

## QUARTERLY MANAGER COMMENTARY

# Global Strategy

September 30, 2025

### MARKET ENVIRONMENT

Global equities finished higher during the quarter, with 10 of 11 GICS sectors posting positive returns. By sector, information technology and financials contributed the most to market returns while consumer staples were the sole detractor. By country, the U.S. contributed the majority of positive market momentum, followed by Japan. Denmark and Germany were slight detractors.

### PORTFOLIO PERFORMANCE

The portfolio's return was 4.70% (net) for the reporting period. This compares to the MSCI World Index that returned 7.27% for the same period.

Top contributors:

- Kering was a contributor during the quarter. The France-based luxury goods holding company rose in anticipation of two key September events: the start of Luca De Meo's tenure as CEO and Demna Gvasalia's debut collection at Gucci. At the same time, revenue trends - while still negative - are improving. We believe new leadership can build on the significant investments made in recent years to strengthen the foundation of Kering's luxury houses and return the group to growth.
- Alibaba Group was a contributor during the quarter. The China-headquartered technology conglomerate's stock price rose significantly following earnings that reflected rapid Chinese AI growth. Its Cloud segment posted healthy revenue growth, and management indicated that this momentum is expected to continue in the coming quarters. Additionally, Alibaba has solid traction in both its International and Instant Commerce businesses. We continue to believe the company is well-positioned for long-term

### Performance highlights

#### Contributors

- Kering
- Alibaba Group
- Alphabet Cl A

#### Detractors

- Charter Communications Cl A
- Centene\*
- Keurig Dr Pepper

growth, having been one of the early investors in Chinese AI. Over time, we believe it can leverage its advanced capabilities and leading market position to unlock further value.

- Alphabet was a contributor during the quarter. The technology conglomerate's stock price appreciated following a favorable ruling in the Google Search antitrust case and second-quarter earnings that exceeded expectations across the board. Innovations in the Google Search experience are driving both engagement and revenue benefits. Moreover, Cloud growth is accelerating thanks to robust demand for AI workloads. We continue to believe Alphabet is undervalued on a sum-of-the-parts basis and see potential for the company's AI leadership to drive further upside across the portfolio.

Top detractors:

- Charter Communications was a detractor during the quarter. The broadband leader's stock price declined after it reported weak second-quarter earnings. Year-over-year earnings before interest, tax, depreciation and amortization were flat, and the closely watched decline in

broadband subscriptions fell at a greater pace than anticipated. However, broadband average revenue per user (ARPU) growth accelerated, reaffirming one of the core points of our thesis. We expect continued near-term volatility in subscriber results but believe the company's high-capacity network is well positioned to compete over the long-term.

- Centene was a detractor during the quarter. The U.S.-headquartered managed care company's stock price declined after it withdrew its 2025 earnings per share guidance and subsequently reinstated it at a much lower level. This negative revision was caused by cost pressure in the company's Medicaid and Marketplace businesses. While today's valuation seems to imply that the headwinds impacting Centene are structural, we believe they're attributable to temporary factors and expect a meaningful earnings recovery in the coming years.
- Keurig Dr Pepper was a detractor during the quarter. The U.S. beverage company's stock fell after announcing the acquisition of JDE Peet's, which owns a collection of global coffee brands. Once the combination is complete, Keurig Dr Pepper plans to split into two separate entities. One entity will specialize in coffee, while the other focuses on soft drinks. Separating the coffee and soft drink segments makes strategic sense, as synergy estimates appear conservative, and the multiple paid for JDE Peet's was undemanding. In our view, investors reacted harshly to this announcement because the two-step transaction adds complexity, increases debt, and unexpectedly raises exposure to the coffee category. We believe the sell-off was overdone since Keurig Dr Pepper's fundamentals remain healthy, the organization has a proven track record of deleveraging after prior deals, and the upcoming separation will expose the significant sum-of-the-parts discount.

