BRANDES
INVESTMENT PARTNERS

Brandes Investment Partners
U.S. Value Equity Strategy Notes
First Quarter 2024 (January 1 – March 31, 2024)

The Brandes U.S. Value Equity Strategy rose 11.92% net of fees and 12.06% gross of fees in the quarter, outperforming its benchmark, the Russell 1000 Value Index, which increased 8.99%.

Annualized total return as of March 31, 2024	1-year	5-year	10-year
Brandes U.S. Value Equity Composite (net)	25.86%	13.68%	10.60%
Brandes U.S. Value Equity Composite (gross)	26.50%	14.36%	11.30%
Russell 1000 Value Index	20.27%	10.30%	9.00%

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

Stock selection across sectors drove outperformance, led by holdings in financials and health care.

Our bank holdings continued their solid run from the fourth quarter of 2023, representing one of the best performers from an industry standpoint. During the quarter, large money center banks appreciated more than regional banks overall as concerns regarding the latter's heightened exposure to commercial real estate dampened investor sentiment. Accordingly, our overweight and allocation to money center banks, such as Citigroup and Wells Fargo, contributed positively to returns.

Within health care, top performers included distributors McKesson and Cardinal Health, as well as health care services providers HCA Healthcare and Cigna. Although the sector underperformed the overall benchmark, the solid performance of several of our health care holdings more than offset the negative impact from our overweight allocation.

Several technology holdings were also strong contributors, notably semiconductor-related companies such as Applied Materials and Micron Technology. Apart from the start of a recovery in the semiconductor market, these holdings benefited from investor optimism surrounding the growing structural demand for semiconductor content, fueled by the proliferation of artificial intelligence (AI) applications. In addition to Applied Materials and Micron, technology manufacturing firm Flex rose on the back of the spinoff of its solar equipment business, Nextracker, as well as the ongoing improvements in its operating results.

Performance Detractors

With no holdings experiencing significant share-price declines, detractors were primarily companies that remained relatively flat or did not do as well as the overall benchmark. These included several positions in health care, which represented one of the weaker performers within the Russell 1000 Value Index. Notable detractors were Lab Corp, Sanofi, and Pfizer.

Technology firms Cognizant and OpenText also weighed on performance, along with communication services company Comcast.

Within the benchmark, energy (especially the oil and gas industry) was among the best-performing sectors in the quarter. Although our three holdings (i.e., Chevron, Halliburton, World Kinect) appreciated, our underweight to the sector hurt relative performance. Our underweight was mainly due to our lack of holding in ExxonMobil, which accounted for over 2% of the benchmark at quarter end.

Select Activity in the Quarter

The investment committee took advantage of the continued optimism in the technology sector by divesting its holding in Applied Materials after it reached our estimate of its intrinsic value.

We initially purchased Applied Materials, the world's largest supplier of wafer fabrication equipment for semiconductor production, when its shares declined in 2018 due to concerns surrounding semiconductor capital expenditures (capex) spending. At the time, while the market focused on the industry's near-term downturn, we believed Applied Materials was well positioned to benefit from increased silicon intensity over the medium term. Given the trend of increasing semiconductor content per device, coupled with growing complexity of semiconductor design and manufacturing process, we looked to capitalize on what we deemed a structural growth opportunity at a bargain price. Additionally, we saw potential upside from China's investments in its domestic semiconductor industry, which could further boost equipment demand.

In 2020 and 2021, the semiconductor shortage and increased industry spending drove up Applied Materials' share price, leading us to strategically reduce our exposure. Then in 2022, when technology stocks, particularly semiconductor-related ones, experienced a pullback due to a cyclical downturn reminiscent of the conditions during our initial investment in 2018, we added to our position. Over the past 18 months, the shares surged as the market increasingly favored semiconductor-related companies amid prospects of rising demand driven by AI. Consequently, we opted to divest our position as we no longer consider the stock materially discounted.

Current Positioning

The portfolio maintains overweight positions in financials, health care, and communication services, while retaining key underweights in utilities and real estate, with no holdings in these sectors. Additionally, it remains significantly underweight in consumer staples, with only one holding in the sector (food product company Ingredion), compared to the benchmark's nearly 8% allocation.

Value stocks underperformed growth stocks this quarter (Russell 1000 Value vs. Russell 1000 Growth), mainly due to the strong run of the technology sector. Despite value underperformance, however, our strategy did better than the broader Russell 1000 Index, driven primarily by the notable performance of our financials and health care holdings, as discussed earlier.

