BRANDES
INVESTMENT PARTNERS

Brandes Investment Partners
Emerging Markets Equity Strategy Notes
First Quarter 2025 (January 1 – March 31, 2025)

The Brandes Emerging Markets Equity Strategy returned 4.92% net of fees and 5.14% gross of fees, outperforming its benchmark, the MSCI Emerging Markets Index, which was up 2.93% in the quarter, and the MSCI Emerging Markets Value Index, which gained 4.32%.

Annualized total return as of March 31, 2024	1-year	5-year	10-year
Brandes Emerging Markets Equity Composite (net)	7.26%	13.55%	5.30%
Brandes Emerging Markets Equity Composite (gross)	7.86%	14.18%	6.00%
MSCI Emerging Markets Index	8.09%	7.94%	3.70%

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

Holdings in Brazil, led by regional jet manufacturer Embraer and wireless telecommunication services provider TIM, helped performance. Embraer has maintained its impressive streak, announcing several new wins against competitors in its defense business. This, coupled with an expanding order backlog for regional jets, has further boosted market confidence in the company's prospects.

Our bank holdings also performed well, most notably Georgia-based TBC Bank Group, Slovenian Nova Ljubljanska Banka, Austria-domiciled Erste Group, and U.K.'s HSBC.

Other solid performers included China-based Alibaba, Hungary's Magyar Telekom, and South Korean Samsung Electronics. Alibaba rose on favorable earnings results and improved market optimism about its progress in artificial intelligence (AI). In addition to launching its own AI models, Alibaba benefited from the release of DeepSeek, which utilizes Alibaba Cloud.

Relative to the benchmark, our underweights to Taiwan and India aided returns.

Performance Detractors

Poor performers included several of our holdings in information technology, specifically Taiwanese Wiwynn Corporation and Taiwan Semiconductor Manufacturing Company (TSMC), as well as Hong Kong-based semiconductor company ASMPT.

ASMPT fell due to a disappointing earnings report driven by the lack of meaningful recovery in traditional semiconductor packaging and slower-than-expected growth in advanced packaging solutions. We remain confident in the company's long-term upside potential and took advantage of the share-price decline to add to our position.

Other detractors included India's IndusInd Bank and China-based Galaxy Entertainment, as well as Indonesian Telkom Indonesia and noodle maker Indofood.

Additionally, our underweight to China hurt performance relative to the benchmark.

Select Activity in the Quarter

The emerging markets investment committee initiated a position in India-based real estate investment trust Embassy Office Parks REIT, while exiting positions in Chinese companies Contemporary Amperex Technology (CATL), Chinasoft International, and Shanghai Pharmaceuticals.

Both CATL and Chinasoft performed strongly in recent months, appreciating to our estimates of their intrinsic values, which led us to divest our positions.

CATL is the world's largest producer of lithium-ion batteries for electric vehicles and energy storage systems, with an estimated global market share of approximately 35% in each segment. Known for its technological and cost leadership, CATL offers products for both premium and mass-market electric vehicles. The company derives most of its sales domestically in China but has diversified its global presence in recent years.

We initially added CATL in late 2023 when its stock was trading near its 52-week low, marking a decline of over 50% from its all-time high. There were several factors contributing to this share-price pressure: a subdued industry outlook overseas, potential restrictions in the U.S. market, general wariness toward Chinese equities, and the risk of battery manufacturing overcapacity in China. Over our relatively short holding period, CATL benefited from a sentiment shift regarding its medium-term outlook, thanks to its strong earnings results and cost advantage potential.

Chinasoft, one of the leading IT services companies in China, provides services such as data cloud migration and outsourced coding and packaged software implementation. Chinasoft's shares recently increased materially, likely because the company is a potential significant beneficiary of China's government stimulus, given that its revenue is heavily dependent on discretionary enterprise IT expenditures.

Meanwhile, we divested Shanghai Pharmaceuticals after revising down our estimate of the company's intrinsic value. In May 2021, Shanghai Pharmaceuticals conducted a share issuance to its parent company Yunnan Baiyao, a traditional Chinese medicine and consumer products business. Since that time, the company's net income and return on invested capital have not improved sufficiently to offset the dilution, leading to a dimmer view of the company's value creation potential.

Current Positioning

The portfolio maintains a significant overweight in Latin America, with diversified investments in telecommunications, utilities, energy, and real estate.

Amid fiscal spending concerns in Brazil, it might be reassuring to know that our allocation to Brazil is predominantly to exporters or companies with U.S. dollar-linked revenues, such as jet manufacturer Embraer, paper producer Suzano, and oil and gas firm Petrobras. Meanwhile, our domestic-oriented businesses include telecom services provider TIM, which offers a sizeable 10% dividend yield, and utility Neoenergia, whose revenues are inflation-protected.

We have also observed substantial value potential in select businesses in Mexico as the market remains concerned about tariffs. The bulk of our allocation in Mexico is geared toward domestic consumption through our positions in leading businesses such as consumer products company Kimberly-Clark, real estate investment trust Fibra Uno, and grocer Walmex. Our other Mexican holdings, such as cement producer Cemex, real estate investment trust Prologis Mexico, and telecom services provider America Movil, have significant exposure to non-Mexican peso currencies.

The portfolio remains underweight India, Taiwan, and China relative to the benchmark. Despite the market correction this quarter, we have not found much value potential in India, where we maintain exposure to banks and have identified some value in IT office parks.

Meanwhile, the recent China National People's Congress emphasized the importance of boosting consumption and developing AI applications, which positively impacted a variety of our China-related holdings, including Alibaba, China Resources Beer, NetEase, Macau casino operators, home appliances manufacturers, and travel and sportswear businesses. We find that Chinese consumer stocks are more attractively valued than most other sectors in China.

We remain comfortable with the risk/reward tradeoff that our holdings offer and are excited about the continued prospects of the Brandes Emerging Markets Equity Strategy.

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.