BRANDES
INVESTMENT PARTNERS

# Brandes Investment Partners
## International Small Cap Equity Strategy Notes
## Third Quarter 2025 (July 1 – September 30, 2025)

The Brandes International Small Cap Equity Strategy returned 4.40% net of fees and 4.63% gross of fees, underperforming its benchmark, the MSCI ACWI ex USA Small Cap Index, which was up 6.68% in the quarter, and the MSCI ACWI ex USA Small Cap Value Index, which gained 7.43%.

| Annualized total return as of September 30, 2025 | 1-year | 5-year | 10-year |
|---|---|---|---|
| Brandes International Small Cap Equity Composite (net) | 37.89% | 26.76% | 12.05% |
| Brandes International Small Cap Equity Composite (gross) | 39.09% | 27.87% | 13.05% |
| MSCI ACWI ex USA Small Cap Index | 15.93% | 9.96% | 8.37% |

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.

***Positive Contributors***

Key performance drivers included holdings in communications services and health care. Luxembourg-domiciled wireless telecom operator Millicom International Cellular, Ireland-based Avadel Pharmaceuticals, and Spanish biopharma company Grifols all appreciated on strong earnings. Avadel exceeded analyst expectations and raised its full-year revenue guidance. Millicom benefited from infrastructure transactions and announced an interim dividend, while Grifols continued to improve its financial leverage profile. We believe the investment case for each of these holdings remains attractive, and we have maintained our allocations accordingly.

Other standout performers included Hong Kong-based holding company First Pacific, South Korean commercial services and supplies business S-1, and French aerospace and defense company LISI.

Furthermore, our underweight allocation to companies in India helped relative returns.

***Performance Detractors***

Holdings in materials performed poorly, specifically Canadian paper and forest products business Canfor and packaging business Winpak. Our underweight to the sector also detracted from relative performance.

Other detractors included Irish beverage company C&C Group, U.K. real estate business LSL Property Services, and Mexico-based securities exchange Bolsa Mexicana de Valores. Machinery firms Bystronic in Switzerland and Kennametal also declined, along with Indonesian food products company Indofood. We took advantage of the share-price weakness to add to our positions in some of these holdings.

***Select Activity in the Quarter***

The small-cap investment committee initiated positions in Watches of Switzerland Group and Luxembourg-domiciled IT services company Globant, as well as U.K.-based trading company Travis Perkins and professional services provider Hays.

Globant is a multinational IT services company specializing in high-value digital engineering services, including customer experience, artificial intelligence (AI), cloud, and development operations. Although it is headquartered in Luxembourg, Globant has significant operations across emerging markets. The vast majority of its workforce is based in Latin America and India, with key offices in Argentina. Unlike many larger IT services firms that maintain broad exposure to slower-growing segments, Globant operates as a digital pure play, generating nearly all its revenue from advanced, high-margin services. The company's business model is mostly project-based, with limited recurring revenue.

Founded in 2003 and publicly listed since 2014, Globant has delivered organic growth exceeding 20% annually post-IPO. Its client base is geographically diverse; the U.S., Latin America, and Europe serve as its main markets, while Asia and the Middle East represent growing segments. Through its "Studio" model, Globant is known for blending design and technology to produce user-centric digital experiences. Notable clients include Disney, Google, LinkedIn, Electronic Arts, Formula 1, and Coca-Cola.

Operating within the highly competitive and fragmented $1.5 trillion global IT services industry, Globant benefited from a pandemic-era surge in digital transformation spending. However, the company has recently faced a cyclical slowdown as enterprises focus on cost efficiency and delay discretionary technology investments. Additionally, the rise of generative AI introduces long-term uncertainty, with the potential to automate commoditized tasks and disrupt traditional outsourcing models. These headwinds have contributed to a sharp decline in Globant's share price, which was down over 70% year-to-date in 2025.

We believe that the cyclicality and the AI-related risks have been more than accounted for in Globant's current market valuation. We like the fact that the company has a healthy balance sheet and strong relationships with its clients. In our view, Globant is well positioned to benefit as IT budgets normalize, and clients move from AI pilots to scaled adoption. It also has the potential to expand its scope of work to more complex, higher-value projects in areas such as product design, data integration, and business process reengineering. At its current valuations, Globant represents an appealing value opportunity to us.

Besides the new purchases, other major portfolio activity included the full sells of Italian cement company Buzzi and Japan-based Hyakugo Bank, which both appreciated to our estimates of intrinsic value.

***Year-to-Date Briefing***

The Brandes International Small Cap Equity Strategy rose 41.51% net of fees and 42.42% gross of fees, outperforming its benchmark, the MSCI ACWI ex-US Small Cap Index, which appreciated 25.54% in the nine months ended September 30, 2025, and the MSCI ACWI ex-US Small Cap Value Index, which rose 26.98%.

We believe this period continues to underscore the strength of our bottom-up investment decision making. While the modest outperformance of value stocks relative to the broad market (MSCI ACWI ex-US Small Cap Value vs. MSCI ACWI ex-US Small Cap) provided a supportive backdrop, it was our stock selection across various sectors that primarily drove excess return. Key contributors included holdings in industrials, financials, communication services, and health care. At the company level, standout performers included aerospace and defense businesses Embraer, Montana Aerospace, and LISI, telecom firms Millicom International Cellular and Magyar Telekom, and cement company Vicat.

Materials represented the best performing sector in the benchmark, and our underweight position was a detractor from relative returns. At the stock level, notable decliners included Canada-based Dorel Industries and Canfor, Belgian personal care products company Ontex Group, and Japan's Kaken Pharmaceutical.

***Current Positioning***

With our index-agnostic investment approach, the portfolio continues to look different from both the broad and the value benchmarks. It maintains large allocations to industrials, consumer staples, health care, and financials—though financials remain an underweight position relative to the benchmark. At the same time, the portfolio holds underweight positions in technology, materials, real estate, and consumer discretionary.

Geographically, the portfolio maintains significant exposure to companies in Japan (although underweight relative to the benchmark), the U.K., Canada, and emerging markets, while remaining underweight in Australia, India, China, and Taiwan.

A meaningful portion of the portfolio continues to be allocated to domestically oriented companies, which tend to benefit from larger competitive moats and reduced direct exposure to international trade disputes compared to their export-driven peers. Additionally, many of our holdings also represent mature and stable business models where earnings and free cash flow generation have historically shown resilience during macroeconomic or cyclical disruptions.

In recent years, we have gradually increased our weighting to cyclical industries, especially in areas where the market appears to be overreacting to cycle risk. However, we remain cautious as many opportunities still present risks of elevated earnings and valuations. Throughout our investment process, we maintain a sharp focus on balance sheet quality. We feel this is particularly important in the international small-cap equity space as the low interest-rate environment has increased corporate debt appetite and foreign currency exchange mismatches pose a big risk.

We remain confident in the portfolio's holdings composition and the risk-reward tradeoff it offers.

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

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