Brandes Investment Partners
Emerging Markets (ex-China) Equity Strategy Notes
Third Quarter 2025 (1 July – 30 September 2025)

The Brandes Emerging Markets (ex-China) Equity Strategy returned 8.91% (gross of fees), outperforming its benchmark, the MSCI Emerging Markets ex-China Index, which gained 6.64% in the quarter.

Positive Contributors
Holdings in the information technology, communication services, and financials sectors led performance.

In technology, South Korea's Samsung Electronics and SK Hynix, along with Taiwan-based firms Wiwynn and Taiwan Semiconductor Manufacturing Company benefited from positive artificial intelligence (AI) sentiment, which helped lift their share prices.

In communication services and financials, notable contributors included Luxembourg-domiciled wireless telecom services provider Millicom International Cellular, Slovenia-based bank Nova Ljubljanska Banka, Austria-based Erste Group, and Panamanian bank Banco Latinoamericano de Comercio Exterior.

Furthermore, our underweight to companies in India aided performance relative to the benchmark.

Performance Detractors
Materials were the strongest performing sector in the MSCI Emerging Markets ex-China Index, and our underweight was a detractor. Furthermore, within the sector, our positions in Brazilian paper and forest products company Suzano and India-based chemicals company UPL Limited declined.

Select financials holdings also declined, specifically India's IndusInd Bank and HDFC Bank, Taiwan-based Chailease Holding, and Bank of the Philippine Islands. Additionally, Georgia-based TBC Bank hurt returns as an increase in operating expenses offset its strong revenue growth, hurting its profit margin.

Other notable detractors included information technology (IT) services company Cognizant Technology Solutions and Latin American consumer staples businesses Wal-Mart de Mexico and Sendas Distribuidora. Wal-Mart de Mexico missed earnings estimates as it incurred higher expenses due to investments related to new stores, remodeling, and labor costs.

Select Activity in the Quarter
We initiated a position in Luxembourg-domiciled Globant S.A. and Kazakhstan-based consumer finance company Kaspi.kz.

Globant is a multinational IT services company specialising in high-value digital engineering services, including customer experience, AI, cloud, and development operations. Although it is headquartered in Luxembourg, Globant has significant operations across emerging markets. The vast majority of its workforce is based in Latin America and India, with key offices in Argentina. Unlike many larger IT services firms that maintain broad exposure to slower-growing segments, Globant operates as a digital pure play, generating nearly all its revenue from advanced, high-margin services. The company's business model is mostly project-based, with limited recurring revenue.

Founded in 2003 and publicly listed since 2014, Globant has delivered organic growth exceeding 20% annually post-IPO. Its client base is geographically diverse; the U.S., Latin America, and Europe serve as its main markets, while Asia and the Middle East represent growing segments. Through its "Studio" model, Globant is known for blending design and technology to produce user-centric digital experiences. Notable clients include Disney, Google, LinkedIn, Electronic Arts, Formula 1, and Coca-Cola.

Operating within the highly competitive and fragmented $1.5 trillion global IT services industry, Globant benefited from a pandemic-era surge in digital transformation spending. However, the company has recently faced a cyclical slowdown as enterprises focus on cost efficiency and delay discretionary technology investments. Additionally, the rise of generative AI introduces long-term uncertainty, with the potential to automate commoditised tasks and disrupt traditional outsourcing models. These headwinds have contributed to a sharp decline in Globant's share price, which was down over 70% year-to-date in 2025.

We believe that the cyclicality and the AI-related risks have been more than accounted for in Globant's current market valuation. We like the fact that the company has a healthy balance sheet and strong relationships with its clients. In our view, Globant is well positioned to benefit as IT budgets normalise, and clients move from AI pilots to scaled adoption. It also has the potential to expand its scope of work to more complex, higher-value projects in areas such as product design, data integration, and business process reengineering. At its current valuations, Globant represents an appealing value opportunity to us.

Besides the new buys, other major portfolio activity included the divestment of South Korean consumer goods business LG H&H.

Year-to-Date Briefing
The Brandes Emerging Markets (ex-China) Equity Strategy rose 36.81%, outperforming its benchmark, the MSCI Emerging Markets ex-China Index, which appreciated 22.13% in the nine months ended 30 September 2025.

Holdings across a variety of sectors drove returns. Top contributors included Samsung Electronics, TSMC, and SK Hynix in technology; Nova Ljubljanska Banka, Erste Group, and TBC Bank in financials; Magyar Telekom, Millicom International Cellular, and TIM S.A. in communication services. Geographically, holdings in Brazil performed well, led by aerospace and defense company Embraer. Relative to the benchmark, our underweight to India contributed positively to returns.

Although several of our bank holdings did well, some others performed poorly, such as IndusInd Bank and Bank of the Philippine Islands. Other decliners included Malaysian leisure and hospitality business Genting Berhad, Cognizant Technology Solutions, and Suzano. On a relative basis, our underweights to materials and South Africa detracted from returns.

Current Positioning
With our index-agnostic investment approach, the portfolio continues to look different than the MSCI Emerging Markets ex-China Index. Our newest additions, Globant and Kaspi.kz, have significant operations in emerging or frontier markets and are both headquartered in countries not represented in the benchmark. We believe this flexibility to invest in businesses beyond the "traditional" or MSCI-defined emerging-market countries is a key advantage in our pursuit of generating long-term excess returns, allowing us to uncover potentially undervalued opportunities across a broader emerging-market investment universe.

Compared to the benchmark, the portfolio maintains a significant overweight in Latin America, with diversified investments in telecommunications, utilities, energy, and real estate. Conversely, we retain lower allocations to India and Taiwan. While we continue to identify attractive risk-reward profiles in the companies we own in both countries, overall, our analysis suggests that many businesses in India and tech-heavy Taiwan offer limited margin of safety, especially when compared to other opportunities in emerging markets.

On a sector basis, the portfolio holds large overweights in consumer staples, communication services, and financials, while remaining underweight in consumer discretionary, health care, materials, and information technology.

We remain comfortable with the risk-reward tradeoff that our holdings offer and are excited about the continued prospects of the Brandes Emerging Markets (ex-China) Equity Strategy.

For term definitions, please refer to https://www.brandes.com/emea/termdefinitions.

For index definitions, please refer to https://www.brandes.com/emea/benchmark-definitions.

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