Given the widening valuation gap between value and growth stocks over the past year, we are increasingly optimistic about the return potential for value stocks. Following the performance of the growth index (MSCI USA Growth), which was largely fueled by a select few tech-related names, value stocks (MSCI USA Value) are now trading at the largest decile discount relative to growth stocks since the inception of the style indices. This valuation disparity is evident across various metrics, such as price/earnings, price/cash flow, and enterprise value/sales. Historically, such valuation differentials have often signaled compelling subsequent returns for value stocks over longer-term horizons. Notably, our portfolio, guided by our value philosophy and process, has tended to outperform the benchmark when value stocks outperform the Russell 1000.

Looking ahead, we remain optimistic about the prospects of our holdings. As of March 31, 2024, the Brandes U.S. Value Equity Strategy trades at more appealing valuation levels than the benchmark, in our opinion, while also offering more attractive long-term growth characteristics.

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

The Russell 1000 Index with gross dividends measures performance of the large cap segment of the U.S. equity universe.

The Russell 1000 Value Index with gross dividends measures performance of the large cap value segment of the U.S. equity universe. Securities are categorized as growth or value based on their relative book-to-price ratios, historical sales growth, and expected earnings growth.

The Russell 1000 Growth Index with gross dividends measures performance of the large cap growth segment of the U.S. equity universe. Securities are categorized as growth or value based on their relative book-to-price ratios, historical sales growth, and expected earnings growth.

The MSCI USA Value Index captures large and mid cap U.S. securities exhibiting overall value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.

The MSCI USA Growth Index captures large and mid cap U.S. securities exhibiting overall growth style characteristics, defined using long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, and long-term historical sales per share growth trend.

MSCI has not approved, reviewed or produced this report, makes no express or implied warranties or representations and is not liable whatsoever for any data in the report. You may not redistribute the MSCI data or use it as a basis for other indices or investment products.

Diversification does not assure a profit or protect against a loss in a declining market.

The foregoing Quarterly Commentary reflects the thoughts and opinions of Brandes Investment Partners® exclusively and is subject to change without notice. The information provided in the commentary should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any security transactions, holdings or sectors discussed were or will be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance discussed herein. International and emerging markets investing is subject to certain risks such as currency fluctuation and social and political changes; such risks may result in greater share price volatility. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that the securities sold have not been repurchased. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Unlike bonds issued or guaranteed by the U.S. government or its agencies, stocks and other bonds are not backed by the full faith and credit of the United States. Stock and bond prices will experience market fluctuations. Please note that the value of government securities and bonds in general have an inverse relationship to interest rates. Bonds carry the risk of default, or the risk that an issuer will be unable to make income or principal payment. There is no assurance that private guarantors or insurers will meet their obligations. The credit quality of the investments in the portfolio is not a guarantee of the safety or stability of the portfolio. Investments in Asset Backed and Mortgage Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Securities of small companies generally experience more volatility than mid and large sized companies. Although the statements of fact and data in this report have been obtained from, and are based upon, sources that are believed to be reliable, we cannot guarantee their accuracy, and any such information may be incomplete or condensed. Strategies discussed are subject to change at any time by the investment manager in its discretion due to market conditions or opportunities. The Brandes investment approach tends to result in portfolios that are materially different than their benchmarks with regard to characteristics such as risk, volatility, diversification, and concentration. Please note that all indices are unmanaged and are not available for direct investment. Past performance is not a guarantee of future results. No investment strategy can assure a profit or protect against loss. Market conditions may impact performance. The performance results presented were achieved 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.

United States: Issued by Brandes Investment Partners, L.P., 4275 Executive Square, 5th Floor, La Jolla, CA 92037.

Singapore/Asia: FOR INSTITUTIONAL/ACCREDITED INVESTOR USE ONLY. Issued by Brandes Investment Partners (Asia) Pte Ltd., The Gateway West, 150 Beach Road, #35-51, Singapore 189720. Company Registration Number 201212812M. ARBN:164 952 710. This document is for “institutional investors” or “accredited investors” as defined under the Securities and Futures Act, Chapter 289 of Singapore and may not be distributed to any other person. This document is being provided for information purposes only. Incorporated in Singapore in 2012, Brandes Investment Partners (Asia) Pte Ltd (Brandes Asia) provides portfolio management services to clients in Asia (as permitted under local law). Brandes Investment Partners, L.P., a U.S. registered investment adviser and a sister entity to Brandes Asia, provides research, portfolio construction and other support to Brandes Asia.

Canada: FOR REGISTERED DEALERS AND THEIR REGISTERED SALESPERSONS' USE ONLY. NOT FOR DISTRIBUTION TO INVESTORS. Distributed by Brandes Investment Partners & Co., 6 Adelaide Street East, Suite 900, Toronto, ON, M5C 1H6. This communication is for information purposes only and should not be regarded as a sales communication or as advice regarding any financial product or services.