Brandes Investment Partners
Emerging Markets Equity Strategy Notes
Fourth Quarter 2024 (October 1 – December 31, 2024)

The Brandes Emerging Markets Equity Strategy declined 6.71% net of fees and 6.60% gross of fees, outperforming its benchmark, the MSCI Emerging Markets Index, which was down 8.01% in the quarter, and the MSCI Emerging Markets Value Index, which declined 9.21%.

Annualized total return as of December 31, 2024	1-year	5-year	10-year
Brandes Emerging Markets Equity Composite (net)	7.84%	3.41%	4.23%
Brandes Emerging Markets Equity Composite (gross)	8.35%	3.99%	4.92%
MSCI Emerging Markets Index	7.50%	1.70%	3.63%

Past performance is not a guarantee of future results. One cannot invest directly in an index. Returns include reinvestment of all dividends and are reduced by any applicable foreign withholding taxes, without provisions for income taxes, if any.

Positive Contributors

Leading contributors included holdings in Taiwan, specifically Wiwynn and Taiwan Semiconductor Manufacturing Company.

Wiwynn, a well-positioned original design manufacturer for hyperscalers, continued its strong performance that began in 2023, during which the stock appreciated over 130%. Wiwynn's shares have benefited from market excitement around artificial intelligence (AI) and, more recently, from its larger-than-expected win of Amazon AWS AI server business, which nicely complements its existing contracts with Microsoft and Meta.

Other notable performers included select holdings in financials, such as Panama's Banco Latinoamericano de Comercio Exterior, Austria-domiciled Erste Group, Georgia-based TBC Bank, and U.K.-based HSBC.

Additionally, the portfolio's underweight to India aided relative returns, as did its underweight to the materials sector.

Performance Detractors

Several holdings in China gave back some of their strong gains from the third quarter as optimism regarding the Chinese government's announced stimulus waned. Notable detractors included Alibaba, China Resources Beer, and ZTO Express.

Other poor performers included South Korea's Samsung Electronics and domestically oriented holdings in Brazil. Telecom services provider TIM, food retailer Sendas Distribuidora, and utility ENGIE Brasil Energia all declined as a deteriorating outlook for fiscal reform in Brazil hurt market sentiment.

Furthermore, although several of our financials holdings were solid contributors, IndusInd Bank and Bank Rakyat Indonesia detracted from returns. We took advantage of the share-price weakness to add to our positions.

Select Activity in the Quarter

The emerging markets investment committee initiated positions in Wal-Mart de Mexico, Telkom Indonesia, and Hong Kong-based semiconductor packaging and assembly supplier ASMPT. Additionally, the committee exited the position in China-based Midea Group after it appreciated to our estimate of its intrinsic value.

Wal-Mart de Mexico (Walmex) became Walmart's first international business through a 1991 joint venture with Mexico's leading retailer, CIFRA. In 1997, Walmart acquired a majority stake in the company. Today, Walmex operates over 3,000 stores in Mexico and over 900 stores in Central America, establishing itself as a dominant, best-in-class retailer in Mexico with a market share that is three times that of the #2 and #3 players.

Two main factors have created a buying opportunity in Walmex: 1) macroeconomic concerns driven by recent national elections in both Mexico and the United States, and 2) anticipation of the Federal Economic Competition Commission's (COFECE) ruling regarding alleged monopolistic practices.

In 2020, COFECE, which is responsible for regulating anti-competitive behavior, issued a report that included several allegations about modern retail trade in Mexico, frequently singling out Walmex. Later, the commission informed Walmex that it had initiated an investigation into its market dominance in the wholesale supply and distribution of consumer goods.

At the time of our purchase, the outcome of the investigation was yet to be announced. After incorporating very conservative assumptions to account for the risk factors, including potential fines and regulatory restrictions that might impact sales and margins, we believed Walmex represented an attractive opportunity. We appreciate that Walmex's operating margin has been stable, its free-cash-flow generation and returns on invested capital have been robust, and that the company has a net-cash balance sheet (excluding leases). In December 2024, COFECE concluded its investigation against Walmex, imposing a U.S.$4.6 million fine and several sales and pricing restrictions. As our intrinsic value estimate already considers these risks, we remain confident in Walmex's upside potential. Walmex has rejected COFECE's decision and plans to appeal the ruling.

Year-to-Date Briefing
The Brandes Emerging Markets Equity Strategy returned 7.84 net of fees and 8.35% gross of fees, outperforming its benchmark, the MSCI Emerging Markets Index, which was up 7.50% in 2024 and the MSCI Emerging Markets Value Index, which gained 4.51%.

Holdings in the industrials and financials sectors helped returns, led by Brazilian regional jet manufacturer Embraer, Slovenia-based Nova Ljubljanska Banka, Austria-based Erste Group, and Panama-based Banco Latinoamericano. Taiwan Semiconductor Manufacturing Company and Wiwynn also lifted performance, along with China-based battery manufacturer Contemporary Amperex Technology and India's Indus Towers.

Notable detractors included holdings in China and Mexico, such as LONGi Green Energy Technology, TravelSky Technology, Topsports International, Fibra Uno, and Kimberly-Clark de Mexico. Additionally, Sendas Distribuidora, Samsung Electronics, and IndusInd Bank hurt performance, as did Taiwanese leasing company Chailease Holding.

Current Positioning
The portfolio maintains a significant overweight in Latin America, with diversified investments in telecommunications, utilities, energy, and real estate. Conversely, India and Taiwan remain areas of key underweights for the portfolio as we have not identified substantial value opportunities in these markets.

On a sector basis, the portfolio holds large overweights in consumer staples, industrials, and financials, while remaining underweight in materials, health care, energy, and information technology.

The continued underperformance of emerging markets stocks relative to their developed markets counterparts, especially the U.S. (MSCI Emerging Markets vs. MSCI World and MSCI USA), has led to a growing aversion to having an allocation to emerging market equities. The threat of tariffs, along with the U.S. dollar strength that is near all-time high levels dating back to 1971, brings an additional obstacle to the case for emerging markets.

We are optimistic that now is a great time to invest in or add to emerging markets equities. Emerging markets and U.S. stocks have historically cycled though periods of outperformance and underperformance, with valuation gaps between the two markets and the exchange rate of the U.S. dollar often being the catalysts for market leadership change. The current U.S. market leadership cycle is now going on 13 years, well exceeding the historical average market cycle length of approximately eight years. Moreover, the valuation gap between emerging markets stocks and U.S. stocks is now near its widest level in 40 years following the strong run in U.S. equities over the past decade.

Looking ahead, we believe the current fundamentals of our holdings bode well for the long term, and we are excited about the strategy's prospects.

For term definitions, please refer to https://www.brandes.com/termdefinitions

The MSCI Emerging Markets Index with net dividends captures large and mid cap representation of emerging market countries.

The MSCI Emerging Markets Value Index with gross dividends captures large and mid cap securities exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.

The MSCI World Index with net dividends captures large and mid cap representation of developed markets.

The MSCI USA Index measures the performance of the large and mid cap segments of the U.S. equity market.