

Brandes Investment Partners
U.S. Small-Mid Cap Value Equity Strategy Notes
First Quarter 2026 (1 January – 31 March 2026)

The Brandes U.S. Small-Mid Cap Value Equity Strategy increased by 5.15% (gross of fees), outperforming its benchmark, the Russell 2500 Index, which was up 2.04%. The Russell 2500 Value Index rose by 4.77%.

Positive Contributors

Notable contributors included specific holdings in the industrials sector, led by Moog and National Presto Industries. Both reported strong earnings and growing backlogs, reflecting accelerating demand in aerospace, defence and commercial aircraft markets.

Other companies that performed well included IPG Photonics, which had solid earnings; Scholastic Corp., which authorized a Dutch Auction tender offer representing approximately 25% of outstanding shares, and Edgewell Personal Care, which successfully sold off its feminine care business.

Performance Detractors

The most material detractors were in health care, led by Fortrea. Fortrea declined after its earnings missed market expectations, and the company delivered weaker-than-expected full-year revenue guidance, reflecting softness in biotech funding.

In the information technology sector, several holdings fell as investor sentiment shifted sharply against traditional IT services. Concerns centred on the potential for generative AI to reduce demand for labour-intensive services. EPAM Systems and Amdocs were among the largest detractors: their shares weakened despite limited near-term changes in their fundamentals. While these businesses continue to benefit from entrenched customer relationships and high switching costs, market sentiment reflected heightened uncertainty relating to longer-term demand and competitive dynamics. We added to both holdings because we believe some of these concerns are likely overblown for companies with proven embedded technological and customer data expertise.

Select Activity in the Quarter

We initiated a new position in Mohawk Industries and sold our position in Seaboard Corp.

Mohawk Industries is the world's largest flooring manufacturer, with leading positions across ceramic tile, carpet, laminate, vinyl and stone products serving residential remodelling, new construction and commercial markets. Its global manufacturing and distribution footprint provides substantial scale advantages, broad product reach and cost efficiency across cycles.

The market is currently focused on near-term headwinds facing Mohawk, including slowing home-remodelling demand, elevated input costs and margin pressure after an unusually strong post-COVID rebound. While cycle risks are still elevated, the company benefits from a strong balance sheet and a free-cash-flow profile that stayed positive through the cycle. Additionally, management owns a meaningful equity stake and has shown a willingness to deploy capital opportunistically through share repurchases and acquisitions during times of industry stress.

In our view, Mohawk trades at a valuation that embeds a prolonged downturn scenario. Based on our assessment of normalized earnings power and balance sheet strength, we believe the shares offer an attractive margin of safety and favourable long-term return potential.

We exited our position in Seaboard Corp. The company is a diversified, family-controlled conglomerate with operations spanning pork production, commodity trading and milling, marine shipping, power generation, renewable fuels and sugar. When we made our initial investment, the company's earnings were depressed by weak pork industry conditions, which created an attractive risk-reward opportunity.

During our holding period, pork profitability rebounded sharply, supported by stronger export demand and improved margins; meanwhile, the marine business saw better volumes and utilization. At the same time, management complemented the operational recovery with thoughtful capital allocation, including share repurchases.

As these improvements became evident, the market re-rated Seaboard's stock. With the share price trading above our estimate of intrinsic value, we decided to exit the position and reallocate capital to opportunities where we see greater upside potential and a more attractive risk-reward profile.

Current Positioning

Health care and consumer staples continue to be the two largest overweight's compared to the benchmark. Our most significant underweights are in consumer discretionary, financials, and real estate.

In our opinion, the differences between the Brandes U.S. Small-Mid Cap Value Equity Strategy and the broader U.S. small-mid cap market continue to make the strategy an attractive complement to other small-cap and small-mid cap offerings. Our strategy exhibits lower valuations than the Russell 2500 Index, while offering exposure to companies that have what we consider strong balance sheets, compelling growth prospects and a history of durable free cash flow.

We are optimistic about the potential of value stocks in general and believe the Brandes U.S. Small-Mid Cap Value Equity Strategy remains well positioned from a long-term risk/reward perspective.

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>.

Diversification does not assure a profit or protect against a loss in a declining market.

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.