The following transcript was recorded on July 7th, 2026. This transcription is believed to be an accurate summary of the live call, but may contain some minor differences from the speaker's exact language.

Hello, I'm Rakesh Bordia. I am one of the co-portfolio managers on our international value strategy. International value stocks were flattish for the second quarter. But there was significant dispersion in the quarter with the AI-driven tech names significantly outperforming the whole sector whereas the energy names were significantly weak in the quarter. So international developed markets were broadly flat for the quarter but it was marred by significant dispersion within the quarter. The Japanese tech stocks were strong outperformers driven by what is happening in the AI world. Whereas the energy stocks were significantly weak driven by Middle East concerns.

Against that backdrop, we outperformed the EAFE index for the quarter mostly driven by our investments in Japanese information technology stocks. The three strongest contributors were all Japanese technology stocks, namely Murata, TDK and Minebea Mitsumi. Murata is the world's largest producer of MLCCs, that's multi-layer capacitor chips. AI servers use a lot more MLCCs compared to traditional servers, up to five to eight times more, and Murata is a global leader in the advanced MLCCs used for AI servers. As a result, Murata was very strong driven by growth in the whole AI semiconductor supply chain in the quarter and significantly outperformed the market. We trimmed Murata based on that outperformance.

TDK also benefited from demand growth on passive components. Additionally, they also have a strong presence in hard disk drives which benefited as the AI growth spilled over into storage and computing driven growth. Minebea Mitsumi is a manufacturer of ball bearings. Ball bearings are used primarily in cooling systems for AI data centers. Driven by the strong growth in the AI data centers, Minebea Mitsumi demonstrated strong results and the stock benefited from that growth.

The key detractors in the quarter for the portfolio were energy names and names which were impacted by AI disruption fears. Equinor and Shell were the two energy names that went down in the quarter as there was ceasefire announced in the Middle East that really took away the premium in the oil prices as oil price went from more than $100 in the early part of the quarter to below $70. The other strong detractor in the quarter was Accenture which was driven by significant fears that AI will completely disrupt demand for IT services. The company reported results where they reduced their booking growth estimate from 3 to 5% to 3 to 4% and the stock collapsed on the news. We believe this was a severe overreaction as Accenture has a very strong domain expertise, strong customer relationships and will be a key partner as companies implement their AI transition to capitalize on AI for their businesses. We are able to buy this business at seven times free cash flow yield giving us a great opportunity at a very attractive price.

We also added three new investments in the portfolio in the quarter. Fujifilm is a Japanese conglomerate which is investing in biologic drug manufacturing, imaging and semiconductor materials. They have been investing for last several years in biologic drug manufacturing and we believe they are reaching a point where the free cash flow will turn as utilization of their investments will increase significantly over the next few years. Another position we added in the portfolio was OCBC which is a Singapore bank. Singapore is a good banking industry with three key players dominating the market. OCBC is a leading franchise in the market with strong wealth management business, a conservative bank and a strong lending franchise. We also added SAP to the portfolio. SAP is an ERP software company based in Europe. They have very strong incumbency advantage as they are deeply embedded in customer systems which are mission critical. They're also moving away from a license-based regime to a cloud-based license system which should significantly drive revenue growth and profitability over the next few years. The weakness in the software industry gave us an opportunity to buy this strong franchise at a great valuation.

In terms of other portfolio actions during the quarter, we trimmed the names which were strong. So, Murata and Nokia were trimmed and we exited Mercedes-Benz in the quarter to deploy the capital and other attractive opportunities.

This was an exceptional quarter from a dispersion standpoint. On one side, we have tremendous outperformance from Japanese component suppliers. On the other side, we had great businesses like Accenture which were down a lot. This dispersion is usually the best opportunity for long-term investors like us who can focus on long-term company fundamentals, identify company specific drivers of outperformance and find great investment opportunities at exceptional valuations at these times. Thank you very much.

Further Information

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