Brandes Investment Partners
Global Equity Strategy Notes
Fourth Quarter 2025 (1 October – 31 December 2025)

The Brandes Global Equity Strategy rose 7.41% (gross of fees), outperforming its benchmark, the MSCI World Index, which increased 3.12%, and the MSCI World Value Index, which grew by 3.34%.

Positive Contributors
Holdings in emerging markets, as well as those based in the United States, were leading contributors as several of our technology holdings performed well during the period. Semiconductor firms Micron Technology and Samsung Electronics continued to benefit from sustained demand for memory chips used in AI infrastructure. Taiwan-based Wiwynn, a key player in cloud and server solutions, delivered robust gains as hyperscale demand accelerated. U.S.-based EPAM Systems rebounded sharply as fears about AI disruption in IT services moderated and investors refocused on its digital transformation capabilities.

Health care was the best performing sector in the benchmark for the quarter as investor negativity subsided. Our overweight to the sector benefited returns and several of our holdings performed well. Pharmaceutical firms GSK and Merck both rose as did distributor Cardinal Health. Merck rebounded sharply after being a detractor earlier this year as sentiment improved based on its oncology pipeline and steady revenue growth.

Financials outperformed the broader market; several of our holdings were leading contributors, including Austria-based Erste Group Bank, Switzerland-based UBS and U.S.-based Citigroup. All three companies enjoyed healthy returns in an improved environment for financials and maintained their positive performance for the year.

Performance Detractors
The largest detractor for the quarter was Fiserv, which declined significantly after lowering its growth and margin outlook. The market reacted negatively to its revised guidance and restructuring, as well as the unexpected impact of its Argentinian operations, which had inflated prior reported growth figures. While the company's short-term results may be challenged as it invests in a turnaround, we believe Fiserv's core business should continue to benefit from long-term secular growth in digital payments. Fiserv's current market valuation reflects a highly pessimistic view of the company. We see opportunities for recovery over time through operating improvements, but the turnaround will take patience. For now, we've maintained our existing position without adding further as we monitor progress under new leadership and look for signs of stabilisation before adjusting our exposure.

China's Alibaba also weighed on performance, giving back some of its earlier gains amid continued weak consumer demand in China. We believe Alibaba's scale and ecosystem remain compelling for long-term growth. Other detractors included medical equipment company Smith & Nephew and housing products company Mohawk Industries. Beverage company Pernod Ricard declined due to concerns about slowing global spirits demand. While these headwinds persist, we remain confident in Pernod's strong brand portfolio and pricing power, which should support long-term prospects.

Select Activity in the Quarter
We initiated new positions in U.K.-based utility company National Grid, paper and packaging company Mondi, as well as U.S.-based insurance company Progressive Corp. We sold consumer finance company OneMain Holdings, insurance company AIG and Ireland-based construction materials company CRH.

Mondi is a leading European producer of corrugated packaging, containerboard, kraft paper and uncoated fine paper. With a strong presence in Eastern and Western Europe and a vertically integrated model from pulp to finished products, Mondi enjoys cost advantages and scale benefits. It is the number one virgin containerboard producer in Europe and the global leader in kraft paper, supplying essential packaging solutions for industries ranging from e-commerce to construction.

Currently, Mondi is out of favour due to a prolonged downturn in the European containerboard market, driven by oversupply and weak demand since 2022. Margins have been pressured by inflation in non-fiber input costs and an influx of new capacity, leaving much of the industry operating below breakeven. This cyclical weakness has weighed on profitability and led to a more leveraged balance sheet following Mondi's recent investment program and acquisitions.

Despite these near-term challenges, Mondi offers an attractive long-term opportunity. Secular trends such as sustainability, convenience and the shift from plastic to paper underpin steady growth in fiber-based packaging. Mondi's cost leadership, strong positioning in high-barrier kraft paper markets, and integrated operations provide resilience and competitive advantage, in our opinion. The company's completed investment program is expected to increase profits over the next few years, while its expanded converting capacity enhances downstream integration. As industry capacity rationalises and demand normalises, we believe Mondi could be poised for margin recovery and free cash flow inflection. For patient investors, Mondi represents a well-positioned leader in sustainable packaging with meaningful upside should the cycle turn.

National Grid is one of the world's leading regulated utilities, responsible for electricity transmission and distribution in Great Britain and electricity and gas networks in the northeastern United States. The company operates under well-established regulatory frameworks that provide predictable returns and inflation protection in the U.K., while its U.S. operations benefit from nominal rate structures and legally binding decarbonisation mandates. Over the past decade, National Grid has strategically repositioned its asset base toward electricity networks, reducing exposure to gas and aligning with long-term energy transition trends. Today, roughly 75% of its regulated asset base is in electricity, and this share is expected to rise to 80% by 2029, supported by structural growth in electrification and renewable integration.

