

Brandes Investment Partners
Emerging Markets (ex-China) Equity Strategy Notes
First Quarter 2026 (1 January – 31 March 2026)

The Brandes Emerging Markets (ex-China) Equity Strategy returned 5.70% (gross of fees), outperforming its benchmark, the MSCI Emerging Markets ex-China Index, which gained 3.16% in the quarter.

Positive Contributors

Main contributors to returns included holdings in the communication services and consumer staples sectors, led by food products company JBS N.V., as well as telecommunications services firms Millicom International Cellular and TIM.

Millicom benefited from stronger cash-flow generation, which reflected its post-restructuring lower cost structure, progress in improving profitability in newly acquired operations in Uruguay and Ecuador, and the closing of multiple transactions in Colombia where it has been consolidating the market.

Select information technology companies also performed well, specifically South Korean Samsung Electronics and SK Hynix, and Taiwan Semiconductor Manufacturing Company (TSMC). Samsung's shares advanced as infrastructure spending linked to AI continued to support memory demand and pricing. Given its scale, balance-sheet strength, and vertically integrated manufacturing footprint, Samsung is well positioned, in our view, to see significant growth in margins and free-cash-flow generation.

Other notable contributors included Brazil-based integrated oil company Petrobras, which benefited from higher oil prices driven by the geopolitical conflict in the Middle East, as well as its lack of production exposure in the region.

Furthermore, our underweight positions in India aided returns relative to the benchmark.

Performance Detractors

Heightened geopolitical uncertainty and renewed worries about global economic growth pressured several financial holdings. Austria-domiciled Erste Group and Bank Rakyat Indonesia saw their share prices fall, along with India-based HDFC Bank and IndusInd Bank, as well as Bank of the Philippine Islands. Most of the concerns surrounding Southeast Asian and Indian banks were driven by macroeconomic issues relating to the impact of higher energy prices as a direct result of the Middle East conflict. In our view, underlying banking fundamentals remain resilient.

Businesses perceived to be vulnerable to potential AI disruption also hurt performance. IT services firms Globant and Cognizant Technology Solutions declined despite what we consider limited change in underlying fundamentals, as investors reassessed how generative AI might impact traditional IT services business models, particularly in application development and consulting. Investor sentiment toward Taiwanese server and datacentre hardware company Wiyynn was also dampened amid volatility in expectations for AI-related infrastructure spending.

Relative to the benchmark, our underweight to Taiwan weighed on returns.

Select Activity in the Quarter

Portfolio activity was relatively light. We divested positions in Thailand-based bank SCB, Malaysian diversified holding company Genting Berhad, and India-based chemicals business UPL. There were no new additions to the portfolio in the quarter.

Current Positioning

Over the quarter, portfolio positioning did not meaningfully change. The portfolio maintains a significant overweight to Latin America, with diversified investments in telecommunications, energy, and real estate. South Korea continues to be the largest country weighting, although our exposure remains lower than that of the benchmark. We also maintain underweight positions in India and Taiwan. While we continue to identify attractive risk-reward profiles in the companies we own in both countries, our analysis suggests that many businesses in India and tech-heavy Taiwan offer limited margin of safety overall, especially when compared to other opportunities in emerging markets.

On a sector basis, the portfolio holds large overweight's in consumer staples, communication services, and financials, while remaining underweight in materials, industrials, and information technology.

We have recently received a number of inquiries regarding the portfolio's risk exposure to the Iran conflict. In our view, the impact is limited and largely indirect. Exposure comes primarily through travel-related holdings, such as Panama-based Copa Airlines, which could face softer demand if the conflict leads to prolonged disruptions in air travel or sustained elevated oil prices. The portfolio also has indirect macro exposure through our positions in Indonesia and the Philippines, as the countries are net oil importers. Taken in aggregate, however, we do not expect the Iran conflict to have a material impact on the overall portfolio risk.

We are encouraged by the outlook for value stocks in emerging markets ex-China and remain confident in the risk-reward trade-off of our holdings.

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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