

Hi, I'm John Goetz. I'm one of the portfolio managers on the global strategies here at Pzena Investment Management, and I'm going to talk a little bit about the fourth quarter, which was a good quarter for us, good quarter for the global equity markets, I should add.

For us, that was driven by some very specific stock selection. It's always nice when our thesis works out. So I'll talk about that just a little bit, but I wanted to give you a little bit of context for what's going on in the globe first.

An incredible fourth quarter, given the fact that the year had been so good already going into the fourth quarter. So to see ACWI in the 3% range, and us doing better than that, was kind of a surprise to the good side given how strong global equity markets had been coming into the fourth quarter.

I did want to mention that the themes of strength, especially outside the United States, continue to be the same. The financial sector was one of the drivers, you know. After years of purgatory, I like to say, for financials, especially in Europe, to see that kind of performance in financials this year, and to actually cash in on that, was certainly a highlight of 2025.

So the big contributors for our performance were financials and some materials. On the very specific stock side, it kind of fit the flavor of what was going on more broadly in the world. I want to talk about Samsung just for a minute. It was one of the strong performers.

Samsung had, up until the middle of this year, kind of been left on the sidelines, with the thinking that ordinary memory, DRAM, wasn't doing that well. All the sales for memory products were in high-bandwidth memory, which was going into data centers, and it was kind of viewed that Samsung was a loser. Our thesis was that wasn't going to stay that way.

And by the fourth quarter, Samsung had indeed identified that they were candidates to serve the growth in data centers around the globe. And obviously when that optimism hit the stock, that was a big contributor for Samsung, and it turned out to be the biggest contributor in our portfolio in the fourth quarter.

But I also wanted to mention that, you know, when you look at what's going on globally, it's all about AI. Are you involved in data centers or are you not involved in data centers? That's the conversation when you talk here in the United States, because so many of the winning companies are here in the United States.

We used to call it the Magnificent Seven, but now I think it's even more AI-centric in terms of the winners and losers. Outside the United States, wow, wow, massive recovery in most geographies that were kind of left on the sidelines. Think about financials working in Europe. Wow. You haven't said that for about a decade.

So I think outside the United States, we had a really strong performance; Japan, emerging markets, and Europe. That really was a consequence of how much fear there was coming into 2025. If you remember, at the end of 2024, we were already into, oh these trade concerns, tariffs, and all these fears that really enveloped a lot of the stocks that we owned outside the United States.

And that fear abated quite a bit all the way through the fourth quarter, and it's why the fourth quarter was actually very, very strong for us.

So I just want to point out that the fact that AI and growth are still the driver, and the United States is still a feature of valuations in the market, because when you look at 2025 in the S&P, you still have a cap-weighted index outperforming an equal-weighted index by about 700 basis points for the year.

So for 2025, let me tick it off. From a global perspective, recovery in Europe, recovery in other international markets like emerging markets and Japan, but still domination in the United States with the AI theme. Are you a winner from AI or you're a loser from AI? That's still dominating the script here in the United States.

Now, obviously, not everything went swimmingly in our portfolio. It never does. On the weaker side in the fourth quarter was healthcare, and then some other unique, I'll call it more one-off negatives.

I'll talk first about healthcare. Baxter was one of the bigger drags on our performance in the fourth quarter. But we like Baxter. It's been hit by a myriad of forces. You can read about it, we've written about it in our various publications.

But clearly the fourth quarter and the management turmoil there, the management changeover that hasn't resulted in optimism yet at Baxter. But we continue to be big believers in the Baxter thesis—that the points of pain, all the way from hurricane damage to a plant, to some mismanagement of their contracting, to COVID aftereffects, there's just a myriad of pain there that we think will ultimately normalize and provide good investment returns in Baxter.

The other struggler in the fourth quarter in terms of our performance was actually Alibaba. Alibaba is a completely different animal. It had moved from out of favor to in favor in the AI story. So up until the fourth quarter, it had been up about 100% in the prior 12 months. In the fourth quarter, it gave some of that back.

This is an interesting one because one of the reasons it gave some of that back is that they're investing so much in AI that people are now kind of worried—are we putting too

much money out for AI? But I'll just point out that on a global basis, the thesis of putting money out to make a lot of money in AI is still the bold thesis in North America.

So 2026 is going to be an interesting year because this AI thesis is going to play out, I think, one way or the other during the course of the year. And again, as I mentioned, 2024, 2025 that's one of the bigger drivers of positive performance.

Alibaba is already giving a little bit of that back, which I find quite interesting in terms of the dynamic of the market in the fourth quarter.

So I think the outlook for us, if you think about how we're positioning, we're still moving into the healthcare pain that has many different dimensions to it. We've talked about that as well.

But really being able to monetize some of the financials and some of the cyclical materials, like ArcelorMittal, which was also a big performer, it's nice to take some money out of the things that are working and put it to work where there is still a lot of pain.

And certainly U.S. healthcare, but also healthcare in Europe, are opportunities that we're able to look at today and put into portfolios, with the consequence of actually diversifying our sources of future alpha.

So thank you for investing. Watch out for our newsletter, which always has a lot of good information about our portfolios, but also about some of the things that are going on in the market today.

I thank you for your time and look forward to conversations in the future. Thank you.