BRANDES
INVESTMENT PARTNERS

Brandes Investment Partners
Global Equity Strategy Notes
Second Quarter 2026 (April 1 – June 30, 2026)

The Brandes Global Equity Strategy rose 3.85% net of fees and 3.95% gross of fees, underperforming its benchmark, the MSCI World Index, which increased 13.76% in the quarter, and the MSCI World Value Index, which rose 9.21%.

Annualized total return as of June 30, 2026	1-year	5-year	10-year
Brandes Global Equity Composite (net)	17.31%	12.80%	11.91%
Brandes Global Equity Composite (gross)	17.73%	13.29%	12.47%
MSCI World Index	21.34%	11.47%	13.13%

Past performance is not a guarantee of future results. One cannot invest directly in an index. Returns include reinvestment of all dividends and are reduced by any applicable foreign withholding taxes, without provisions for income taxes, if any. The 2026 returns are preliminary, unaudited and subject to change.

Positive Contributors

Technology stocks dominated global equity market returns during the quarter as investor enthusiasm surrounding artificial intelligence (AI) continued to intensify. Semiconductor manufacturers, technology hardware companies, and other businesses viewed as beneficiaries of accelerating AI-related capital expenditures were among the strongest performers and drove the majority of market returns for the quarter. A number of these companies appreciated more than 100% during the period.

While our underweight position in technology detracted from relative performance, several holdings in the sector were among the portfolio's top contributors. South Korea's Samsung Electronics, Taiwan Semiconductor Manufacturing Company (TSMC), and Taiwan-based AI server manufacturer Wiwynn generated significant gains as investors increasingly focused on companies benefiting from growing AI infrastructure demand.

The financial sector was one of the best-performing sectors, although because technology stocks drove the majority of the index returns, financials actually underperformed the broad benchmark index. Nevertheless, several of our bank holdings performed well, including U.S.-based Citigroup, Switzerland-based UBS and Austria-based Erste Group. UBS and Citigroup both reported strong earnings as they benefited from increased capital markets activity, while Erste Group is expected to see benefits from its integration of Erste Bank Polska.

Other contributors included several health care companies whose share prices rebounded during the quarter. Ireland-based ICON recovered following the conclusion of an internal accounting investigation that had weighed on its shares in the first quarter. The company also reported improved customer and industry spending momentum. UnitedHealth and CVS both rose on increased market optimism around stabilizing medical cost trends and improved Medicare Advantage margins.

Performance Detractors

The dominant market theme during the quarter remained the exceptional performance of companies perceived to be direct beneficiaries of AI-related spending. The technology sector rose more than 30% during the period, representing roughly 30% of the benchmark at quarter end, a weighting that was nearly twice as large as the next-largest sector. Although technology remains an important component of our portfolio, our meaningful underweight position relative to the benchmark was a significant detractor from relative performance.

In addition, businesses perceived to face disruption from AI, particularly software and IT services companies, generally underperformed. Our holdings in U.S.-based EPAM Systems, Cognizant, and Amdocs were among the largest detractors. We believe current investor concerns resemble the skepticism that surrounded the transition to cloud computing many years ago. While the market currently views AI as a threat to portions of the IT services industry, we believe many companies are well positioned to benefit by helping clients implement, integrate, and optimize these technologies. We continue to favor companies focused on business transformation, consulting, and enterprise technology implementation rather than providers primarily competing on low-cost software development.

Our position in Germany-based SAP also detracted during the quarter. While we recognize that AI has the potential to reshape many industries, we believe mission-critical enterprise software companies with deep customer relationships and embedded workflows remain well positioned. In our view, SAP's strategic importance within customer organizations, combined with its ability to incorporate AI functionality into existing products, provides an attractive long-term opportunity. We added to the position during the quarter.

Outside the technology sector, our holdings in European integrated oil companies Shell and TotalEnergies declined as oil prices weakened amid increasing optimism regarding a potential easing of geopolitical tensions in the Middle East. U.S.-based chemical company Westlake also detracted after reporting weaker results driven by softness in chemical markets. Additional detractors included Alibaba and AIA Group, both of which continued to face a challenging consumer and regulatory environment in China.

Select Activity in the Quarter

The investment committee initiated new positions in Brazil-based telecom company Telefonica Brasil and U.S.-based animal health care firm Zoetis.

Zoetis is the global leader in animal health, providing a broad portfolio of vaccines, medicines, and diagnostics across both companion animals and livestock. Zoetis has historically been able to generate what we consider attractive returns on capital, underpinned by its leading market share, diversified and broad global footprint, and leading research and development (R&D) capabilities. Additionally, the animal health market should continue to benefit from strong secular tailwinds, including increasing pet ownership, longer animal lifespans, and a rising need for protein production globally.

Despite these compelling fundamentals, the shares have been out of favor over the past year due to several factors, including heightened competition in the companion animal segment and a more cautious consumer spending environment. The company's guidance for the possibility of reduced growth and slower product pipeline has also weighed on the shares, along with a perceived lack of near-term catalysts.

From a long-term perspective, we believe these concerns understate the durability and quality of the franchise. Zoetis remains the largest and best-positioned player, in our view, in a consolidated industry with high barriers to entry driven by R&D intensity and deep commercial infrastructure. Its scale allows solid operating leverage and sustained innovation, with R&D investment running at roughly twice that of key competitors, supporting a robust pipeline across multiple therapeutic areas. While near-term growth may appear muted, we see the recent share-price weakness as an opportunity to invest in a well-positioned company at an appealing valuation.

