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

The Brandes Global Opportunities Value Strategy rose 3.86% net of fees and 4.07% gross of fees, underperforming its benchmark, the MSCI ACWI Index, which increased 14.93% in the quarter.

Annualized total return as of June 30, 2026	1-year	5-year	10-year
Brandes Global Opportunities Value Composite (net)	22.27%	14.34%	10.90%
Brandes Global Opportunities Value Composite (gross)	23.29%	15.31%	11.88%
MSCI ACWI Index	23.67%	10.98%	12.78%

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, the portfolio's top contributors came from this sector, namely South Korea's Samsung Electronics and Taiwan Semiconductor Manufacturing Company (TSMC). Both companies generated significant gains as investors increasingly focused on businesses benefiting from growing AI infrastructure demand.

Select telecom holdings also performed well, led by Millicom International Cellular and Magyar Telekom. Millicom, which operates entirely in Latin America, continued to improve margins in its core operations while enhancing profitability of newly acquired businesses in Uruguay and Ecuador. The company also further consolidated its Colombian operations, which we believe should help it strengthen free-cash-flow generation going forward. Meanwhile, Hungary's Magyar Telekom raised its financial guidance for the remainder of 2026, citing benefits from infrastructure expansion and greater operational visibility following the renewal of a key mobile spectrum license.

Other contributors included U.S.-based Edgewell Personal Care and Ireland-based clinical research services provider ICON, as well as select bank holdings such as Panamanian Bladex and Slovenian Nova Ljubljanska.

ICON recovered following the conclusion of an internal accounting investigation that had weighed on its shares in the first quarter. Meanwhile, Edgewell rose following reports that its board had rejected an acquisition proposal from Yellow Wood Partners, owner of brands including ChapStick and Suave. The $30-per-share offer represented more than a 30% premium to Edgewell's market cap at the time, but the board deemed the bid insufficient.

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 nearly 40% during the period, representing roughly 32% 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 IT services firms Amdocs, Globant, and Cognizant 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 integrated oil holdings, namely U.K.'s Shell and Brazil's Petrobras, 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 Chinese retailer Alibaba and U.K.-based recruitment company Pagegroup.

Select Activity in the Quarter

The investment committee initiated three consumer staples positions: food products companies The Campbell's Company (U.S.) and Indofood (Indonesia), and beverage firm Pernod Ricard (France). The committee also added U.S.-based animal health care firm Zoetis. Meanwhile, divested positions were U.S.-based machinery firm Kennametal and communications equipment business NETGEAR, Brazilian beverage company Ambev, and Mexican real estate investment trust FIBRA Macquarie Mexico.

The Campbell's Company is a North America-focused, branded packaged-food company operating primarily in two segments: Meals & Beverages and Snacks. The Meals & Beverages segment includes iconic brands such as Campbell's condensed and ready-to-serve soups, Swanson broths, Prego, Rao's, and V8. The Snacks segment features equally well-known brands including Goldfish, Pepperidge Farm, Snyder's of Hanover, and Kettle Brand. The company holds number one or number two market positions across most of its categories. Moreover, its portfolio has evolved well beyond its legacy soup identity through acquisitions such as Snyder's-Lance and Sovos Brands, which added premium brands including Rao's. While its core categories are mature, they remain relatively defensive, with below-average and broadly stable private-label penetration, strong brand recognition and exposure to at-home eating occasions where convenience, value, and health-conscious choices continue to resonate with consumers.

At its current price, Campbell's trades at what we consider an attractive discount to a conservative estimate of intrinsic value. Our valuation assumes only modest revenue growth, a return closer to category-average operating performance, realization of restructuring benefits, and margin improvement from currently depressed levels. Potential margin recovery, disciplined cost execution, stabilization in the Snacks segment, continued strength in soup, broth and pasta sauce, and disciplined capital allocation represent primary upside drivers. Although Campbell's has a long history of value-destructive mergers and acquisitions, and portfolio repositioning and management turnover remain a risk, we believe the durability of its brands, stable cash generation, and defensive exposure create a compelling setup for long-term value accretion if management can execute even a moderate operational recovery.

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.

Year-to-Date Briefing
For the six months ended June 30, 2026, the Brandes Global Equity Strategy returned 8.11% net of fees and 8.56% gross of fees, underperforming the MSCI ACWI Index, which was up 11.25%.

Performance drivers were largely consistent with those for the second quarter. Our underweight to technology accounted for more than 100% of our underperformance. Some of the portfolio's largest relative detractors were the benchmark's strong performers that we do not own, such as Micron Technology, Intel, and AMD. Additionally, our exposure to technology companies where AI disruption risk is a concern weighed on returns. These included Amdocs, Globant, Cognizant and SAP.

Our most significant contributors also matched the ones mentioned for the second quarter, including AI beneficiaries and technology holdings Samsung and TSMC, as well as telecom services providers Magyar Telekom and Millicom International.

Current Positioning
As market returns have become increasingly concentrated in a small number of AI-related companies, we believe the index-agnostic Brandes Global Opportunities Value 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, select recent purchases, including London Stock Exchange Group, 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 staying 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.