

International Value Update 1Q25

Hello, I'm **John Goetz**, and I'm one of the Pzena Investment Management portfolio managers on our International products. These are basically global ex-U.S. investment portfolios, and I'm here to talk about Q1 2025. I'm just going to open up right away and say I'm going to kind of tell you what happened in Q1 2025, but what's happened since the end of the quarter is obviously what's on everyone's minds today, because the "tariff war," if I can call it that, really got into gear after the end of the quarter.

Let me just briefly touch on what happened in the first quarter. The first quarter was actually pretty powerfully good outside the United States. If you remember, Q4 and last year in general were very tough in Europe, and there were already rumors of tariffs, etc., and Europe had been in basically a slow run for a couple of years. So Q1 was a big recovery in Europe and China. That's really interesting because China, obviously, had been weak for many, many years economically, and we saw a lot of recovery in Q1. In fact, one of our best-performing stocks was actually our investment in Alibaba, as we began to see their e-commerce business turn back up after long slowness and some market share losses. In addition to that, their server business (the cloud business, as we call it) and their position in AI technology is also on the move, and it looks like there are some better prospects for those businesses going forward.

So for me to say that China was a big positive—Alibaba was a big positive—and then a number of European stocks, particularly the banks, **CaixaBank** in Spain and **Bank of Ireland** in Ireland, were big contributors—positive. So here I am talking about Financials as positive and China as positive, when we know after the end of the quarter China has been hard-hit. Still, what I want to close this off with, in terms of talking about Alibaba, is that Alibaba is still up for the year despite all the pain of the last two weeks in the trade wars. So it's a very, very interesting year with a lot of volatility setting up.

Clearly, what happened in the first quarter is we got that rebound—some good performance in some companies. We did have weakness—I'll just mention one in Japan, which is **TDK**. TDK, as you may recall from long-term history, was a memory disk-drive business that was on the decline for many years, but they've pivoted their capability to battery, and they have a leading high-density battery technology which we think will ultimately be well-represented, particularly in mobile devices like the iPhone. However, the iPhone's use of that technology is delayed, and now it's more controversial with the whole issue of China imports of the iPhone. So there's some delay for TDK. TDK was one of the bigger underperformers in the first quarter for us, but in the long run, we like how they're positioned in technology, so we continue to be buyers of TDK.

I want to just mention that as deep value investors, volatility, controversy, and fear are our friend. Some opportunities became less valuable; we took the opportunity to trim some things that were doing well in Q1. That money is going to go to work where things are weak and where investors are fearful. So far in Q1, some of that money was going into **Arkema**, a European chemical company that has been weak, as well as into **Samsung Electronics**, the South Korean leader in DRAM and solid-state memory businesses, as well as a mobile-device business and appliances. Those stocks were weak, and we were moving some money there.

Now, just since the end of the quarter, obviously anything deemed to be cyclical or dependent upon the global economy has really begun to sell off, so we are seeing better and better opportunities to put capital to work in some of these cyclical businesses, all the way from steel to chemicals to even Samsung, which is kind of caught up in the trade-war nonsense as well. So 2025 is shaping up to be a very interesting and very volatile year. Frankly, so far so good for Pzena Investment Management in terms of investing in these markets outside the United States, but what we're looking forward to, as the noise and fear continue to develop, is moving more money from the relative winners—things that are deemed to be somewhat safe—into things where people really are capitulating in fear. The valuations in Europe started the year pretty good, they got off to a really good start, but now everything's weakening again. So I think there will be increasing opportunities in these more, quote, “economically sensitive” or “tariff-sensitive” businesses.

We had, and I think we mentioned in our prior notes, built quite a large position in Healthcare. We actually added **GSK** during Q1, and we continue to build that position, so interestingly, the Healthcare weight has moved up significantly, providing some stability in this more economically sensitive time. We have a very diverse portfolio outside the United States. We try to have investments across a number of industries, and that diversification is really playing its part today for Pzena Investment Management.

Thank you for your time and consideration.