

Brandes Investment Partners
Global Equity Strategy Notes
Second Quarter 2025 (1 April – 30 June 2025)

The Brandes Global Equity Strategy rose 8.16% (gross of fees), underperforming its benchmark, the MSCI World Index, which increased 11.47% in the quarter, and outperforming the MSCI World Value Index, which rose 5.38%.

Positive Contributors

Technology-related companies drove most of the overall index performance. While our underweight to technology companies dragged on relative performance, several of our best-performing investments were in the technology sector. These were led by our recent purchase of Taiwan-based Wiwynn and U.S. memory semiconductor company Micron Technology: both benefited from robust demand for AI infrastructure and demand for memory in AI applications. Taiwan Semiconductor Manufacturing Company also contributed, supported by continued strength in AI-related demand and its dominant position in advanced chip manufacturing.

Several financials holdings performed well, led by Erste Group Bank in Austria, U.S.-based Citigroup, as well as Hong Kong-based AIA Group. Erste Group Bank gained from improving macro conditions in Central Europe; it also expanded into Poland following its announced acquisition of a stake in Santander Bank Polska. Heidelberg Materials and Rolls-Royce rounded out the top contributors, from industrial recovery and strong aerospace demand, respectively.

Performance Detractors

Two of the weakest performing sectors in the benchmark were health care and energy. Our overweights to both weighed on performance, and several holdings in each sector declined. Volatile energy prices arising from tariff concerns and geopolitical conflicts caused returns to wane. Consequently, several energy-related investments detracted from results, including U.K.-headquartered Shell, France-based TotalEnergies and U.S.-based oilfield services company Halliburton.

Pharmaceuticals Sanofi and Merck saw their share prices decline. Sanofi experienced a falloff in response to market concerns about its profit margins over the short term. However, we believe the company remains well positioned for steady top-line growth over the next five years. This outlook is supported, in our view, by its flagship drug Dupixent, its improved research and development productivity and the lack of major patent expirations during the next five years. We continue to regard Sanofi as a stable cash-flow generator with upside optionality from its pipeline.

Fiserv was the largest detractor this quarter. Investor sentiment weakened after a slowdown in its small business gross merchandise volume in Q1 2025. Despite Fiserv's softening near-term growth prospects, we continue to believe it is well positioned to expand at an attractive rate in the next several years. From our perspective, Fiserv should benefit from improving profitability as it grows due to operating leverage, as well as from its share repurchase program. Fiserv remains, in our opinion, a well-positioned company with durable earnings power.

After a strong rebound in the first quarter, Alibaba declined as macroeconomic uncertainty in China continued. We remain constructive about the company's long-term positioning in e-commerce and cloud computing and think its shares continue to trade at an attractive valuation level.

Select Activity in the Quarter

Within a volatile market that allowed us to seek out and discover new opportunities, we initiated positions in several companies.

Texas-based Westlake is a leading player in the commodity chemicals and building materials industry, producing polyvinyl chloride (PVC) and caustic soda, as well as other raw materials used in housing construction (e.g., siding, roofing, moldings). We regard Westlake as a higher-quality chemical company due to its strong competitive position, low-cost commodity position, robust balance sheet and long-term-oriented management team.

Westlake's share price has traded down amid an oversupplied chemical market and a weaker housing construction end-market because half of its sales are for new builds. Over the longer term, however, we believe Westlake offers an attractive investment opportunity at its current valuation. A potential recovery in housing construction should boost

Westlake's business, in our opinion. And the company stands to gain as PVC pipes increasingly become the material of choice, especially in water pipes due to their versatility, durability and cost.

We also initiated a position in New Jersey-based Becton, Dickinson and Company (BDX), one of the largest global medical device manufacturers with the top U.S. market share in medication delivery, diagnostics and interventional products. About 85% of BDX's revenues are recurring, and the company benefits from deep integration into hospital networks, a broad product portfolio and scale advantages in manufacturing. Following the launch of its BD2025 plan, the company has focused on organic growth, margin expansion and deleveraging. A pending divestiture of its Biosciences and Diagnostic Solutions businesses could potentially unlock significant value. In our judgement, BDX offers a compelling combination of quality, stability and upside optionality from portfolio optimisation.

