

**Brandes Investment Partners****U.S. Small Cap Value Equity Strategy Notes****Fourth Quarter 2025 (October 1 – December 31, 2025)**

The Brandes U.S. Small Cap Value Equity Strategy returned 6.02% net of fees and 6.16% gross of fees, outperforming its benchmark, the Russell 2000 Index, which rose 2.19%, and the Russell 2000 Value Index, which gained 3.26%.

<b>Annualized total return as of December 31, 2025</b>	<b>1-year</b>	<b>5-year</b>	<b>10-year</b>
Brandes U.S. Small Cap Value Equity Composite (net)	23.89%	17.36%	13.46%
Brandes U.S. Small Cap Value Equity Composite (gross)	24.69%	18.27%	14.43%
Russell 2000 Index	12.81%	6.09%	9.61%

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**

Leading contributors included holdings in the industrials sector, led by machinery companies Kennametal and Graham Corporation, as well as aerospace and defense businesses Moog and Hexcel.

Other strong performers included containers and packaging business Sealed Air, energy equipment and services business Innovex International, and Avadel Pharmaceuticals. In October, Avadel announced it would be acquired by Alkermes for a total value of \$2.1 billion with the full value subject to 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 about \$2.4 billion, 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.

**Performance Detractors**

Health care was the best performing sector in the index, led by the biotechnology industry, and our underweight was a relative detractor. Further, select holdings in the sector declined, namely Utah Medical Products and Grifols.

Other detractors included Edgewell Personal Care, security systems company Arlo Technologies, communications equipment business Netgear and pizza restaurant chain Papa John's International. Netgear's decline was primarily due to concerns over supply chain issues, rising memory costs, and a mixed outlook from management during its third quarter earnings call. Meanwhile, Arlo was met with unease about its declining year-over-year free cash flow margin.

**Select Activity in the Quarter**

The small-cap investment committee bought Central Garden & Pet Company (CENT) while selling Pediatrix Medical Group and Avadel Pharmaceuticals.

Central Garden & Pet is a leading U.S. distributor and manufacturer in the lawn, garden, and pet supply industries. Founded in 1980, it initially focused on distributing lawn and garden products, later expanding through acquisitions to include pet supplies. During the past 30 years, CENT has completed 60 acquisitions and evolved into a market leader, manufacturing both branded and private label products for national retailers.

Slowing revenue growth from post-pandemic demand normalization, increased competition from low-cost overseas suppliers and shifting consumer spending habits have weighed on CENT's share price, creating an attractive investment opportunity at current levels. Despite the top-line pressure, CENT has demonstrated resilience in maintaining its operating margins, supported by its ongoing Cost and Simplicity Program, which is midway through implementation. We believe further margin expansion and profitability improvements are possible, especially given the operational complexity introduced by decades of mergers and acquisitions-driven growth. Management is also shifting the company's product mix toward higher-margin consumable pet products and focusing on product innovation and further acquisitions to drive

top-line growth. Additionally, we believe that the long-term prospects for the pet and garden industry are supported by durable trends.

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

The Brandes U.S. Small Cap Value Equity Strategy rose 23.89% net of fees and 24.69% gross of fees, outperforming its benchmark, the Russell 2000 Index, which delivered 12.81% in 2025, and the Russell 2000 Value Index, which increased 12.59%.

Stock selection across multiple sectors drove our outperformance relative to the benchmark.

Leading contributors included select holdings in health care and industrials, specifically Moog, Park Aerospace, machinery company Graham Corporation, Elanco Animal Health, Orion Group, and Avadel Pharmaceuticals. The strategy also benefited from solid returns delivered by Arlo Technologies and Innovex International.

Detractors were mainly in consumer staples and consumer discretionary sectors, namely Edgewell Personal Care and American Outdoor Brands, as well as juvenile products and home furnishings manufacturer Dorel Industries. Professional services company Resources Connection, machinery business Hurco Companies, and Utah Medical Products also declined.

### **Current Positioning**

Allocation to companies in industrials continues to be the largest weighting and overweight position from a sector standpoint. The portfolio also maintains key weights in health care, materials, and consumer discretionary. The strategy's most notable underweights are in financials, health care, information technology, and real estate. Compared to the Russell 2000 Value Index, we have significantly less exposure to financials and real estate.

In our opinion, the differences between the Brandes U.S. Small Cap Value Equity Strategy and the broader U.S. small-cap market continue to make it an attractive complement to other small-cap offerings. Our strategy exhibits lower valuations than the Russell 2000 Index, while offering exposure to companies that we believe have strong balance sheets, compelling growth prospects and a history of durable free-cash-flow generation.

We are optimistic about the potential of value stocks in general and believe the Brandes U.S. Small Cap Value Equity Strategy remains well positioned from a long-term risk/reward perspective.

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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