

QUARTERLY MANAGER COMMENTARY

International Strategy

June 30, 2025

MARKET ENVIRONMENT

International equities finished higher during the quarter with all GICS sectors posting positive returns. By sector, financials and industrials contributed the most to market performance. By country, all countries contributed with Japan and Canada being the standouts.

PORTFOLIO PERFORMANCE

The portfolio's return was 12.82% (net) for the reporting period. This compares to the MSCI World ex USA Index that returned 12.05% for the same period.

Top contributors:

- KB Financial Group was a contributor during the quarter. The South Korea-headquartered diversified bank's stock price rose steadily throughout the period as it posted solid first-quarter results with buybacks and dividends tracking ahead of our expectations – showing firm commitment to Korea's corporate Value-Up program during turbulent times. In addition, capital generation was solid and net-interest margins are more resilient than they have been in previous rate cut cycles. We believe governance in Korea is changing (e.g. Value-Up and Commercial Act Amendment), so an inflection is warranted in the banks' historically discounted book value trading multiples due to higher payouts and better allocation of capital retained. Our time horizon and conviction on quality underpinned significant purchases of KB shares during recent turmoil. We continue to appreciate management's commitment to executing its Value-Up plan and KB is making a strong case that it is potentially the best bank in South Korea.

Performance highlights

Contributors

- KB Financial Group
- Continental
- Bayer

Detractors

- Alibaba Group
- Worldline
- LVMH

- Continental AG was a contributor during the quarter. The Germany-headquartered tire and auto part manufacturer's share price climbed as it reported solid first-quarter financial results, highlighted by strong margins and improving free cash flow performance. In early April, Continental announced plans to separate its ContiTech segment into a standalone entity. That means the tires division—which we view as a high-quality business that has reliably generated cash historically—will soon constitute the entire company, as Continental is also spinning off its automotive segment in late 2025. We believe these are sensible moves that should unlock even more value for Continental shareholders in the years to come.
- Bayer was a contributor during the quarter. The German-headquartered pharmaceutical and agricultural company delivered a solid first-quarter 2025 that outperformed expectations, driven primarily by Pharma segment performance. This was an encouraging sign of organizational restructuring translating to results. In addition, expectations built throughout the quarter for the Supreme Court decision on whether to

hear Bayer's appeal in its RoundUp litigation. The court requested the Solicitor General's input, which we believe implies good odds for Supreme Court review which could put an end to RoundUp litigation.

Top detractors:

- Alibaba Group was a detractor during the quarter. The China-headquartered consumer discretionary company's stock price declined in April amidst concerns over the impact of U.S.-China trade tensions. In addition, the company posted slightly weaker-than-expected 2024 results further dampening sentiment. Despite this, recovery in the E-Commerce business continues to progress well, and Cloud is growing at a healthy rate. We continue to believe that Alibaba is well-positioned for future growth as it was one of early investors in Chinese AI. Over time, we think it can leverage its enhanced capabilities and leading market position to unlock further value.
- Worldline was a detractor during the quarter. The France-headquartered transaction and payment processing company's stock price plummeted in June after a consortium of media outlets alleged that the company covered up client fraud to protect revenue. We met with management after the release and believe the most likely impact to the business will be higher churn over the near term in the Small and Medium Sized Business segment. Despite these headwinds, we appreciate new CEO Pierre-Antoine Vacheron's focus on quickly addressing business deficiencies and integrating a new financial system. The range of outcomes for this stock remains very wide, which is reflected in the position size. However, at current valuations, we believe that there is more upside potential than downside risk.
- LVMH was a detractor during the quarter. The France-headquartered luxury goods company's stock price declined in April due to a combination of tariff uncertainty and weaker-

than-expected first-quarter 2025 results, driven in part by weak Chinese buyers. While the high-end consumer has remained resilient, aspirational customer spend is being pressured. Despite short-term headwinds, we continue to look for recovery into 2026 on the back of brand reinvigoration at Louis Vuitton and Dior, as well as a turnaround of the spirits business and improvement in beauty/cosmetics. We also believe that the family ownership is now more focused on efficiency/cost going forward, and recent operating management changes could be helpful on this over time.

PORTFOLIO POSITIONING

We initiated the following position(s) during the period:

- ASML is the world's largest semiconductor equipment manufacturer. It is the global leader in the production of lithography machines, with dominant market share in immersion lithography and an effective monopoly in EUV lithography. EUV lithography is an exceptionally capital intense business with complex supply chains, making it difficult for competitors to contend with ASML. Chips built with EUV lithography power data centers and newer generations of PCs and smartphones. We believe the demand for ASML's EUV lithography machines will accelerate with the proliferation of those devices and the rise of artificial intelligence, which demands high-quality chips. ASML services and upgrades lithography machines after selling them, creating recurring revenue streams that bolster its already-robust profits. Despite its promising outlook, ASML's stock price declined recently as certain customers cut their capital expenditure budgets while geopolitical concerns weighed on the broader semiconductor industry. That gave us the chance to open a position in this high-quality company at a price well below our estimate of its intrinsic value.