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

- Adidas is an iconic global sportswear brand specializing in athletic footwear, apparel and equipment. Adidas is the second-largest player behind Nike and current management (since 2023) has revitalized the company. We believe Adidas is poised for further margin expansion and above-market growth, supported by secular tailwinds, strong brand momentum and substantial investments into its product offerings and distribution channels. Despite reporting solid fundamental results, the stock price has declined amidst tariff concerns. This provided us the opportunity to initiate a position in a well-managed market leader at a discount to our estimate of intrinsic value.
- Hexagon provides advanced sensor and software solutions that help companies measure, analyze, and act on the physical world. Over the years, the company has strengthened its economic profile through strategic portfolio transformation and continuous innovation leading to a compelling set of value-added technologies today. The company has, in our view, upgraded its management team with the election of Bjorn Rosengren as Chairman and Anders Svensson as CEO—whose exceptional track records and operational expertise are well-suited to unlock further efficiencies across an already high-quality asset base. Despite solid fundamentals, we think the stock is undervalued due to a combination of end market weakness and company-specific shortfalls that should be addressed by the new, refocused, management team. This created the unique opportunity to invest in a company that we think is poised to see an inflection in ROCE, cash flow, and share price over the long term.
- Dassault Systèmes is a French software company at the forefront of virtual twin technology, enabling customers to simulate the behavior of real-world products and systems in a digital

## PORTFOLIO POSITIONING

environment. By allowing ideas to be tested, refined, and optimized virtually, in our view, Dassault's solutions help accelerate innovation, reduce costs, and drive superior product outcomes. The company primarily operates in oligopolistic niches, where it maintains what we view as a strong competitive position driven by high switching costs and distinguishes itself from peers through superior innovation and a sustained commitment to R&D. We like that these niches offer attractive growth prospects, expanding margins, and robust ROIC, which we think Dassault can capture as it fully realizes the benefits of recent initiatives, particularly its migration to the cloud and related advantages that the modernized platform can provide in the coming years. Despite solid fundamentals, cyclical downturns have led the share price to decline nearly 40% from its peak, providing the opportunity to purchase shares in what we view as one of the higher quality and well-managed European companies at an attractive valuation.

- Salesforce is a leading technology company that offers a collection of software products aimed at providing businesses with a full front office productivity suite. We believe Salesforce is a wonderful business in the midst of a transformation into a profitable, shareholder-focused enterprise. Since management announced their renewed focus on operating discipline a couple years ago, Salesforce's margins have increased substantially. In our view, there is still room to improve from here as the company leverages its unique position to help businesses deploy AI and continues to restructure its sales organization. Since exiting our position in Salesforce in December, the stock price has declined by over 30% despite continuing to report fundamental results that are in line with our expectations. This provided us the opportunity to buy shares in a leading software business that

we view as having significant competitive advantages.

- Willis Towers Watson (WTW) is a leading insurance broker and HR services firm. It operates in a capital-light industry with high returns on equity and attractive free cash flow generation. Since the cancellation of its proposed business combination with Aon a few years ago, WTW has made significant progress in turning around the company. Under a reconstituted board of directors, management sees an opportunity to sustain mid-single digit or greater organic revenue growth and drive several hundred basis points of operating margin expansion to narrow the gap to best-in-class peers. We believe the shares are undervalued on both an absolute basis and relative to the multiples at which comparable companies trade today.

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

- Aptiv
- Centene
- Mercedes-Benz Group
- WPP

## 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.

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### AVERAGE ANNUALIZED TOTAL RETURNS (%)

	QTD	YTD	1 yr	3 yrs	5 yrs	10 yrs	Since inception
Global Strategy Gross of Fees	4.88	17.17	12.81	19.97	14.01	10.43	7.67
Global Strategy Net of Fees	4.70	16.57	12.03	19.14	13.22	9.66	6.94
MSCI World Index	7.27	17.43	17.25	23.72	14.41	12.43	7.58
MSCI World Value Index	5.83	16.89	11.98	18.57	13.90	9.36	5.16

Returns for periods less than one year are not annualized. Composite inception: 06/30/2007

**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.

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### Glossary

The MSCI World Index (Net) is a free float-adjusted, market capitalization-weighted index that is designed to measure the global equity market

performance of developed markets. 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 Value Index (Net) captures large- and mid-cap securities exhibiting overall value style characteristics across 23 Developed Markets. The value investment style characteristics for index construction are defined using three variables: 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.

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SCM-4697GLO-01/26