Brandes Investment Partners
Global Opportunities Value Strategy Notes
Fourth Quarter 2024 (October 1 – December 31, 2024)

The Brandes Global Opportunities Value Strategy declined 3.06% net of fees and 2.90% gross of fees, underperforming its benchmark, the MSCI ACWI Index, which fell 0.99% in the quarter.

Annualized total return as of December 31, 2024	1-year	5-year	10-year
Brandes Global Opportunities Value Composite (net)	16.10%	8.69%	6.54%
Brandes Global Opportunities Value Composite (gross)	17.03%	9.66%	7.48%
MSCI ACWI Index	17.49%	10.05%	9.22%

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, led by Canadian flight training company CAE and Brazil-based regional jet manufacturer Embraer.

Embraer continued to do well as it benefited from improving earnings. Meanwhile, the market reacted positively to the profit inflection point in CAE's defense division as its fixed-price contracts expired and its large backlog of lucrative new business wins began to ramp up.

Holdings in financials also did well, including U.S.-based Wells Fargo and Citigroup, Austria-domiciled Erste Group, and Panama's Banco Latinoamericano de Comercio Exterior.

Other contributors included Hungary's Magyar Telekom, Germany-based Heidelberg Materials, and U.K. tobacco company Imperial Brands. Additionally, U.S. communications equipment firm NETGEAR rose on robust financial results.

Performance Detractors

Notable detractors included consumer holdings with exposure to China, such as Alibaba and Switzerland-based watchmaker Swatch. After a sharp rise at the end of the third quarter, many Chinese stocks pulled back at the start of the fourth quarter as market optimism on Chinese government stimulus appeared to have been overdone.

U.K. home improvement retailer Kingfisher also declined as the company announced weaker-than-expected earnings and its ongoing operational turnaround may take longer than the market anticipated.

Other detractors included select health care holdings such as GSK, Sanofi, Elanco Animal Health, and Cigna. Additionally, our overweights to consumer staples and real estate hurt relative performance, as did our underweight to information technology.

Select Activity in the Quarter

The investment committee initiated positions in Kimberly-Clark de Mexico and U.S.-based pharmaceutical firm Pfizer.

Kimberly-Clark de Mexico (KCM) is the leading producer of tissue and fiber-based personal care products in Mexico, where it holds a 60% market share. The company derives over 90% of its revenue from baby diapers and tissue products, with feminine care products making up the rest. Historically, KCM has boasted solid operating margins of more than 20% due to its strong position in Mexico's brand-conscious consumer products market. However, despite the high margins, KCM's profitability has fluctuated in the past few years as the company has had trouble passing inflationary raw material costs on to end consumers. Approximately two-thirds of KCM's manufacturing costs (paper and pulp products and oil derivatives) are in U.S. dollars, so inflation and currency fluctuations present challenges. As a result of these dynamics, KCM's EBITDA margin declined to its lowest level since 2005. Management has been pushing through price increases, resulting in lost market share as its competitors were slower to react.

More recently, KCM's shares, along with the Mexican equity market, declined on the uncertainty related to election results in Mexico and the United States. This created a good buying opportunity in what we view as an attractive business with solid fundamentals. We believe the market has overly punished KCM due to the near-term margin pressure and the macroeconomic and pollical challenges in Mexico. This is not the first time KCM has dealt with raw material cost headwinds, and the company has a history of overcoming such challenges over time as pricing and volumes eventually offset short-term cost pressures. At its current valuations level, KCM offers an appealing risk/reward, in our opinion.

Apart from the new buys, portfolio activity included the divestments of China-based Gree Electric Appliances, U.S.-based American International Group, Spanish Lar Espana Real Estate, and Japan's Nissan Motor. Additionally, the portfolio no longer holds shares of Taro Pharmaceuticals after the firm became a private company and a wholly owned subsidiary of Sun Pharma.

Year-to-Date Briefing

The Brandes Global Opportunities Value Strategy rose 16.10% net of fees and 17.03% gross of fees, underperforming its benchmark, the MSCI ACWI Index, which appreciated 17.49% in 2024.

Holdings in industrials and financials drove returns. Leading performers included Rolls-Royce and Embraer in industrials, as well as Erste Group Bank, NatWest, Nova Ljubljanska Banka, Wells Fargo, and Banco Latinoamericano in financials. Other contributors included technology holdings NETGEAR and SAP, Hong Kong-based footwear manufacturer Yue Yuen Industrial, and Magyar Telekom.

Technology was the best-performing sector in the benchmark, and our underweight hurt relative returns, along with our overweights to consumer staples and real estate. At the stock level, notable detractors included several health care holdings, including Grifols, Draegerwerk, and Elanco Animal Health. Other poor performers included real estate investment trust Fibra Uno, Swatch, and beverage companies Heineken Holding and Ambev. Geographically, our significant underweight to the U.S. and overweight to the U.K. detracted from relative performance.

Current Positioning

The strategy holds its key overweights in consumer staples, communication services, and health care, while retaining a significant underweight to technology. On a regional basis, it maintains overweights to emerging markets and the United Kingdom, while remaining underweight the U.S., which accounts for approximately two-thirds 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.

in particular market conditions which may not be repeated. Moreover, the current market volatility and uncertain regulatory environment may have a negative impact on future performance. The margin of safety for any security is defined as the discount of its market price to what the firm believes is the intrinsic value of that security. The declaration and payment of shareholder dividends are solely at the discretion of the issuer and are subject to change at any time.

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