

QUARTERLY MANAGER COMMENTARY

International Strategy

June 30, 2024

MARKET ENVIRONMENT

International equities finished flat during the second quarter, with six of eleven Global Industry Classification Standards sectors posting negative returns. Consumer Discretionary and Industrials were the largest detractors from performance, offsetting the positive contribution from Health Care and Financials. By country, a pull back from all-time highs in Japan and political uncertainty in France detracted from market performance, while the United Kingdom, Netherlands and Switzerland were the strongest contributors to international market returns.

PORTFOLIO PERFORMANCE

The portfolio's return was -4.27% (net) for the reporting period. This compares to the MSCI World ex USA Index that returned -0.60% for the same period.

Top contributors:

- Prosus was a contributor during the quarter. The Netherlands-headquartered broadline retail company is a discounted way to invest in Tencent, which is one of the largest technology companies in China. The market reacted favorably to Tencent's strong earnings prospects as well as positive signs that its gaming business has bottomed. We continue to believe that an investment in Prosus is the most optimal way to gain access to Tencent, one of the most valuable internet companies in the world.
- Lloyds Banking Group was a contributor during the quarter. The U.K.-headquartered diversified bank reported first-quarter results that were relatively in line with our expectations. Capital generation was solid, in our view, and Lloyds reiterated that it intends to increase capital

Performance highlights

Contributors

- Prosus
- Lloyds Banking Group
- Fresenius

Detractors

- CNH Industrial
- Continental
- Daimler Truck Holding

distributions to reach a common equity tier ratio of 13.5% by the end of 2024. Although we modestly decreased our estimate of intrinsic value following the release, we continue to believe that Lloyds offers attractive upside.

- Fresenius was a contributor during the quarter. The German health care services company reported strong first-quarter results, in our view, alongside a guidance increase. Helios beat expectations significantly on headline and Kabi's results were clean with evidence of momentum. Notably, Fresenius announced that Vamed will undergo a series of divestitures and exits. Lastly, in April, Kabi launched Tyenne, a biosimilar of Actemra, in the U.S. The market viewed this as notable, mainly due to approval coming slightly earlier than anticipated and the biosimilars business acting as an important driver for the Kabi segment. We continue to believe Fresenius offers attractive upside.

Past performance is no guarantee of future results. The investment return and principal value of this portfolio and any particular holdings may fluctuate. Portfolio holdings are subject to change without notice.

Top detractors:

- CNH Industrial was a detractor during the quarter. This U.S.-headquartered manufacturer of agricultural and construction equipment announced that CEO Scott Wine will be replaced by Gerrit Marx, CEO of Iveco Group, effective July 1, 2024. Wine has made significant contributions to CNH Industrial in the areas of product, technology, and cost efficiency and we were disappointed to see him leave the business. We met with both Executive Chair Suzanne Heywood and Wine in April and gained insight into the management change. CNH Industrial also slightly reduced guidance for 2024 when reporting first-quarter results due to a weaker agricultural equipment market. This reduction was consistent with our forecasts and does not impact our view of the long-term profitability potential of the business. We believe that CNH Industrial's position within the structurally attractive agriculture equipment market will improve in the coming years. As a result, we continue to believe the stock is compelling.
- Continental was a detractor during the quarter. The German automotive parts and equipment company reported disappointing first-quarter results, in our assessment, with the main disappointment centered around the automotive business. Automobile margins were particularly discouraging, in our view. Additionally, there was no pricing benefit during the first quarter as Continental had to renegotiate many of the hard-won negative product mix. Automobile margins were particularly discouraging, in our analysis, ContiTech sales declined organically as a result of a significant drop in industrial demand as well as the aforementioned automobile weakness. We met with CEO Nikolai Setzer to discuss first-quarter results as well as the recently announced departure of CFO Katja Garcia Vila at the end of the year. While Setzer was

disappointed by the first-quarter performance, it does not alter the longer-term outlook. We continue to believe in the long-term prospects of Continental.

- Daimler Truck Holding was a detractor during the quarter. The German commercial vehicle manufacturers company reported strong first-quarter results, in our view, though the share price traded down. The release noted that headwinds in Europe are increasing and sell side research revealed that investors are most concerned about the Mercedes-Benz Group division amid weak European demand. Post results, we are not making any fundamental changes to our thesis and modestly increased our estimate of intrinsic value following the release.

PORTFOLIO POSITIONING

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

- Ahold Delhaize is one of the world's largest grocery retailers. The company operates a portfolio of grocery store brands, including Food Lion, Albert Heijn, Hannaford and Stop & Shop, that boast high local market share in attractive geographies within the U.S. (70% of group profitability) and Europe (30% of group profitability). Although the grocery industry is competitive, we like that that large grocery retailers like Ahold Delhaize benefit from economies of scale and are defensive in nature, which has resulted in attractive returns on capital and steady cash generation over time. Short-term headwinds related to food disinflation and market share losses for Ahold's U.S. Stop & Shop banner has weighed on recent sentiment and created an attractive entry point into the stock. We believe these are manageable issues and have confidence that the company's experienced

management team is capable of executing a strategy to realize the value of its assets.

- Airbus is a global aircraft manufacturer that operates in a competitive duopoly market structure with Boeing. In our view, management's commitment to quality, product reliability, sound design and sensible projects has resulted in decades of steady market share gains for Airbus. With a full order book into the year 2030, we expect Airbus to continue to grow market share and believe this volume growth will allow the company to structurally increase profitability by better absorbing fixed costs and scaling several recent lucrative projects. We believe the current valuation does not reflect the company's attractive fundamental outlook and were able to purchase shares in the company at a discount to our estimate of intrinsic value.

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

- Recruit Holdings

OUTLOOK

Whereas investors attempt to determine the price of an asset using fundamental analysis, then buy low and sell high, a trader uses analysis to predict price movement. Although traders have greatly influenced current market conditions, we believe the result has been more opportunity for investors. Though we are frustrated with our recent performance, based on today's valuations, we remain fully confident on what we can deliver in terms of future performance for our clients.

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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.

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