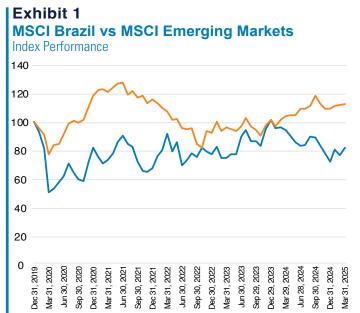
# **Brazilian Equities: Unveiling Undervalued Opportunities**

Brazilian equities have staged a modest rebound in 2025, following a volatile 2024. The MSCI Brazil Index declined by 30% in 2024 after rising 14% and 33% in 2022 and 2023, respectively (Exhibit 1). Despite recent gains, Brazilian equities remain well below pre-COVID levels, trading at valuations that imply deep structural pessimism.



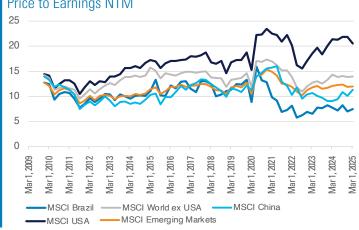
Source: MSCI Cumulative performance of the MSCI Brazil Index and MSCI Emerging Markets Index, in USD, base value of 100, from 12/31/2019 - 3/31/2025.

MSCI Emerging Markets

While the Brazilian equity market has been under pressure in recent years, some key macroeconomic indicators present a more constructive picture than market sentiment suggests. The unemployment rate is at a 10-year low, and inflation, currently at 5%, remains materially below the double-digit percentages of 2021 and 2022.

Despite this relatively benign economic backdrop, the pricing of Brazilian equities appears to reflect a negative outlook, with the drawdown in Brazilian equities largely driven by political concerns. Fears that President Lula could enact populist fiscal measures to counter declining approval ratings have weighed on valuations. As a result, Brazilian equities are cheaper now than they were during the early months of the COVID-19 pandemic, as well as the 2014-2016 recession. (Exhibit 2). The forward price-to-earnings ratio for Brazilian equities has fluctuated between 6x and 8x for the past three years, which is roughly one standard deviation below their long-term average.





Source: FactSet, MSCI Chart depicts price to earnings (next twelve months).

We added Ambev, the largest brewer in Latin America and Canada, to our portfolio in 2020. At the time, the company faced beer volume declines amid COVID-19 restrictions. Although volumes have rebounded to record levels, Ambev has faced several macroeconomic challenges, including higher input costs due to a weak Brazilian real and commodity cost inflation. More recently, shares fell due to the earnings impact of the devaluation of the Argentine peso, as well as uncertainty surrounding Brazil's new tax regime. Despite potential tax burdens, we believe the current share price more than discounts forthcoming changes, and we are optimistic about Ambev's underlying business. We expect the company's premiumization strategy will contribute to further margin expansion, as macroeconomic headwinds abate. We believe that Ambev's earnings recovery implies it is trading at roughly 12x our estimate of its normal earnings power.

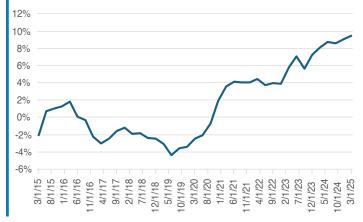
When we added Banco do Brasil to the portfolio in 2023, the share price reflected deep fears of government intervention under President Lula's administration, reminiscent of the policies during Dilma Rousseff's presidency. However, using Banco do Brasil as a vehicle for fiscal stimulus would generate negative political headlines for an administration already facing pressure; we therefore view the likelihood as low. At a company-specific level, asset quality is expected to improve, and non-performing loan (NPL) formation within the bank's agricultural lending portfolio is expected to decline following

# BRAZILIAN EQUITIES CONT.

the 2024/2025 soybean harvesting season, given strong volumes and improving market prices. Additionally, the company offers one of the highest returns on equity among Brazil's largest banks and we view the current valuation of 7x our normal earnings estimate to be compelling.

We continue to find leading Brazilian companies that we believe are particularly cheap, and over time, we have steadily increased our exposure as a result (Exhibit 3).

# Exhibit 3 Pzena Emerging Markets Focused ValueBrazil Relative Weight



Source: FactSet, MSCI Pzena Emerging Markets Focused Value Composite estimate; relative Brazil weight versus MSCI EM Index.

We remain focused on investing in companies whose valuations we believe have been unduly punished because of macro concerns, political fears, and company-specific controversies.