The investment committee also divested our holding in memory semiconductor company Micron. We initiated the investment in 2022 as an anticipated downturn in memory demand pressured the shares. In our view, the market was overly focused on the short-term cyclical risk, underappreciating both potential structural improvements within the industry and Micron's own strengthening competitive position. Industry consolidation had reduced the DRAM market to just three players, fostering more disciplined supply behavior and potentially improved through-cycle economics relative to history. At the time, we believed Micron had meaningfully narrowed the technology and cost gap with peers while being in a good position to benefit from long-term secular tailwinds, including data growth, cloud computing, and increasing memory intensity across devices. Despite these improvements, the stock traded near trough-level valuations, offering what we considered an attractive margin of safety.

Our investment case played out better than initially anticipated. Micron benefited from both cyclical recovery and powerful secular drivers, most notably the rapid expansion of AI, which increased memory demand and supported industry profitability. Accordingly, we raised our intrinsic value estimates over time as the durability and magnitude of these tailwinds became clearer. However, the share price appreciated even more dramatically, driven by strong sentiment and the stock's emergence as a leading beneficiary of the AI buildout this year as investors focus on memory stocks as direct beneficiaries of AI-related capital spending. While its earnings- or cash flows-based valuation multiples do not appear excessive, we believe the current level of earnings may prove difficult to sustain over a full cycle. On broader and more stable valuation metrics such as enterprise value-to-sales, the company now trades near record multiples relative to its through-cycle economics. With the shares reaching our revised intrinsic value estimate, we exited the position.

Year-to-Date Briefing
For the six months ended June 30, 2026, the Brandes Global Equity Strategy returned 2.19% net of fees and 2.37% gross of fees, underperforming the MSCI World Index, which returned 9.69% and the MSCI World Value Index, which was up 10.50%.

While value has outperformed this year (MSCI World vs. MSCI World Value, as well as MSCI AC World Value vs. MSCI AC World), this was driven by the performance in the first two months of the year. Subsequently, the increasing semiconductor and technology weighting in the value index led to value only modestly trailing during the second quarter. Semiconductor stocks have driven the majority of index returns this year, with the industry rising over 100% in the MSCI ACWI Value Index.

While the Brandes Global Equity Strategy outperformed in the first quarter, the increasingly concentrated and AI-driven market of the second quarter has led to underperformance versus both the broad and the value indices for the six-month period. At the security level, the detractors were similar to those in the second quarter as our IT services and software holdings have declined in the first half, led by EPAM Systems, Cognizant, SAP, Capgemini, and Amdocs. Additionally, several of the largest relative detractors were index constituents that we do not own, including Intel, AMD, and other semiconductor companies which have also been included in the value index.

Our most significant contributors also match the ones mentioned for the second quarter as the AI beneficiaries and technology holdings such as Samsung, TSMC, and Micron have appreciated significantly.

Current Positioning
As market returns have become increasingly concentrated in a small number of AI-related companies, we believe the Brandes Global Equity Strategy offers investors meaningful diversification relative to prevailing market exposures.

Our largest allocations remain in health care and financials. In our view, both sectors contain businesses that may ultimately benefit from technological advances and AI adoption without carrying the valuation and earnings risks embedded in many of today's most popular technology stocks. We continue to find favorable opportunities where near-term uncertainty has created a disconnect between price and long-term fundamentals.

Although we remain underweight technology relative to the benchmark, we continue to identify selective opportunities within software, IT services, and certain technology-related businesses. We are particularly interested in companies that possess valuable proprietary data, deep customer relationships, or mission-critical products that may strengthen their competitive positions as AI adoption expands.

While not operating in the technology sector, our recent purchases, including London Stock Exchange Group, Arthur J. Gallagher, and Equifax, reflect this theme. In each case, we believe the market has become overly focused on potential disruption risks while underappreciating the strategic assets and competitive advantages that we believe these businesses possess.

Geographically, we continue to hold overweight positions in the United Kingdom, France, and emerging markets, while remaining underweight in the United States and Japan.

Looking ahead, we believe the current environment remains particularly attractive for disciplined value investors. Investor enthusiasm continues to be heavily concentrated in a narrow group of AI-related companies, often with limited regard to valuation or earnings risks. While the long-term potential of AI is significant, history suggests that periods of extreme optimism can create opportunities for active investors to uncover appealing investments elsewhere in the market.
We believe that is the case today.

Across the portfolio, we are finding companies that in our opinion have strong competitive positions, durable cash-flow characteristics, *and* valuations that appear increasingly overlooked by investors. Many of these businesses possess attributes that could allow them to benefit from technological change rather than be disadvantaged by it. In our view, the portfolio's differentiated exposures can provide investors with meaningful diversification potential and make it a compelling complement to passive and growth-oriented approaches. It also offers what we consider a more attractive aggregate valuation profile than the benchmark, while remaining focused on long-term return potential. We remain encouraged by the prospects for value stocks and the risk-reward profile of our holdings.

For term definitions, please refer to https://www.brandes.com/termdefinitions.

For index definitions, please refer to https://www.brandes.com/benchmark-definitions.

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