

Brandes Investment Partners

U.S. Small-Mid Cap Value Equity Strategy Notes

Second Quarter 2026 (April 1 – June 30, 2026)

The Brandes U.S. Small-Mid Cap Value Equity Strategy rose 7.19% net of fees and 7.44% gross of fees, underperforming its benchmark, the Russell 2500 Index, which was up 20.26%. The Russell 2500 Value Index increased 18.50%.

Annualized total return as of June 30, 2026	1-year	5-year	10-year
Brandes U.S. Small-Mid Cap Value Equity Composite (net)	24.21%	7.27%	9.56%
Brandes U.S. Small-Mid Cap Value Equity Composite (gross)	25.39%	8.29%	10.61%
Russell 2500 Index	36.72%	8.29%	12.24%

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

Leading contributors included holdings in the industrials sector, specifically ground transportation companies Knight-Swift and Heartland Express. Both benefited from early signs of a truckload cycle recovery, driven by tightening industry capacity and improving freight pricing.

Several health care companies performed well, including Organon and Fortrea Holdings. Organon announced that it was acquired by Sun Pharmaceutical Industries for \$14 per share, which represented a 60% premium to the pre-deal price. Fortrea rallied after strong first quarter results that confirmed the biopharma outsourcing cycle was recovering.

Other strong performers included Edgewell Personal Care, Arrow Electronics, and Avnet. Edgewell Personal Care was up this quarter after the board rejected an unsolicited \$30-per-share takeover offer from Yellow Wood Partners. Arrow Electronics and Avnet were higher after reporting higher-than-expected earnings and raising guidance.

Performance Detractors

Our holdings in the technology sector performed poorly, given the concentration in IT services (EPAM Systems and Amdocs) and software (NICE), where investor concerns focused on the durability of legacy enterprise software models amid the rapid AI advancement, as well as the need for traditional IT services models given the proliferation of generative AI. In our view, the market has over-discounted for the near-term disruption risk.

Additionally, we were materially underweight technology companies, many of which have performed exceptionally well recently, benefiting from AI infrastructure spending. In aggregate, the information technology sector was responsible for almost half of the Russell 2500 Index returns.

Other detractors included home appliances company Whirlpool, food products business Ingredion, and Expand Energy Corporation.

Select Activity in the Quarter

The quarter was remarkably active. The investment committee initiated several positions, including Zebra Technologies (electronic products), Brown & Brown (insurance), CNH (machinery), LKQ and Mattel (consumer discretionary), and Equifax (professional services). The committee also sold out several positions, including ground transportation companies Knight-Swift Transportation and Heartland Express, financial services company State Street, specialty biopharmaceutical company Emergent BioSolutions, container and packaging business Sealed Air Corporation, and aerospace and defense firm National Presto.

We purchased Equifax, a global data, analytics, and technology company best known as one of the three major U.S. credit bureaus (along with Experian and TransUnion). Credit reporting remains a core part of its business; however, Equifax has increasingly evolved into a broader data and analytics platform, with leading positions in income and employment

verification, identity solutions and commercial data services. The company operates through three primary segments: Workforce Solutions, U.S. Information Solutions, and International.

Our interest in Equifax is driven primarily by the quality and growth characteristics of its Workforce Solutions segment, which provides income and employment verification services through its proprietary database. This business benefits, in our opinion, from highly recurring demand, strong pricing power and significant barriers to entry, given the scale of Equifax's dataset, long-standing customer relationships, and deep integration into customer workflows.

We view Workforce Solutions as a high-margin, asset-light business with durable competitive advantages and long runway for growth as verification becomes increasingly digitized across lending, employment, government and other end-markets.

In recent years, Equifax has invested heavily to modernize its technology infrastructure and transition its data assets to a cloud-based platform. While these investments weighed on near-term margins and free cash flow, we believe they have materially improved the company's long-term scalability, security, and operating leverage. As this investment phase moderates, we expect Equifax to generate accelerating free cash flow and improved returns on capital, particularly as higher-quality, data-driven services represent a growing share of its revenue.

Despite these long-term positives, Equifax shares have been pressured by cyclical concerns, most notably subdued mortgage activity and broader macro uncertainty. However, we believe the market has become overly focused on these near-term headwinds, underappreciating the diversification of Equifax's revenue base and the structural growth embedded in its verification and analytics businesses. In our view, Equifax represents a compelling opportunity to own a high-quality franchise at a reasonable valuation.

Year-to-Date Briefing

The Brandes U.S. Small-Mid Cap Value Equity Strategy rose 12.44% net of fees and 12.98% gross of fees, underperforming its benchmark, the Russell 2500 Index, which was up 22.71%, and the Russell 2500 Value Index, which rose 24.16% in the six months ended June 30, 2026.

Performance drivers were largely consistent with those for the second quarter. Information technology accounted for nearly half of the index's returns, and our underweight to AI infrastructure beneficiaries hurt relative returns. Further, allocation to technology companies where the fear of AI disruption is high (e.g., IT services companies EPAM Systems and Amdocs, software business NICE) also weighed on returns.

Additionally, our holdings in health care hurt performance, most notably Grifols, which announced disappointing quarterly results and full-year guidance.

Our standout contributors also matched those mentioned for the second quarter, including Edgewell Personal Care, Organon, and Arrow Electronics.

Current Positioning

The strategy holds key overweight positions versus the benchmark in the consumer staples and health care sectors. Meanwhile, we remain underweight in typically cyclical business categories, such as financials and real estate. Since the start of the year, our weighting in the industrials sector went from equal weight to underweight as we sold ground transportation companies (Knight-Swift and Heartland Express) and aerospace and defense companies (Moog and National Presto) following strong performance.

Our strategy exhibits lower valuations than the Russell 2500 Index, while offering exposure to companies that have what we consider strong balance sheets, a history of durable free cash flow and more defensive characteristics.

While we are not underweight technology, we continue to identify selective opportunities within the sector, primarily in IT services. We are particularly interested in companies that possess valuable proprietary data, deep customer relationships or mission-critical products that could strengthen their competitive positions as AI adoption expands.

Recent purchases that are not directly in the technology sector, including Equifax and Brown & Brown, reflect this theme. In each case, we believe the market has become overly focused on potential disruption risks while underappreciating the strategic assets and competitive advantages these businesses possess.

Looking ahead, we believe the current environment continues to present an attractive opportunity set for disciplined value investors.

Investor enthusiasm remains heavily concentrated in a narrow group of companies associated with AI, often regardless of valuation or earnings risks. While the long-term potential of AI is significant, history suggests that periods of extreme optimism can create equally compelling opportunities elsewhere.

Today, we are finding opportunities in businesses that in our opinion have strong competitive positions, durable cash-flow characteristics and attractive valuations that appear increasingly overlooked by investors. Many of these companies possess attributes that could allow them to benefit from technological change rather than be disadvantaged by it. We are optimistic about the potential of value stocks in general and believe the Brandes U.S. Small-Mid 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>.

Diversification does not assure a profit or protect against a loss in a declining market.

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.