

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

The Brandes U.S. Value Equity Strategy rose 2.05% (gross of fees), performing in line with its benchmark, the Russell 1000 Value Index, which increased 2.10% in the quarter, and outperforming the Russell 1000 Index, which fell 4.18%.

Positive Contributors

During a period marked by heightened volatility, the most significant contributions came from holdings in materials, energy, and health care.

Materials ranked among the top-performing sectors for the quarter, benefiting from rising commodity prices and improved sentiment toward companies with asset-intensive business models. Westlake Corporation was the leading contributor, with shares advancing on stronger pricing for key chemical and materials products. Crop and seed protection company Corteva also contributed positively, driven by higher agricultural input prices.

Within energy, higher oil prices supported solid performance across our holdings, namely Chevron, Halliburton, and SLB.

In health care, Merck and Pfizer both performed well, thanks to resilient demand for their core products, strong balance sheets, and renewed investor interest in defensive earnings streams amid increased market uncertainty.

Other contributors included FedEx, which benefited from margin improvement and cost-reduction initiatives, as well as stabilization in global shipping volumes.

Performance Detractors

Major detractors included select technology-related holdings, particularly those tied to IT services, software, and business models perceived to be vulnerable to AI disruption. Several holdings declined as investor sentiment shifted sharply away from traditional IT services and software providers. Market concerns centred on the potential for generative AI to reduce demand for labour-intensive services, pressure pricing, and accelerate customer insourcing.

EPAM Systems, Cognizant, SS&C Technologies, and Amdocs were among the largest detractors, as their shares fell despite limited near-term changes to underlying fundamentals. While these businesses continued to benefit from long-standing client relationships and high customer switching costs, market sentiment during the quarter reflected heightened uncertainty around longer-term demand and competitive dynamics. We selectively added to some positions, as we believe the market does not fully recognize the durability of their business models, given their significant embedded technological and customer data expertise and the reality that enterprise customers need help implementing AI customized for their businesses.

Beyond these tech-related names, health care holding ICON, a global contract research organization, also hurt performance. The company disclosed that revenue for 2023 and 2024 may have been overstated by up to 2%. While we continue to view the long-term outsourcing trend in clinical research as intact, downward revisions on near-term earnings expectations weighed on the stock.

Select Activity in the Quarter

During the quarter, we initiated a position in Equifax, a global data, analytics, and technology company best known as one of the three major U.S. credit bureaus (along with Experian and TransUnion). While credit reporting remains a core part of the business, Equifax has increasingly evolved into a broader data and analytics platform, with leading positions in income and employment verification, identity solutions, and commercial data services. The company operates through three primary segments: Workforce Solutions, U.S. Information Solutions, and International.

Our interest in Equifax is driven primarily by the quality and growth characteristics of its Workforce Solutions segment, which provides income and employment verification services through its proprietary database. This business benefits from highly recurring demand, strong pricing power, and significant barriers to entry, given the scale of Equifax's dataset, long-standing customer relationships, and deep integration into customer workflows. We view Workforce

Solutions as a high-margin, asset-light business with durable competitive advantages and long runway for growth as verification becomes increasingly digitized across lending, employment, government, and other end markets.

In recent years, Equifax has invested heavily to modernize its technology infrastructure and transition its data assets to a cloud-based platform. While these investments weighed on near-term margins and free cash flow, we believe they have materially improved the company's long-term scalability, security, and operating leverage. As this investment phase moderates, we expect Equifax to generate accelerating free cash flow and improved returns on capital, particularly as higher-quality, data-driven services represent a growing share of revenue.

Despite these long-term positives, Equifax shares have been pressured by cyclical concerns, most notably subdued mortgage activity and broader macro uncertainty. We believe the market has become overly focused on these near-term headwinds, underappreciating the diversification of Equifax's revenue base and the structural growth embedded in its verification and analytics businesses. In our view, Equifax represents a compelling opportunity to own a high-quality franchise at a reasonable valuation.

We exited our position in Gates Industrial during the quarter as the share price approached our estimate of intrinsic value. Gates is a global manufacturer of power transmission and fluid power solutions, serving a wide range of industrial, automotive, and energy end markets. A defining characteristic of the business is its significant exposure to replacement demand, which has provided a more stable and recurring revenue profile than many traditional industrial manufacturers.

We initially invested in Gates based on several key factors: its strong competitive position in mission-critical components, attractive exposure to replacement markets, opportunities for margin improvement through operational initiatives, and a valuation that, in our view, understated the company's cash-flow generation. At the time of our initial investment, Gates was navigating a period of operational complexity and elevated leverage, which contributed to negative market sentiment and provided us with an attractive entry point for investment.

Over our holding period, the company made meaningful progress executing on its strategy. Gates improved manufacturing efficiency, implemented pricing actions to offset cost inflation, and benefited from stronger demand across several end markets. As operational performance improved and industrial conditions stabilized, investor perception of the business shifted, leading to a re-rating of the shares and strong absolute performance.

As the share price rose, the margin of safety that initially attracted us diminished, leading us to exit the position and reallocate capital to opportunities where we see a more attractive risk-reward profile.

Current Positioning

The portfolio remains meaningfully differentiated from the Russell 1000 Value Index. It maintains an overweight to health care, while remaining underweight consumer discretionary, consumer staples, and real estate. During the quarter, market volatility created opportunities for us to add selectively to insurance holdings, which sold off despite what we consider stable underlying fundamentals. As a result, the portfolio ended the quarter with a slight overweight to the financials sector. Conversely, we pared exposure to oil holdings, which held up relatively well during the market pullback, leaving the portfolio slightly underweight to the energy sector.

We believe the portfolio remains well positioned with fundamentally sound businesses trading at attractive valuations. We remain focused on long-term value creation and believe periods of uncertainty, such as the one we saw this quarter, often create compelling opportunities for patient investors.

With the pullback in software companies during the quarter, the valuation gap between value and growth stocks (MSCI USA Value vs. MSCI USA Growth) narrowed slightly, but value stocks continued to trade in their least expensive quartile relative to growth 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 signalled 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.

Amid a 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 a compelling complement to passive and growth-oriented strategies.

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>.

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