can create short-term volatility and forecasting risk, but they can also expand the installed base and support a multiyear software cycle. At our purchase price, we believe the company offers an appealing balance of franchise quality, financial strength, and recovery potential.

Year-to-Date Briefing

The Brandes International Equity Strategy rose 10.11% net of fees and 10.50% gross of fees, slightly outperforming its benchmark, the MSCI EAFE Index, which appreciated 10.33% in the nine months ended September 30, 2026. The MSCI EAFE Value Index increased 14.32%, while the MSCI ACWI ex USA Value Index rose 18.50%.

While value outperformed the broad market this year (MSCI EAFE Value vs. MSCI EAFE), market performance has been quite volatile and largely driven by a shifting set of themes, including the AI trade, geopolitical conflict in the Middle East, rising energy costs, and inflation concerns. In the first quarter, value outperformed amid a pullback in the technology sector and strong performance from energy companies as geopolitical tensions intensified. Our strategy performed well, aided by emerging-markets holdings and pharmaceuticals. However, during the second quarter, market returns became increasingly concentrated in companies viewed as direct beneficiaries of AI-related capital spending, and the strategy's evolving technology exposure detracted from relative results. In the third quarter, value again outperformed as market leadership reversed, with software, pharmaceuticals, and select emerging-markets holdings contributing positively to relative performance.

For the year-to-date period, notable contributors included emerging-markets holdings Samsung Electronics, Taiwan Semiconductor Manufacturing Company (TSMC), and Petrobras. Samsung and TSMC both benefited greatly from stronger semiconductor demand and AI-infrastructure buildout. Petrobras rose on higher oil prices and strong cash generation.

Other contributors included French semiconductor firm STMicroelectronics, which we divested in the second quarter, and Netherlands-based DSM-Firmenich, which was added to the portfolio earlier this year but was recently divested as its share price reached our estimate of intrinsic value.

The largest relative detractors included our lack of positions in technology companies ASML and Tokyo Electron, as well as insurer Tokio Marine. Our underweight to financials also hurt relative returns, along with our overweight to consumer staples. Among portfolio holdings, tech-related Alibaba, Capgemini, Open Text, and Trip.com were notable detractors. France-based Kering and pharmaceutical firm Sanofi also declined, as did Wal-Mart de Mexico.

Current Positioning

While the market has become increasingly dominated by AI-related themes, our portfolio remains meaningfully differentiated from the benchmark. Our largest allocations are in health care, consumer staples, and consumer discretionary companies, where we have been finding businesses with durable brands, recurring demand, and the potential to improve earnings from currently depressed levels. We remain underweight financials and industrials, and now also hold an underweight to technology following the divestments of several strong-performing semiconductor holdings. Within technology, we continue to identify selective opportunities in enterprise software and other companies with proprietary data, embedded customer relationships, and mission-critical products.

Geographically, Europe and select emerging markets remain areas where we have been finding attractive opportunities. However, we now have no exposure to South Korea following the exits of our two holdings there. Korean equities within the MSCI ACWI ex USA Index have performed extraordinarily well, rising over 150% in U.S. dollar terms over the past year. Our overall emerging-markets allocation has remained largely unchanged, as the divestments of the Korean holdings were offset by increased exposure to businesses in Mexico and Brazil, as well as select opportunities in China.

We believe uncertainty surrounding inflation, interest rates, geopolitics, and technological disruption has contributed to unusually wide valuation dispersion across international markets. While AI may reshape the economics of numerous industries, we do not believe every perceived beneficiary will earn attractive returns at any price, nor that every incumbent facing disruption is structurally impaired. Our focus remains on purchasing businesses where competitive position, cash-flow durability, and valuation provide an attractive margin of safety.

In our view, the portfolio's combination of defensive holdings and cyclical recovery opportunities offers meaningful diversification from highly concentrated passive and growth-oriented exposures. We continue to find companies whose near-term challenges appear adequately reflected in their valuations, while their long-term ability to generate and allocate capital remains underappreciated. We believe this provides an attractive risk-reward profile for patient investors.

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