- ASR Nederland is a Dutch insurance and investment holding company. Life insurance within the Netherlands has been incredibly cash-generative for years, and we like that ASR has historically returned the vast majority of its free cash flow to shareholders. In addition, we believe the company is well positioned to benefit from regulatory reforms that should restore growth to a previously closed-book, no-growth, life insurance market. Meanwhile, recent consolidation in the P&C and Disability markets has led to growing premiums and rational pricing and we expect ASR will continue to be a primary beneficiary of this consolidation. Lastly, we believe ASR's 2023 acquisition of Aegon Netherlands presents significant revenue and cost synergies, which should further accelerate capital generation and shareholder returns, in our view. Despite ASR's compelling fundamental outlook, we were excited to purchase shares in the company at a discounted valuation to peers based on normalized earnings power and expected distributable cash.
- SMC is the world's largest maker of pneumatic equipment. The company is dominantly positioned and has gained market share globally over the past decade, driven by its unmatched scale, broad product portfolio, strong inventory availability and extensive service network. In our view, SMC is set to carry this momentum forward as it should benefit meaningfully from structural growth tailwinds towards automation. Despite the strong outlook, the stock price has been driven down by a combination of a weak factory automation cycle, a period of high capital expenditure, and inflated inventories. While this has depressed the free cash flow over the past

few years, we believe the next three to five years will market a strong factory automation cycle and the capital intensity will normalize, creating much stronger free cash flow. This provided the opportunity to initiate a position in what we see as an industry leader with attractive economics that is poised to unlock sustained value.

We eliminated the following position(s) during the period:

- Anheuser-Busch InBev
- Brambles
- Compass Group
- Henkel
- Holcim
- Schindler Holding

OUTLOOK

For more than a decade, those of us who practice "value investing"—especially in overseas markets—witnessed U.S. growth/momentum stocks soar. We asserted that this trend was unsustainable as it was mostly driven by both weak foreign currencies as well as valuation expansion by U.S. growth stocks. Year-to-date, we are witnessing the unraveling of this paradigm. At the same time, the fundamentals of what we view as the most attractively priced global region, European equities, have improved thus driving more investor interest. As the valuation spread expanded during the last 10 years, our view was that the greater the spread was, the harder it would be to maintain it. We remain confident in our belief that given the large valuation spread that still exists, we will continue to benefit from this change.

QUARTERLY MANAGER COMMENTARY

International Strategy

June 30, 2025

AVERAGE ANNUALIZED TOTAL RETURNS (%)

	QTD	YTD	1 yr	3 yrs	5 yrs	10 yrs	Since inception
International Strategy Gross of Fees	13.01	22.10	22.20	14.10	12.59	5.92	9.92
International Strategy Net of Fees	12.82	21.69	21.36	13.31	11.82	5.19	8.92
MSCI World Index ex USA	12.05	18.99	18.70	15.73	11.51	6.65	6.39
MSCI World ex USA Value Index	10.53	21.90	24.96	17.76	14.76	6.34	7.06

Returns for periods less than one year are not annualized. Composite inception: 09/30/1992

Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. The gross performance presented above does not reflect the deduction of investment advisory fees. All returns reflect the reinvestment of dividends and capital gains and the deduction of transaction costs. The client's return will be reduced by the advisory fees and other expenses it may incur in the management of its account. The advisory fee, compounded over a period of years, will have an adverse effect on the value of the client's portfolio.

Understanding the risks

All investments carry a certain degree of risk, including possible loss of principal. There is no assurance that an investment will provide positive performance over any time period. Equity investments are subject to market risk or the risk that stocks will decline in response to such factors as adverse company news or industry developments or a general economic decline. Non-U.S. investments involve risks such as currency fluctuation, political and economic instability, lack of liquidity and differing legal and accounting standards. These risks are magnified in emerging markets. Value stocks may fall out of favor with investors and underperform growth stocks during given periods.

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her advisors.

The information, data, analyses, and opinions presented herein (including current investment themes, the portfolio managers' research and investment

process, and portfolio characteristics) are for informational purposes only and represent the investments and views of the portfolio managers and Harris Associates L.P. as of the date written and are subject to change without notice.

The specific securities identified and described in this report do not represent all the securities purchased, sold, or recommended to advisory clients. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time one receives this report or that securities sold have not been repurchased. It should not be assumed that any of the securities, transactions, or holdings discussed herein were or will prove to be profitable.

Glossary

The MSCI World ex USA Index (Net) is a free float-adjusted, market capitalization-weighted index that is designed to measure international developed market equity performance, excluding the U.S. The index covers approximately 85% of the free float-adjusted market capitalization in each country. This benchmark calculates reinvested dividends net of withholding taxes. This index is unmanaged and investors cannot invest directly in this index.

The MSCI World ex USA Value Index (Net) represents returns for large- and mid-cap securities exhibiting overall value style characteristics across 22 of 23

Developed Markets (excluding the United States). The value investment style characteristics for index construction are based on book value-to-price, 12-month forward earnings-to-price, and dividend yield. The Total Return Index (Net) includes reinvested dividends net of foreign withholding tax. This index is unmanaged and investors cannot invest directly in this index.

©2025 Harris Associates L.P. All rights reserved.

SCM-4551INT-10/25