

Brandes Investment Partners
U.S. Small Cap Value Equity Strategy Notes
First Quarter 2026 (January 1 – March 31, 2026)

The Brandes U.S. Small Cap Value Equity Strategy returned 8.24% net of fees and 8.48% gross of fees, outperforming its benchmark, the Russell 2000 Index, which rose 0.89%, and the Russell 2000 Value Index, which gained 4.96%.

Annualized total return as of March 31, 2026	1-year	5-year	10-year
Brandes U.S. Small Cap Value Equity Composite (net)	43.35%	15.85%	13.88%
Brandes U.S. Small Cap Value Equity Composite (gross)	44.36%	16.75%	14.85%
Russell 2000 Index	25.72%	3.77%	9.88%

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 the industrials sector drove performance, led by machinery companies Kennametal and Graham Corporation, as well as aerospace and defense businesses Moog and Park Aerospace.

Kennametal significantly raised its guidance for fiscal year 2026 and is expected to be a key beneficiary of the material increase in tungsten prices, providing a potential positive tailwind to its margins. Park Aerospace benefited from surging demand for its missile defense materials. It also reported strong earnings.

Consumer staples businesses Ingles Markets and Edgewell Personal Care also performed well. Ingles Markets continued to recover from operating challenges during previous years; it announced noteworthy year-over-year profitability growth. Meanwhile, Edgewell completed the sale of its feminine care business for \$340 million. The proceeds strengthened its balance sheet, which investors viewed favorably.

Performance Detractors

Detractors included a few technology-related holdings, which were pressured by heightened concerns about perceived disruption from artificial intelligence (AI) and broader macroeconomic uncertainty.

IT services companies Globant and Amdocs declined as investors reassessed the potential impact of generative AI on traditional IT services models, particularly in application development and consulting. Software company OpenText also detracted from performance. Investor concerns centered on the durability of legacy enterprise software models amid rapid advances in AI-enabled information management tools. While OpenText continued to generate substantial recurring revenue from its mission-critical software, uncertainty regarding integration execution and AI-related disruption weighed on sentiment. In our view, the market has overstated near-term disruption risks, while discounting the strength of OpenText's installed base and customer switching costs, causing the company's shares to trade at what we consider appealing valuations.

Other detractors included pizza retailer Papa John's International and laser eye surgery company Lensar. In March, Lensar and Alcon announced they were abandoning Alcon's proposed acquisition of Lensar after the FTC moved to block the transaction on antitrust grounds.

Select Activity in the Quarter

The small-cap investment committee took advantage of the market volatility to initiate a number of positions. New buys included beverages company Molson Coors, food products businesses Ingredion and Lamb Weston, IT services company Amdocs, software business NICE, containers and packaging company Wipak, and flooring business Mohawk Industries. Meanwhile, the investment committee exited positions in apparel company Gildan Activewear, Eagle Bancorp Montana, National Presto, Healthcare Services Group, and Sealed Air.

Mohawk Industries is the world's largest flooring manufacturer. With a leading position on ceramic tile, carpet, laminate, vinyl and stone products, the company serves residential remodeling, new construction and commercial markets. Its global manufacturing and distribution footprint provides substantial scale advantages, broad product reach and cost efficiency across cycles.

The market is currently focused on near-term headwinds facing Mohawk, including slowing home-remodeling demand, elevated input costs and margin pressure after an unusually strong post-COVID rebound. While cycle risks are still elevated, the company benefits, in our opinion, from a strong balance sheet and a free-cash-flow profile that has stayed positive throughout this period. Additionally, management owns a meaningful equity stake and has shown a willingness to deploy capital opportunistically through share repurchases and acquisitions during times of industry stress.

In our view, Mohawk trades at a valuation that can withstand a prolonged downturn scenario. Based on our assessment of normalized earnings power and balance sheet strength, we believe its shares offer an attractive margin of safety and favorable long-term return potential.

NICE Ltd. is a Contact Center-as-a-Service (CCaaS) provider, maintaining dual headquarters in Israel and the United States, with a customer base that is predominantly in the U.S. NICE has evolved alongside changing technology and customer requirements. Historically, the company provided software and services to help enterprises manage on-premise customer contact centers. In this capacity, NICE was one of several software and hardware vendors offering tools to staff, manage, measure and evaluate call center operations. The company was particularly strong in workforce engagement management (WEM) software, a critical component for effective contact center operations.

In recent years, CCaaS offerings have been increasingly adopted because they lower total cost of ownership, better integrate customer service channels and leverage automation, including AI. All of this enables a superior customer experience that can be applied to other areas of a business. NICE responded to this shift by acquiring a leading CCaaS provider, inContact, in 2016. This acquisition gave NICE a nearly complete CCaaS solution, and as cloud-based offerings grew at the expense of on-premise systems, NICE benefited from higher revenue per licensed seat. The market rewarded this industry-leading position with strong valuation multiples.

However, in 2025 rapid advances in AI capability and adoption began to cloud NICE's outlook. On one hand, improving AI functionality has accelerated the shift toward CCaaS solutions and away from on-premise deployments. On the other, the pace of change has intensified competition among CCaaS providers and has driven increased investment to incorporate advanced AI features. NICE has indicated that this heightened investment, including the approximately \$1-billion acquisition of Cognigy, will put pressure on its earnings over the next year. This uncertainty contributed to a sharp correction in the share price, pushing it to multi-year lows and compressing valuation multiples to near all-time lows.

While it is impossible to predict definitive winners and losers in the AI arms race, NICE remains favorably positioned as an established incumbent in the CCaaS market with a well-capitalized balance sheet. AI-enhanced contact center functionality could meaningfully expand the overall market size over time. We will continue to monitor the competitive landscape for evidence of NICE's performance in navigating this transition. For the patient, long-term investor, the current opportunity in NICE appears attractive.

Current Positioning

While our allocation to companies in industrials continues to be the largest weighting from a sector perspective, we have materially reduced our allocation, trimming positions that have performed well and selling off National Presto and Healthcare Services Group. Following the additions of Ingredion, Molson Coors, and Lamb Weston, our allocation to consumer staples has increased substantially. Along with industrials and materials, it continues to be one of our largest overweights. The strategy's most notable underweights are in financials, health care and real estate. Compared to the Russell 2000 Value Index, we have 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>.

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.