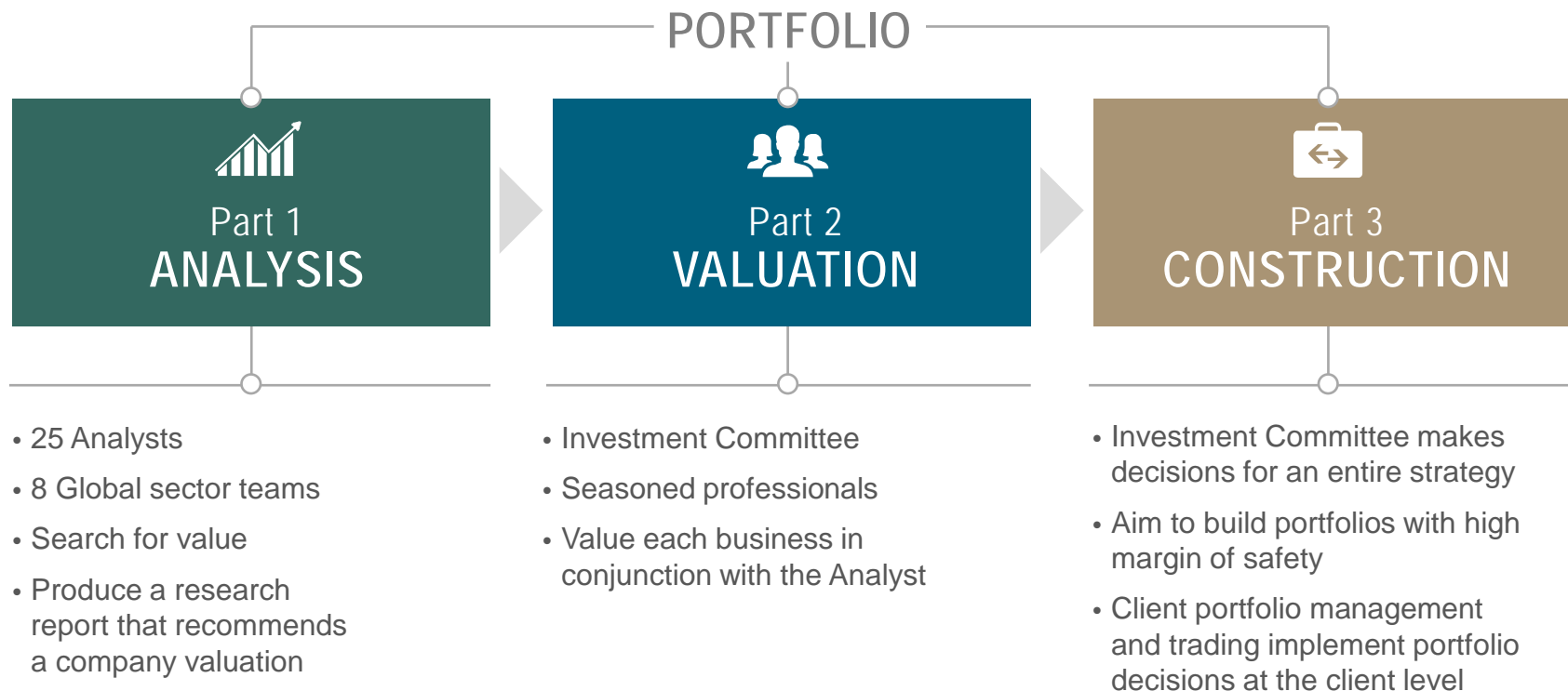




PROCESS

How Brandes Works



Part 1: Analysis — Global Focus

Experienced Analysts Cover the Globe

25 Research Analysts in 8 Sector Teams:

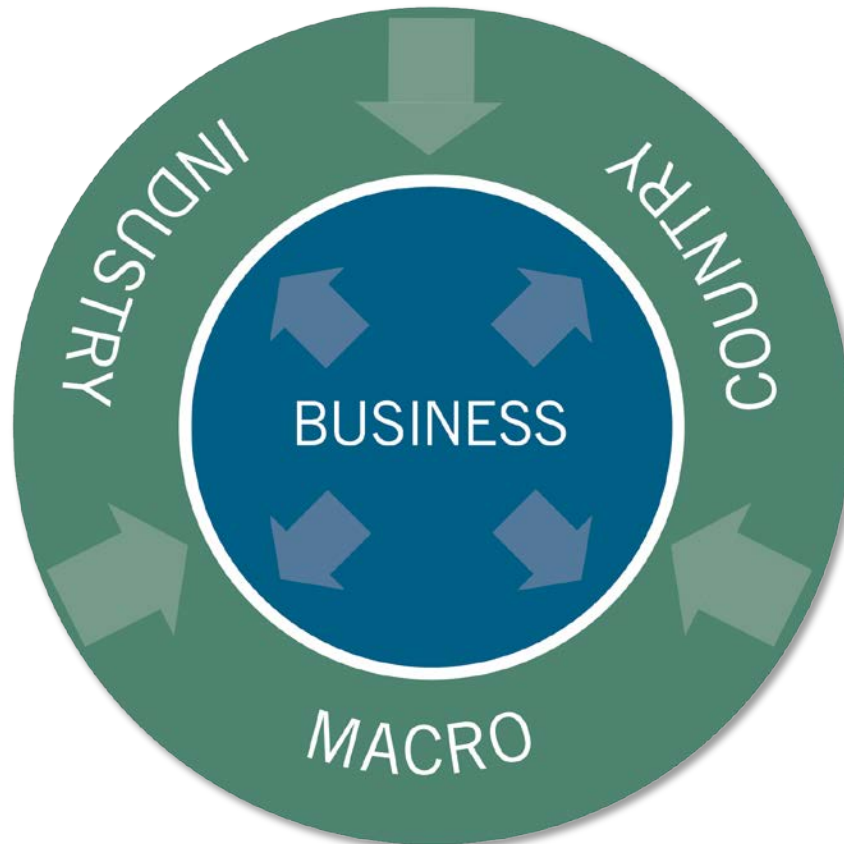
1. Basic Materials
2. Consumer Products
3. Financial Institutions
4. Healthcare
5. Industrials
6. Technology
7. Telecommunications
8. Utilities



**Cover Companies Across
All Market Caps**

Part 1: Analysis — Understanding a Business

Companies Operate in Context



Fundamental, Company-Focused

Industry Factors

- Threat of New Entrants
- Threat of Substitutes
- Buyer Power
- Supplier Power
- Rivalry

Country Factors

- Regulation
- Politics
- