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INVESTMENT PARTNERS

Brandes Investment Partners
Global Opportunities Value Strategy Notes
Third Quarter 2024 (July 1 – September 30, 2024)

The Brandes Global Opportunities Value Strategy rose 8.53% net of fees and 8.77% gross of fees, outperforming its benchmark, the MSCI ACWI Index, which rose 6.61% in the quarter.

Annualized total return as of September 30, 2024	1-year	5-year	10-year
Brandes Global Opportunities Value Composite (net)	35.33%	11.35%	6.19%
Brandes Global Opportunities Value Composite (gross)	36.50%	12.38%	7.14%
MSCI ACWI Index	31.76%	12.18%	9.38%

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

Notable contributors included holdings in industrials and consumer discretionary.

Brazil-based regional jet manufacturer Embraer and U.K.-based aerospace and defense company Rolls-Royce reported improving earnings amid continued strong demand in their aerospace end markets. Embraer also announced that it will receive a settlement from Boeing for the latter company’s unsuccessful takeover bid, while its stock benefited from its recent inclusion in the MSCI Emerging Markets Index.

Within consumer discretionary, leading contributors were China-based Alibaba and Gree Electric Appliances, as well as U.K. home improvement retailer Kingfisher.

Alibaba appreciated as significant market negativity toward Chinese companies began to abate, thanks to newly announced government stimulus measures. We believe Alibaba continues to offer an attractive margin of safety (the discount of market price to our estimate of intrinsic value) following the share-price increase. Its core business trades at a single-digit multiple of earnings, the company maintains a healthy net-cash balance sheet, and its market share in e-commerce has started to stabilize.

Other standout performers included Spanish biotechnology firm Grifols and U.S. communications equipment company NETGEAR. In July, Grifols confirmed that its founding family, which controls 30% of the company, is evaluating a potential joint takeover bid for the entire business with Brookfield, a multinational Canadian alternative investment fund. The structure and pricing of the takeover remain unclear, but the market reacted positively to their proposal.

Relative to the benchmark, our significant underweight to technology helped performance, along with our overweight to real estate. Technology was one of the weakest-performing sectors in the benchmark, largely driven by a pullback in AI-related companies, which had risen dramatically earlier this year.

Performance Detractors

Our holdings in energy detracted from performance amid declining oil prices, notably U.S.-based Innovex International and U.K.-based Shell.

Meanwhile, several holdings in financials gave back some of their solid performance from earlier this year, including Spanish insurer Linea Directa Aseguradora, U.S. Wells Fargo and Citigroup, as well as Slovenia’s Nova Ljubljanska Banka.

Additionally, although our underweight to technology helped relative performance, South Korean Samsung Electronics fell on concerns that market prospects for its memory chips in AI applications were overly optimistic. We believe Samsung continues to offer attractive value, with discounted valuations compared to the more obvious AI beneficiaries trading at higher multiples.

Other detractors included consumer holdings that have exposure to China, such as France-based luxury goods firm Kering, Netherlands-based beverage company Heineken, and Japanese automaker Nissan Motor.

Heineken's shares declined after the company took an impairment charge for its stake in China Resources Beer, reflecting a weaker consumer environment in China. Meanwhile, Kering remained under pressure as it worked to revitalize its Gucci business. Although the shares rebounded toward the end of the quarter due to the potential for Chinese stimulus, the increase was not enough to fully offset the earlier decline.

Select Activity in the Quarter
The investment committee initiated a position in U.S.-based Halliburton, while divesting positions in Telecom Italia, machinery company China Yuchai International, and South Korean tobacco manufacturer KT&G.

Halliburton is one of the world's largest oilfield services firms. Over the past decade, the company has benefited from its position as a leading provider to U.S. shale drillers, a growing industry with increasing capital intensity and growing demand. The share-price decline in the quarter afforded us with the opportunity to invest in what we view as the best-positioned oilfield services supplier in the industry given Halliburton's competitive position and operational efficiency. We also appreciate the company's history of generating free cash flow, even during industry downturns. At its current valuation, we believe Halliburton represents an appealing value opportunity.

Year-to-Date Briefing
The Brandes Global Opportunities Value Strategy rose 19.76% net of fees and 20.53% gross of fees, outperforming its benchmark, the MSCI ACWI Index, which appreciated 18.66% in the nine months ended September 30, 2024.

Holdings in industrials, financials, and consumer discretionary drove returns. Leading performers included Rolls-Royce and Embraer in industrials; Erste Group Bank, NatWest, Nova Ljubljanska Banka, and Banco Latinoamericano in financials; and Yue Yuen Industrial, Alibaba, and Gree Electric Appliances in consumer discretionary. Other contributors included communication services providers Magyar Telekom and Millicom International, as well as technology holdings SAP and NETGEAR.

Despite the pullback in the third quarter, technology was still the best performer in the benchmark for the year. As such, our underweight to the sector hurt relative performance. At the stock level, notable detractors included Swiss watchmaker Swatch, Samsung Electronics, Heineken, and Innovex International. Additionally, Spanish biotech firm Grifols declined mainly in the first quarter following a short seller's report that questioned the company's debt and corporate governance practices.

Geographically, our underweight to the U.S. hurt relative returns, along with our overweight to the U.K. Furthermore, the overhang from Mexico's national election in June weighed on our holdings in the country, namely real estate investment trusts Fibra Uno FIBRA Macquarie Mexico, homebuilder Consorcio ARA, and cement company Cemex.

Current Positioning
The portfolio positioning has largely remained unchanged. The strategy continues to have overweights in consumer staples, real estate, and communication services, while retaining a significant underweight to technology. On a regional basis, it maintains overweights to emerging markets, the United Kingdom, France, and Spain, while remaining underweight the U.S., which accounts for approximately 64% of the benchmark.

We believe the differences between our portfolio and the MSCI ACWI Index make it an appealing complement to index-tracking or passively managed strategies. Going forward, we remain optimistic about the portfolio's holdings composition and the risk/reward tradeoff it offers.

Term definitions: https://www.brandes.com/termdefinitions

The MSCI ACWI with net dividends captures large and mid cap representation of developed and emerging markets.

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

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