Harris | Oakmark

QUARTERLY MANAGER COMMENTARY

International Strategy

June 30, 2026

MARKET ENVIRONMENT

International equities finished higher during the quarter with 9 of 11 GICS sectors posting positive returns. By sector, financials and information technology contributed the most to market returns while energy and communication services were the sole detractors. By country, Japan and the Netherlands contributed the most to market performance while Hong Kong and Norway detracted.

Performance highlights

Contributors

- Samsung Electronics Pfd
- adidas
- BNP Paribas

Detractors

- BMW
- Alibaba Group
- SAP

PORTFOLIO PERFORMANCE

The portfolio's return was 8.28% (net) for the reporting period. This compares to the MSCI World ex USA Index that returned 10.22% for the same period.

Top contributors:

- Samsung Electronics was a contributor during the quarter. Shares of the South Korea-headquartered technology company rallied on the back of record first-quarter operating profit, driven by strong AI-related demand across its semiconductor business. Management noted that memory chip supply continues to trail robust customer demand, supporting a favorable pricing environment. The current memory upcycle has been exceptionally strong as AI workloads have driven incremental demand for high-bandwidth memory. Samsung remains one of the leading memory companies in the world and is well positioned to benefit from increasing demand over the long term.
- adidas was a contributor during the quarter. Shares of the Germany-headquartered sportswear brand appreciated after it posted results that exceeded consensus expectations and are tracking ahead of our top-line forecast. The performance division was exceptionally strong, driven by strength in running, training and soccer, and every geography grew double digits except Europe (+6%). We value management's product-first focus and its continued progress in key markets, which we believe can help unlock further value over the long term.
- BNP Paribas was a contributor during the quarter. Results for the first quarter were better than expected. In the quarter, BNP demonstrated positive expense leverage, a continued low-risk profile, and top line growth in the retail franchises due primarily to reinvestment of non-remunerated deposits into a steeper yield curve. Capital build was the highlight, with CET1 up 20 basis points vs. the prior quarter, bringing them to 12.8%. We believe this leaves BNP well positioned to reach the targeted 13% a year ahead of plan, at which point shareholder returns have the potential to accelerate. With shares at a compelling valuation, fundamentals developing in line with our thesis, <10% of earnings exposed to a more challenged French economy, and a clear path to higher shareholder returns,

we believe BNP's shares remain rather attractive.

Top detractors:

- BMW was a detractor during the quarter. Shares of the Germany-headquartered automaker fell after management cut full-year guidance in June, lowering the Automotive EBIT margin on weaker Chinese demand, Middle East conflict fallout, and accelerated restructuring charges set to weigh on the second half results. The revision overshadowed an otherwise resilient first-quarter print, which showed solid execution, with automotive margins and free cash flow ahead of expectations and encouraging early indications from the Neue Klasse launch. We continue to view BMW as well positioned long term as the Neue Klasse vehicles are beginning to hit the market and management continues to take additional steps to support profitability and free cash generation.
- Alibaba Group was a detractor during the quarter. E-commerce results were soft, with subdued like-for-like growth and profits still pressured by heavy quick-commerce subsidies. The AI engine, by contrast, is performing well — Cloud growth remained strong, management was bullish on accelerating momentum, and newly disclosed AI product revenue is scaling rapidly, though the associated costs and capex are set to rise materially. We continue to believe Alibaba is an attractive holding given its leadership in e-commerce and cloud, its rare full-stack AI capability, and management's ongoing capital return.
- SAP was a detractor during the quarter, with the stock declining despite strong results ahead of expectations. The Germany-headquartered enterprise software company delivered better-than-anticipated growth and margin and a clean underlying beat. Cloud current backlog grew, ahead of consensus and allaying fears that geopolitical disruption would drive a sharper deceleration. Cloud growth is tracking ahead of guidance, margins expanded, and management maintained its '26 and '27 targets. The CEO also reassured investors that the AI transition will be incremental rather than a disruptive reset. A slight trim to the total revenue guide, tied to professional services, is not material to the investment case. We continue to believe SAP offers further upside.

PORTFOLIO POSITIONING

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

- Bureau Veritas is a France-headquartered testing, inspection, and certification (TIC) company operating in ~140 countries, providing independent verification that products and systems meet regulatory and contractual standards. The TIC industry's oligopolistic structure, accreditation-based barriers to entry, and mission-critical-but-low-cost services support durable organic growth and resilient through-cycle margins. We view Bureau Veritas as better positioned than perceived, with a portfolio reshaping toward higher-growth end markets — data center commissioning, fleet decarbonization, and infrastructure — and management executing an operational improvement program that has already delivered margin gains ahead of plan. A Q1 miss driven by transitory Government Services and Middle East headwinds has pushed the stock to near decade-low multiples, creating an opportunity to invest at a meaningful discount to our estimate of intrinsic value.

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

- Aumovio
- Flutter Entertainment

- Intertek Group
- Roche Holding

OUTLOOK

Investor enthusiasm for AI remained a defining market theme in the second quarter. Rather than attempting to predict winners and losers, we continue to evaluate companies based on their competitive advantages, long-term cash-flow potential, and valuation relative to intrinsic value.

AVERAGE ANNUALIZED TOTAL RETURNS (%)

	QTD	YTD	1 yr	3 yrs	5 yrs	10 yrs	Since inception
International Strategy Gross of Fees	8.47	1.40	11.13	9.96	5.19	9.14	9.96
International Strategy Net of Fees	8.28	1.04	10.37	9.20	4.45	8.39	8.96
MSCI World Index ex USA	10.22	9.19	20.99	16.90	9.32	9.84	6.80
MSCI World ex USA Value Index	8.15	10.85	29.29	22.28	13.63	10.81	7.66

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.

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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.

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