

**Brandes Investment Partners**  
**International Small Cap Equity Strategy Notes**  
**Fourth Quarter 2025 (October 1 – December 31, 2025)**

The Brandes International Small Cap Equity Strategy returned 3.50% net of fees and 3.73% gross of fees, outperforming its benchmark, the MSCI ACWI ex-US Small Cap Index, which was up 2.96% in the quarter. The MSCI ACWI ex-US Small Cap Value Index returned 4.27%.

<b>Annualized total return as of December 31, 2025</b>	<b>1-year</b>	<b>5-year</b>	<b>10-year</b>
Brandes International Small Cap Equity Composite (net)	46.46%	22.50%	11.89%
Brandes International Small Cap Equity Composite (gross)	47.73%	23.58%	12.88%
MSCI ACWI ex USA Small Cap Index	29.26%	6.90%	8.13%

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.

**Positive Contributors**

Holdings in consumer discretionary, communications services, and health care were major contributors to returns, led by Ireland-based Avadel Pharmaceuticals, German health care equipment business Draegerwerk, Luxembourg-domiciled wireless telecom operator Millicom International Cellular, and South Korean Hankook Tire & Technology.

In October, Avadel announced an agreement to be acquired by Alkermes for a total value of \$2.1bn, with the full value realization contingent upon FDA approval of Lumryz for treating idiopathic hypersomnia in adults by the end of 2028. The following month, H. Lundbeck made an unsolicited proposal valuing Avadel at approximately \$2.4bn, prompting Alkermes to raise its offer. Amid the bidding war, Avadel's share price reached our estimate of its intrinsic value, leading us to divest our position.

Hankook Tire & Technology announced strong third-quarter results that exceeded consensus estimates. The company successfully mitigated tariff headwinds through price hikes and benefited from volume growth and a healthy product mix.

Other notable contributors included machinery company Kennametal, IT services business Globant, and aerospace and defense companies LSI and Embraer.

**Performance Detractors**

Detractors included holdings in consumer staples and information technology, specifically Belgium-based personal care products company Ontex Group, Canadian software company Open Text, and Hong Kong-based PAX Global Technology.

Ontex fell primarily due to sharper-than-expected decline in European and North American baby care sales, leading management to issue a significant downward revision of its full year financial outlook. We believe this situation is short-term in nature and maintain our allocation to the company. Meanwhile, Open Text experienced weakness in enterprise software spending and struggled with integration challenges following recent acquisitions, which weighed on results. Our investment thesis remains anchored in the company's recurring revenue model and cost synergies over time.

Other poor performers included South Korean security management company S-1, U.K. defense business QinetiQ, and Spanish insurer Linea Directa Aseguradora. Furthermore, materials represented the best performing sector in the benchmark, and our underweight detracted from relative returns.

**Select Activity in the Quarter**

The small-cap investment committee initiated positions in U.K.-based packaging manufacturer Mondi, Netherlands-based machinery company Aalberts, Israeli software firm Nice, and South Korean food products business Binggrae. Additionally, the committee exited positions in Avadel Pharmaceuticals, French cement company Vicat, U.K. facilities management business MITIE Group, and Brazilian electric utility Neoenergia.

Mondi is a leading player in the European packaging industry, operating across three segments: corrugated packaging, flexible packaging, and uncoated fine paper. In both corrugated and flexible packaging, Mondi is “net long paper,” meaning it produces more containerboard and kraft paper than it consumes in its box and paper bag operations.

Mondi is one of the largest producers of virgin containerboard (primary component for making corrugated board) in a predominately recycled European market. It also boasts a strong position in kraft paper, which represents a small and opaque market with steep barriers to entry. Thanks to its access to lower-cost Central and Eastern European fiber and its vertical integration from pulp to converted box/bag, Mondi has what we consider favorable cost positioning. Its kraft paper business, which supplies diverse end uses such as cement, pet food, groceries, and protective mailers for Amazon, delivers higher margins relative to peers. Given the breadth of its product portfolio, Mondi serves as a one-stop shop for customers, adding value by fulfilling a wide range of packaging needs.

Overcapacity in European recycled containerboard, along with inflation in non-fiber input costs, has pressured Mondi’s margins in its corrugated packaging business, weighing on its share price and creating an attractive entry point for investment. We believe these challenges are temporary and Mondi is well positioned to navigate them. Looking beyond the short-term demand turbulence and capacity issues, our investment thesis centers on Mondi’s competitive positioning and the solid long-term volume growth potential for fiber-based packaging supported by secular trends in sustainability, convenience, and plastic-to-paper substitution. At its current valuations, Mondi represents a compelling value opportunity.

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

The Brandes International Small Cap Equity Strategy rose 46.46% net of fees and 47.73% gross of fees, outperforming its benchmark, the MSCI ACWI ex-US Small Cap Index, which appreciated 29.26% in 2025, and the MSCI ACWI ex-US Small Cap Value Index, which rose 32.41%.

Stock selection across various sectors drove outperformance. Key contributors included holdings in industrials, financials, communication services, consumer discretionary, and health care. Geographically, holdings in Brazil, the U.K., Luxembourg, Switzerland, and France helped returns the most. 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. On a country basis, select holdings in Canada performed poorly, notably Dorel Industries and Canfor. Other detractors included Ontex Group and Indonesian noodle company Indofood.

#### ***Current Positioning***

The portfolio maintains large allocations to industrials, consumer staples, and health care, while holding underweight positions in technology, materials, real estate, and consumer discretionary. Additionally, we ended 2025 with a lower weighting to financials as we divested several holdings that appreciated to our estimates of their intrinsic values during the year. Geographically, the portfolio continues to have 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, 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. 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 can pose a risk.

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

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

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