

Brandes Investment Partners
Global Small Cap Equity Strategy Notes
Third Quarter 2025 (1 July – 30 September 2025)

The Brandes Global Small Cap Equity Strategy returned 8.11% (gross of fees), performing in line with its benchmark, the MSCI ACWI Small Cap Index, which was up 8.07% in the quarter. The MSCI ACWI Small Cap Value Index gained 8.14%.

Positive Contributors

Key performance drivers included holdings in communications services and health care. Luxembourg-domiciled wireless telecom operator Millicom International Cellular, Ireland-based Avadel Pharmaceuticals, and U.S. based Elanco Animal Health all appreciated on strong earnings. Avadel exceeded expectations and raised its full-year revenue guidance. Millicom benefited from infrastructure transactions and announced an interim dividend, while Elanco continued to have momentum in its pet health and farm animal segments. We believe the investment case for each of these holdings remains attractive, and we have maintained our allocations accordingly.

Other standout performers included software firm Open Text, energy equipment and services business Innovex International, and apparel company Hanesbrands. In August, Gildan Activewear announced its acquisition of Hanesbrands for \$2.2 billion, with the transaction expected to close in late 2025 or early 2026. The deal aims to combine Gildan’s manufacturing capabilities with Hanesbrands’ retail presence and brand strength.

Furthermore, our underweight allocation to companies in India helped relative returns.

Performance Detractors

Several holdings in materials and consumer staples performed poorly, notably Canadian paper and forest products business Canfor, Irish beverage company C&C Group, and U.S.-based Edgewell Personal Care. Our underweight materials also hurt relative performance, along with our overweight to consumer staples.

Other detractors included U.K. real estate business LSL Property Services, U.S. machinery company Kennametal, and Mexico-based securities exchange Bolsa Mexicana de Valores.

Select Activity in the Quarter

We initiated positions in Belgium-based personal care products company Ontex Group, Luxembourg-domiciled information technology (IT) services company Globant, Canadian packaging business Winpak, and U.K. professional services provider PageGroup.

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 cyclical 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 normalize, 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 purchases, other major portfolio activity included the full sells of U.S.-based health care services business Premier and chemical company Scotts Miracle-Gro, as well as Italian cement manufacturer Buzzi.

Year-to-Date Briefing

The Brandes Global Small Cap Equity Strategy rose 39.08%, outperforming its benchmark, the MSCI ACWI Small Cap Index, which appreciated 16.61% in the nine months ending 30 September 2025, and the MSCI ACWI Small Cap Value Index, which rose 16.14%.

Stock selection across various sectors drove our outperformance. Key contributors included holdings in industrials, financials, communication services, and health care. Geographically, holdings in the United States, United Kingdom, Luxembourg, and emerging markets performed well. At the company level, standout performers included aerospace and defense businesses Embraer, Montana Aerospace, and LISI, telecom firms Millicom International Cellular and Magyar Telekom, and Mexican REIT Fibra Uno.

Materials represented the best performing sector in the benchmark, and our underweight position hurt relative returns. Select holdings and overweight position in consumer staples also detracted from performance. At the stock level, notable decliners included Canada-based Dorel Industries and Canfor, machinery company Kennametal, and consumer products firm Edgewell Personal Care.

Current Positioning

With our index-agnostic investment approach, the portfolio continues to look different from both the broad and the value benchmarks. It maintains large allocations to industrials, consumer staples, and health care, while holding underweights in technology, materials, real estate, and financials. Geographically, the portfolio continues to have meaningful exposure to companies in the U.K., Hong Kong, Canada, and emerging markets, and a notable underweight to the United States.

A good portion of the portfolio continues to be allocated to domestically oriented companies, which tend to benefit from larger competitive moats and reduced direct exposure to international trade disputes compared to their export-driven peers. Additionally, many of our holdings also represent mature and stable business models where earnings and free cash flow generation have historically shown resilience during macroeconomic or cyclical disruptions.

In recent years, we have gradually increased our weighting to cyclical industries, especially in areas where the market appears to be overreacting to cycle risk. However, we remain cautious as many opportunities still present risks of elevated earnings and valuations. Throughout our investment process, we maintain a sharp focus on balance sheet quality. We feel this is particularly important in the global small-cap equity space as the low interest-rate environment has increased corporate debt appetite and foreign currency exchange mismatches pose a big risk.

Going forward, we remain optimistic about the portfolio's holdings composition and the risk/reward tradeoff it offers.

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>.

MSCI has not approved, reviewed or produced this report, makes no express or implied warranties or representations and is not liable whatsoever for any data in the report. You may not redistribute the MSCI data or use it as a basis for other indices or investment products.

The foregoing Quarterly Commentary reflects the thoughts and opinions of Brandes 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. Unlike bonds issued or guaranteed by the U.S. government or its agencies, stocks and other bonds are not backed by the full faith and credit of the United States. Stock and bond prices will experience market fluctuations. Please note that the value of government securities and bonds in general have an inverse relationship to interest rates. Bonds carry the risk of default, or the risk that an issuer will be unable to make income or principal payment. There is no assurance that private guarantors or insurers will meet their obligations. The credit quality of the investments in the portfolio is not a guarantee of the safety or stability of the portfolio. Investments in Asset Backed and Mortgage Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. 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.

Ireland/Europe: FOR PROFESSIONAL INVESTOR USE ONLY. Issued by Brandes Investment Partners (Europe) Limited (Brandes Europe), Alexandra House, The Sweepstakes, Ballsbridge, Dublin, D04 C7H2, Ireland. Registered in Ireland Number 510203. Authorised and regulated by the Central Bank of Ireland. This report is being provided for information purposes only, no representation or warranty is made, whether express or implied as to the accuracy or completeness of the information provided. To the fullest extent permitted by law Brandes Europe shall not be liable for any loss or damage suffered by any person as a result of the receipt of this report. Recipients of this report should obtain their own professional advice. The distribution of this report may be restricted by law. No action has been or will be taken by Brandes Europe to permit the possession or distribution of this report in any jurisdiction where action for that purpose may be required. Accordingly, this report may not be used in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons to whom this report is communicated should inform themselves about and observe any such restrictions. This information is being issued only to, and/or is directed only at (i) persons who have professional experience in matters relating to investments or (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or to whom it may otherwise lawfully be communicated (all such persons together being referred to as "Relevant Persons"). This communication must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this communication relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. This report is a confidential communication to, and solely for the use of, the persons to whom it is distributed to by Brandes Europe.