Finally, we initiated a position in Wiwynn, a Taiwan-based supplier of AI server infrastructure. Wiwynn began manufacturing Nvidia GPU-based systems in 2025, which are expected to contribute a significant portion of the company's revenue over the next few years. Despite margin dilution from GPU pass-through pricing, profit dollars should continue to grow, we anticipate. The company has delivered a 20%-plus revenue and profit growth rate over the past five to seven years and is well-positioned with hyperscalers like Amazon and Meta. Our investment case is supported by Wiwynn's leadership in AI infrastructure, its strong balance sheet and a narrow but defensible moat.

We exited several positions during the quarter, including State Street, Kingfisher, Labcorp and Kasikornbank. These holdings appreciated to our estimates of their respective intrinsic value, so we redeployed the capital into higher-conviction opportunities.

Year-to-Date Briefing

For the six months ended 30 June 2025, the Brandes Global Equity Strategy returned 16.19% (gross of fees), outperforming the MSCI World Index, which returned 9.47% and the MSCI World Value Index, which was up 10.45%.

The outperformance of value stocks (MSCI World Value vs. MSCI World), as well as international stocks (MSCI EAFE vs. MSCI USA), has been a tailwind for strategy performance given our value exposure and overweight to international stocks. However, most of our outperformance has been driven by stock selection. A variety of holdings have driven performance, led by Germany-based construction materials company Heidelberg Materials, industrial holdings Rolls-Royce and Embraer, as well as Austrian Erste Group Bank and Taiwanese technology company Wiwynn.

These names reflect strength in industrials and financials, two of the best performing sectors this year, particularly in Europe and emerging markets. Rolls-Royce and Embraer benefited from the continued recovery in global aerospace demand, while Heidelberg Materials and Erste Group Bank were supported by resilient earnings and improving macro conditions in Europe. Wiwynn's strong stock price performance matched the continued robust marketplace demand for AI server infrastructure.

Top detractors were primarily in communication services, led by U.K.-based advertising agency WPP and U.S.-based Comcast, as well as France-based holdings Kering and Pernod Ricard. Other detractors include U.S. holdings: FedEx, Fiserv, Halliburton, and Merck. These companies faced a mix of margin pressure, macroeconomic uncertainty and sector-specific headwinds. FedEx and WPP were affected respectively by weaker-than-expected volumes and reduced advertising demand. Halliburton and Merck underperformed in the wake of softer energy prices and health care cost concerns. From an attribution standpoint, the largest deduction came from lacking exposure to benchmark heavyweights Nvidia and Microsoft, as both stocks continued to rally on AI-related optimism.

Current Positioning

The Brandes Global Equity Strategy holds its largest overweights in the economically sensitive financials sector and the more defensive health care sector, while maintaining its largest sector underweight to technology. As financials have performed well over the past year, we have pared some of our exposure, and our overweight relative to the benchmark has decreased.

Geographically, we hold overweight positions in the United Kingdom, France, and emerging markets, while remaining underweight in the United States and Japan. We believe the differences between the strategy and the MSCI World Index make it an excellent complement and diversifier to passive and growth-oriented strategies.

The significant appreciation and outperformance of international (MSCI EAFE vs. MSCI USA) and of value stocks (MSCI World Value vs. MSCI World) in 2025 underscores the benefit of diversification. Before the COVID-19 pandemic, international and value stocks had underperformed for most of the prior decade. This, we think, likely caused many investors to be under-allocated to global value stocks. As a result, global value stocks traded near some of the largest discounts in their history relative to growth stocks (MSCI World Growth). Despite the strong rebound this year, global value stocks continue to trade within the least-expensive quartile relative to growth (MSCI World Value vs. MSCI World Growth) since the style indices began. This is evident across various valuation measures, including price/earnings, price/cash flow, and enterprise value/sales. Historically, such discount levels often signaled attractive subsequent relative returns for value stocks during the next three- to five-year plus period. This is encouraging because our strategy, guided by our value philosophy and process, has had the tendency to outperform the value index when that index outperformed the broad benchmark.

Looking ahead, we are excited about the long-term prospects of our holdings, which in aggregate trade at more compelling valuation levels than the benchmark, in our opinion.

Term definitions: <https://www.brandes.com/termdefinitions>

The MSI EAFE Index with net dividends captures large and mid cap representation of developed market countries excluding the U.S. and Canada.

The MSCI USA Index measures the performance of the large and mid cap segments of the U.S. equity market.

The MSCI World Growth Index with gross dividends captures large and mid cap securities across developed market countries exhibiting growth style characteristics, defined using long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, and long-term historical sales per share growth trend.

The MSCI World Index with net dividends captures large and mid cap representation of developed markets.

The MSCI World Value Index with gross dividends captures large and mid cap securities across developed market countries exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.

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