

Hi, I'm John Goetz, Pzena Investment Management, and I'm here to talk to you about the markets outside the United States uh for the first quarter of 2026. Uh if you remember what we talked about last year outside the United States, what we had was a tremendous year of positive momentum. You'd have to call it international markets massively outperforming the domestic markets and the momentum phenomenon in the United States was still very tech-driven, the momentum phenomenon outside was actually value-driven with financials being one of the strongest sectors last year.

Now when I look at really strong performance uh — because we're so valuation focused — I'm like okay well, you know, there's more downside risk now because everything went really high last year. What's interesting is we entered 2026 with that strong performance and two big new fears. First of all, the conflict in the Middle East uh, rapidly rising oil prices, and we also have what I call AI fear really ramping up. AI has been a momentum driver on the positive side and now switching to AI momentum on the negative side — more and more businesses supposedly being hurt from a long-term uh standpoint uh with AI, the advent of AI.

So, so 2026 first quarter for us ended up being decent uh, you know, outperforming the markets and actually — and it's been written about by a bunch of economists — the first quarter actually wasn't that bad performance-wise despite the fact that we have a war in the Middle East and rapidly rising oil prices. I'm not going to play economist here for you. I'm going to go to the micro side of, you know, what do we see in individual industries and companies.

On the positive side, owning Equinor, which is a very large gas producer in Europe, ended up being almost a double in the quarter. That makes total sense. Oil prices went up. We're benefiting in the portfolio where we owned some of that. But I will mention one longer term issue. Security of supply in energy became a big focal point uh and Equinor being tied in via pipeline to European consumers is now even more apparently an advantage to the business. That's one of the things we knew about the business. Uh but it really showed up in in the first quarter.

Interestingly, while we did fine in the first quarter — and the fact it actually being up despite these two new fears, I thought, "Wow, that's amazing" — the downside on some of these stocks was tremendous if you were in that AI uh crosshair so to speak. In fact, our single largest underperformer was Randstad, a European staffing company where people have concluded, hold it, maybe we don't need any staffing because every human is going to be replaced by AI, you know, over the next 5 years. Uh we obviously think those fears are overdone, but it didn't stop the stock from going down, you know, more than 20% uh in the first quarter.

But I wanted to spend a minute on that AI question because the destruction outside our portfolio is way bigger than the destruction inside a portfolio in AI. You have companies in the software industry uh some of them down 60% in in a single quarter, but it's very widespread. Accenture is down almost 50% over a couple years. It's crazy. We have another stock in the portfolio we've begun buying which is Publicis which is probably the global leader in advertising and I'll call it consumer connection consulting for major corporations around the world. That stock has been hammered as well. So this AI fear is not tiny little 5% changes. These are — you know if you get in the crosshairs on this it's driving valuation moves and volatility really through the roof.

So I wanted to mention that to all of you because if you think about it, we have two new fears. We have the AI destruction fear and we have high energy prices. So economically, one could have guessed that the first quarter could have been a very negative uh quarter from an investment

standpoint. But that investment opportunity outside the United States uh is still there uh from our standpoint. It's just shifting around a bit — taking some money from energy where that's working and putting it to play where the opportunities are moving too.

I wanted to make one statement about that momentum though. Last year's momentum outside United States was strongest in the financial sector. With the uncertainty — economic uncertainty I'll call it — of high energy prices etc. it's interesting that that has backed out. So one of the biggest — I call it a little bit the weakest end of the financial sector — Deutsche Bank, we don't own it, but I haven't been talking about anyway, doing the best of the financials in Europe last year, is now hard hit because of economic fear. So there's an element of that that momentum last year that is fickle, meaning uh it's kind of like overcompensating uh and swinging around a lot.

So to put it mildly, it's getting interesting out there uh with a ton of volatility and I will say as value investors, we like that. We like extreme volatility because typically we take advantage of excess of fear. Doesn't matter what the industry is or what the driver is, we take advantage of excess fear. And what I'll tell you in our screening tool uh — even outside the United States but even more so inside the United States — that AI fear is becoming the agent of new research for us. Is the AI fear right and these businesses are in permanent impairment? We have to avoid those, but that's a research issue. What we have to find is the businesses where it's getting thrown out with a generic fear when actually the core principle or value add of the business actually isn't dependent on the software per se.

So with all that was going on in the first quarter we did take advantage of a few things. Uh as I mentioned probably AI casualties was the biggest swing factor uh in the first quarter. We did start into that in in in in one way which is we bought Accenture which is being viewed as somehow irrelevant to this massive technology shift. But really when you back up and think about Accenture they are very helpful to companies both large and small when there is a big technology switch and they will be part of this AI transition. So on the buy side taking advantage of that, but this says a lot of ideas coming in now to our first quintile. So AI destruction will be a feature.

Interestingly, on the other side, the biggest trim, the biggest sale we did in the quarter was actually Samsung, which is now viewed as an AI winner because somehow we've finally concluded that memory is going to be part of this issue that that that these big data centers uh and even enterprises will require more memory to actually run AI longer term. They didn't have a high bandwidth memory chip which was kind of the negativity a year ago but now they have a design and their basic memory both DRAM and NAND is also relevant. So all of a sudden it went from being an AI loser to an AI winner and we're monetizing that with the sales of Samsung.

So, with that, I'll tell you stay tuned. Read our newsletter which has a write up on a number of these uh companies and I look forward to chatting with you in in quarters to come about how much this AI destruction uh issue is now understood better by us at Pzena Investment Management. Thank you.