

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

The Brandes Global Small Cap Equity Strategy returned 5.77% (gross of fees), outperforming its benchmark, the MSCI ACWI Small Cap Index, which was up 2.66% in the quarter as well as the MSCI ACWI Small Cap Value Index which gained 3.57%.

Positive Contributors

Holdings in consumer discretionary, communications services, and industrials were major contributors to returns. Top performers included machinery companies Kennametal and Graham Corporation, South Korean Hankook Tire & Technology, and Luxembourg-domiciled wireless telecom operator Millicom International Cellular.

Hankook Tire & Technology announced strong third-quarter results that exceeded consensus estimates. The company successfully mitigated tariff headwinds through price hikes and benefited from volume growth and a healthy product mix.

Select health care holdings also performed well, led by Ireland-based Avadel Pharmaceuticals. In October, Avadel announced an agreement to be acquired by Alkermes for a total value of \$2.1bn, with the full value realization contingent upon FDA approval of Lumryz for treating idiopathic hypersomnia in adults by the end of 2028. The following month, H. Lundbeck made an unsolicited proposal valuing Avadel at approximately \$2.4bn, prompting Alkermes to raise its offer. Amid the bidding war, Avadel's share price reached our estimate of its intrinsic value, leading us to divest our position.

Other notable contributors included energy equipment and services business Innovex International.

Performance Detractors

Detractors included holdings in consumer staples and information technology, specifically personal care products companies Ontex Group (Belgium) and Edgewell Personal Care (U.S.), Canadian software company Open Text, Hong Kong's PAX Global Technology, and U.S.-based Arlo Technologies.

Ontex fell primarily due to sharper-than-expected decline in European and North American baby care sales, leading management to issue a significant downward revision of its full year financial outlook. We believe this situation is short-term in nature and maintain our allocation to the company. Meanwhile, Open Text experienced weakness in enterprise software spending and struggled with integration challenges following recent acquisitions, which weighed on results. Our investment thesis remains anchored in the company's recurring revenue model and cost synergies over time.

Other poor performers included South Korean security management company S-1 and Spanish insurer Linea Directa Aseguradora.

Select Activity in the Quarter

We initiated positions in U.K.-based packaging manufacturer Mondi and professional services company Hays, as well as Netherlands-based machinery company Aalberts. We also added a few U.S. companies to the portfolio: commercial services and supplies business UniFirst, chemical company Scotts Miracle-Gro, and health care firm Prestige Consumer Healthcare.

Mondi is a leading player in the European packaging industry, operating across three segments: corrugated packaging, flexible packaging, and uncoated fine paper. In both corrugated and flexible packaging, Mondi is "net long paper," meaning it produces more containerboard and kraft paper than it consumes in its box and paper bag operations.

Mondi is one of the largest producers of virgin containerboard (primary component for making corrugated board) in a predominately recycled European market. It also boasts a strong position in kraft paper, which represents a small and opaque market with steep barriers to entry. Thanks to its access to lower-cost Central and Eastern European fiber and its vertical integration from pulp to converted box/bag, Mondi has what we consider favourable cost positioning. Its

kraft paper business, which supplies diverse end uses such as cement, pet food, groceries, and protective mailers for Amazon, delivers higher margins relative to peers. Given the breadth of its product portfolio, Mondi serves as a one-stop shop for customers, adding value by fulfilling a wide range of packaging needs.

Overcapacity in European recycled containerboard, along with inflation in non-fiber input costs, has pressured Mondi's margins in its corrugated packaging business, weighing on its share price and creating an attractive entry point for investment. We believe these challenges are temporary and Mondi is well positioned to navigate them. Looking beyond the short-term demand turbulence and capacity issues, our investment thesis centres on Mondi's competitive positioning and the solid long-term volume growth potential for fiber-based packaging supported by secular trends in sustainability, convenience, and plastic-to-paper substitution. At its current valuations, Mondi represents a compelling value opportunity.

Besides the new buys, other portfolio activity included the divestments of Avadel Pharmaceuticals, French cement company Vicat, U.S. pizza restaurant chain Papa John's International, Panama's Banco Latinoamericano de Comercio Exterior, and Brazilian electric utility Neoenergia.

Year-to-Date Briefing

The Brandes Global Small Cap Equity Strategy rose 47.10%, outperforming its benchmark, the MSCI ACWI Small Cap Index, which appreciated 19.72% in 2025, and the MSCI ACWI Small Cap Value Index, which rose 20.29%.

Stock selection across various sectors drove outperformance. Key contributors included holdings in industrials, financials, communication services, consumer discretionary, and health care. Geographically, holdings in the U.S., the U.K., Luxembourg, France, and emerging markets performed well. At the company level, standout performers included aerospace and defence businesses Embraer, Montana Aerospace, and LISI, telecom firms Millicom International Cellular and Magyar Telekom, and Elanco Animal Health.

Detractors included holdings in consumer staples, such as Edgewell Personal Care, Ontex Group, and Indofood. Allocation to information technology also hurt relative returns, partly due to our lack of semiconductor and technology hardware storage holdings. On a country basis, holdings in Canada performed poorly, notably Dorel Industries and Canfor. Other detractors included energy firm World Kinect and machinery businesses Hurco Companies and L.B. Foster.

Current Positioning

The portfolio maintains large allocations to industrials, consumer staples, and health care, while holding underweight positions in technology, materials, real estate, and consumer discretionary. Additionally, we ended 2025 with a lower weighting to financials as we divested several holdings that appreciated to our estimates of their intrinsic values during the year. The sector now represents our largest underweight relative to the benchmark. Geographically, the portfolio continues to have significant exposure to companies in the United States (although still significantly underweight relative to the benchmark), the U.K., and emerging markets, while remaining underweight in Australia, Japan, and India.

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 can pose a risk.

Going forward, we remain optimistic about the portfolio's holdings composition and the risk/reward trade-off 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>.

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. European 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. 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.