#### FURTHER INFORMATION

These materials are intended solely for informational purposes. The views expressed reflect the current views of Pzena Investment Management, LLC ("PIM") as of the date hereof and are subject to change. PIM is a registered investment adviser registered with the United States Securities and Exchange Commission. PIM does not undertake to advise you of any changes in the views expressed herein. There is no guarantee that any projection, forecast, or opinion in this material will be realized. Past performance is not indicative of future results.

All investments involve risk, including loss of principal. The price of equity securities may rise or fall because of economic or political changes or changes in a company's financial condition, sometimes rapidly or unpredictably. Investments in foreign securities involve political, economic and currency risks, greater volatility and differences in accounting methods. These risks are greater for investments in Emerging Markets. Investments in small-cap or mid-cap companies involve additional risks such as limited liquidity and greater volatility than larger companies. PIM's strategies emphasize a "value" style of investing, which targets undervalued companies with characteristics for improved valuations. This style of investing is subject to the risk that the valuations never improve or that returns on "value" securities may not move in tandem with the returns on other styles of investing or the stock market in general.

This document does not constitute a current or past recommendation, an offer, or solicitation of an offer to purchase any securities or provide investment advisory services and should not be construed as such. The information contained herein is general in nature and does not constitute legal, tax, or investment advice. PIM does not make any warranty, express or implied, as to the information's accuracy or completeness. Prospective investors are encouraged to consult their own professional advisers as to the implications of making an investment in any securities or investment advisory services.

The specific portfolio securities discussed in this presentation are included for illustrative purposes only and were selected based on their ability to help you better understand our investment process. They were selected from securities in one or more of our strategies and were not selected based on performance. They do not represent all of the securities purchased or sold for our client accounts during any particular period, and it should not be assumed that investments in such securities were or will be profitable. PIM is a discretionary investment manager and does not make "recommendations" to buy or sell any securities. There is no assurance that any securities discussed herein remain in our portfolios at the time you receive this presentation or that securities sold have not been repurchased.

The MSCI information may only be used for internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the MSCI Parties) expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.

#### For EU Investors Only:

This marketing communication is issued by Pzena Investment Management Europe Limited ("PIM Europe"). PIM Europe (No. C457984) is authorised and regulated by the Central Bank of Ireland as a UCITS management company (pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011, as amended), with additional authorisation for management of portfolios of investments, in accordance with mandates given by investors on a discretionary, client-by-client basis, where such portfolios include one or more of the investment instruments listed in Section C of the Annex to the MiFID (Markets in Financial Instruments) Regulations 2017 (S.I. No. 375 of 2017), as amended), and investment advice concerning one or more of the instruments listed in Annex I, Section C to Directive 2004/39/ EC. PIM Europe is registered in Ireland with the Companies Registration Office (No. 699811), with its registered office at Riverside One, Sir John Rogerson's Quay, Dublin, 2, Ireland. Past performance is not indicative of future results. The value of your investment may go down as well as up, and you may not receive upon redemption the full amount of your original investment. The views and statements contained herein are those of Pzena Investment Management and are based on internal research.

## For Australia and New Zealand Investors Only:

This document has been prepared and issued by Pzena Investment Management, LLC (ARBN 108 743 415), a limited liability company ("Pzena"). Pzena is regulated by the Securities and Exchange Commission (SEC) under U.S. laws, which differ from Australian laws. Pzena is exempt from the requirement to hold an Australian financial services license in Australia in accordance with ASIC Class Order CO 03/1100 and the transitional relief under ASIC Corporations (Repeal and Transitional) Instrument 2016/396, extended through 31 March 2026 by ASIC Corporations (Amendment) Instrument 2024/497. Pzena offers financial services in Australia to 'wholesale clients' only pursuant to that exemption. This document is not intended to be distributed or passed on, directly or indirectly, to any other class of persons in Australia.

In New Zealand, any offer is limited to 'wholesale investors' within the meaning of clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 ('EMCA'). This

In New Zealand, any offer is limited to 'wholesale investors' within the meaning of clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 ('FMCA'). This document is not to be treated as an offer, and is not capable of acceptance by, any person in New Zealand who is not a Wholesale Investor.

### For Jersey Investors Only:

Consent under the Control of Borrowing (Jersey) Order 1958 (the "COBO" Order) has not been obtained for the circulation of this document. Accordingly, the offer that is the subject of this document may only be made in Jersey where the offer is valid in the United Kingdom or Guernsey and is circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom, or Guernsey, as the case may be. The directors may, but are not obliged to, apply for such consent in the future. The services and/or products discussed herein are only suitable for sophisticated investors who understand the risks involved. Neither Pzena Investment Management, Ltd. nor Pzena Investment Management, Ltd. or Pzena Investment Management, Ltd. are subject to the provisions of the Financial Services (Jersey) Law 1998.