

Brandes Investment Partners
U.S. Value Equity Strategy Notes
Third Quarter 2025 (1 July – 30 September 2025)

The Brandes U.S. Value Equity Strategy rose 4.77% (gross of fees) in the quarter, underperforming its benchmark, the Russell 1000 Value Index, which was up 5.33%.

Positive Contributors

Strong contributions came from our two significant overweight allocations, namely health care and financials.

Recently added ICON, a clinical research company, rose after announcing better-than-expected earnings results. Within financials, several holdings continued to perform well, led by Citigroup, Bank of America, and Bank of New York Mellon. A favorable rate environment globally provided a tailwind for the sector, boosting net interest margins. For Citigroup, market sentiment was further supported by its restructuring efforts and focus on core banking operations, which has led to improved operating efficiency.

Beyond health care and financials, several technology-related businesses aided returns as well. Continued enthusiasm around artificial intelligence (AI) helped lift the share prices of companies with exposure to the theme, including Alphabet and Micron. Micron saw strong performance driven by rising demand for memory semiconductors in AI applications. Alphabet further benefited from a more favorable than expected antitrust ruling, which added to investor optimism.

Another tech holding, electronics manufacturing company Flex, was also a notable contributor as it continued to capitalise on robust demand across its diversified manufacturing services platform. Flex's exposure to secular growth areas, such as cloud infrastructure, automotive electronics, and industrial automation, has enabled the company to expand its margin and gain earnings momentum.

Performance Detractors

Significant detractors included our allocations to industrials and materials, where our lack of holdings in metals and mining and construction materials weighed on relative returns as both industries appreciated meaningfully in the quarter. Poor performers in the sectors included agricultural firm Corteva and trucking company Knight Swift. Corteva announced plans to split into two independent, publicly traded companies, separating its crop protection and seed businesses. Meanwhile, Knight Swift continued to face a challenging operating environment, with lingering post-COVID oversupply and the new trade and tariff situations dampening demand in the trucking industry.

Several health care-related holdings also hurt performance, notably distributor Cardinal Health and insurer Cigna, as well as consumer health firm Kenvue. Additionally, information technology (IT) services companies Amdocs and Cognizant were major detractors, along with payment technology firm Fiserv.

The broader IT services industry declined amid worries over the potential impact of AI on traditional service models, coupled with policy uncertainty surrounding immigrant visas, which the industry commonly relies on for talent mobility. We believe the market has become overly negative on these concerns. We see potential for IT services firms to benefit from AI deployment and from a recovery in demand as IT spending normalises.

Meanwhile, the market expressed concerns about slowing growth in Fiserv's merchant acceptance business. Though near-term investor sentiment has weakened, our long-term investment thesis for Fiserv remains intact, underpinned by the company's scale and recurring revenue base.

Select Activity in the Quarter

We initiated new positions in chemical firm International Flavors & Fragrances and IT services company EPAM.

EPAM is a digital pure-play IT services company, with approximately 85% of its revenue derived from high-value services such as custom software development, data analytics, AI implementation, and cloud migration. This differentiates EPAM from broader-based IT services providers that maintain exposure to slower-growing legacy segments.

Historically, EPAM delivered organic revenue growth exceeding 20% annually, a testament to its engineering excellence and client-centric delivery model. However, the Russian invasion of Ukraine in 2022 posed a significant operational challenge. At the time, over 30% of EPAM's workforce was based in Ukraine and Belarus, with Ukraine serving as its largest delivery hub. In response, EPAM executed a rapid and strategic geographic repositioning, reducing its Ukraine/Belarus footprint to 15% and expanding delivery capabilities across India (now 20% of its workforce), Latin America, and Poland. This transition has largely been completed and viewed as successful, restoring client confidence and operational resilience.

The current market dislocation, driven by macroeconomic uncertainty and overstated AI disruption fears, creates an attractive entry point for an investment in what we consider a high-quality digital transformation enabler. In our view, EPAM is strategically positioned to benefit from the increasing complexity of enterprise-grade digital transformation projects. While concerns around AI disrupting traditional IT services persist, EPAM's specialisation in AI integration and its ability to deliver customised solutions make us believe that it will be a net beneficiary of these trends. The shift from cost-plus to fixed-price contracts introduces margin expansion potential, albeit with increased project risk. Nonetheless, EPAM's engineering depth and agile delivery model mitigate these risks, in our opinion. At its current valuations, EPAM offers an appealing risk-reward tradeoff.

Year-to-Date Briefing

The Brandes U.S. Value Equity Strategy gained 11.52% (gross of fees), slightly underperforming the Russell 1000 Value Index, which rose 11.65% for the nine months ended 30 September 2025.

After a strong start to the year, value stocks lagged the broader market (Russell 1000 Value vs. Russell 1000) over the past two quarters. This was largely driven by the AI-fueled rally, which lifted the share prices—and subsequently, valuations—for any businesses with exposure to AI demand. While value underperformance has been a headwind for the strategy, several of our holdings delivered solid results. Leading contributors included holdings in health care and technology, such as Flex and Micron, as well as pharmaceutical distributors McKesson and Cardinal Health and integrated health care company CVS Health.

Financials holdings, led by Citigroup and Bank of New York Mellon, were also among the top performers. The current environment has been quite favorable for banks, characterised by modest credit losses, attractive net interest margins, and overall robust earnings growth.

Major detractors included holdings in industrials and communication services, notably FedEx and Comcast. As was the case for the quarter, Fiserv, Cognizant, and Knight Swift also hurt performance for the year-to-date period. Additional poor performers included pharmaceutical firm Merck and chemical company Westlake.

Current Positioning

Despite increased portfolio activity amid this year's volatile market environment, our overall portfolio positioning has not shifted significantly. The portfolio continues to have overweight positions in financials and health care, while maintaining underweights in real estate and consumer discretionary. We have selectively reduced allocations to some of the strong-performing areas (e.g., financials and technology), while adding to others that have underperformed (e.g., health care).

In the third quarter, the valuation gap between value and growth stocks (MSCI USA Value vs. MSCI USA Growth) widened once more, as a rebound in technology stocks drove growth stocks' outperformance. Market optimism around anything related to AI continues to elevate valuations for technology companies, which accounted for over 50% of the growth index as of 30 September. Amid an increasingly concentrated U.S. market, we believe it is important for investors to ensure that their portfolios are not overexposed to a certain sector or theme. With our index-agnostic approach, the Brandes U.S. Value Equity Strategy continues to look different than both the Russell 1000 Index and the Russell 1000 Value Index, making it, in our opinion, a compelling complement to passive and growth-oriented strategies.

Following their underperformance over the past two quarters, value stocks now trade among the largest quartile discounts relative to growth stocks since the inception of the style indices. This valuation disparity is evident across various metrics, such as price/earnings, price/cash flow, and enterprise value/sales. Historically, such valuation differentials have often signaled compelling subsequent returns for value stocks over longer-term horizons. This is

encouraging to us because our portfolio, guided by our value philosophy and process, has tended to outperform the Russell 1000 Value benchmark when the benchmark has outperformed the broader Russell 1000 Index.

We remain confident about the risk-reward profile of our holdings and are optimistic about the strategy's long-term prospects.

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.

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. 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.