Despite its strong fundamentals, National Grid is currently out of favour, weighed down by weak U.K. macro sentiment and concerns over interest rates. There is also a lack of market enthusiasm toward National Grid as it currently has a lower dividend yield than its peers as it has a lower payout ratio to help fund upcoming capital expenditure and growth cycle. Over the next five years, National Grid plans to deploy significant capital expenditures across its jurisdictions, with major projects in U.K. electricity transmission aimed at alleviating congestion and connecting renewable resources, and in the U.S. focused on grid modernisation and resiliency. These investments are expected to drive attractive growth in the regulated asset base and earnings per share, while dividends should grow in line with U.K. inflation. Importantly, the balance sheet is adequately funded, which should eliminate equity funding needs through the next five years.

Longer term, National Grid's position as a critical enabler of decarbonisation, combined with high regulatory visibility and inflation-linked returns, underpins its profile as a defensive company with attractive risk-adjusted returns. At current valuations—trading at a discount to U.S. and EU peers—the shares offer compelling upside, in our opinion.

Besides the new buys, other portfolio activity included the full sale of consumer finance firm OneMain Holdings. We initiated a position in OneMain in 2021 based on its leadership in nonprime consumer lending and robust risk-adjusted returns. Over the holding period, OneMain delivered meaningful earnings growth and shareholder returns through dividends and buybacks. As credit normalisation risks increased, and with OneMain's share price approaching our estimate of intrinsic value, we decided to redeploy the capital into what we consider more compelling opportunities. In our view, the investment in OneMain exemplifies our philosophy of buying undervalued businesses with strong fundamentals, and divesting when valuation converges with intrinsic worth.

Year-to-Date Briefing
For the year ended 31 December 2025, the Brandes Global Equity Strategy returned 33.94% (gross of fees), surpassing the MSCI World Index, which returned 21.09%, and the MSCI World Value Index, which was up 20.79%.

The outperformance of international stocks (MSCI EAFE vs. MSCI USA) has been a tailwind for the strategy, given our value exposure and overweight to international stocks. Stock selection across nearly all sectors has helped drive our results for the year, led by investments in technology, financials, and industrials. Technology companies, such as Micron, Wiwynn and Samsung, delivered exceptional returns on the back of secular trends tied to AI and cloud infrastructure, as did consumer discretionary company Alibaba. Financials contributed meaningfully through Erste Group, Citigroup and UBS, which benefited from stable credit conditions and net interest margin support in a favourable rate environment.
Other notable contributors included Brazil-based Embraer and U.K.-based Rolls Royce, which gained on improving aerospace demand and operational execution, as well as Germany-based construction materials company Heidelberg Materials.

While health care and consumer staples have lagged the benchmark, our investments in them have done better and aided relative returns; contributors include Brazil-based Ambev and U.K-based Imperial Brands, as well as GSK, CVS, UnitedHealth and McKesson.

Top detractors were led by payments company Fiserv and communication services firm Comcast, as well as advertising agencies WPP in the U.K. and France-based Publicis. Investments in France also detracted from returns; beyond Publicis, pharmaceutical firm Sanofi and beverage company Pernod Ricard trailed the overall market.

Current Positioning

The Brandes Global Equity Strategy holds its largest overweights in the health care and consumer staples sectors: both lagged the overall market during the year, and we have been finding more value opportunities in each. Our largest underweights are to the technology and communication services sectors. Our exposure to the technology sector has increased materially as some of our holdings performed well, but we also began to find more opportunities in areas of the sector that had previously underperformed due to the threat of AI, such as in IT services. While we remain overweight to the financials sector, that status markedly decreased during the year as strong performance led to our paring and selling a variety of names, and the performance of the sector led it to become a larger component of the benchmark.

Geographically, we hold overweight positions in the United Kingdom, France and emerging markets, while remaining underweight in the United States and Japan. Our overweight to companies based in emerging markets increased during the year as several of our investments appreciated significantly. While we have pared some of our holdings, we continue to find many attractive opportunities within emerging markets. Meanwhile, a fair degree of activity in the U.S. resulted in our overall weight remaining similar to the start of the year. However, our underweight relative to the benchmark narrowed as U.S. underperformance caused it to become a slightly smaller weight in the benchmark, while still accounting for more than 70% of the MSCI World index. 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.

International developed (MSCI EAFE) and emerging markets (MSCI EM) significantly outperformed U.S. markets (MSCI USA) for the year, marking the largest outperformance for emerging markets in more than 15 years and the largest outperformance for developed international markets in over 30 years relative to the U.S. Historically, cycles between international and U.S. markets lasted for several years. Given where valuations are today relative to U.S. stocks, we believe that international stocks may be well primed for the future.

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 signalled 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 do better than the value index when that index exceeded the broad benchmark.

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

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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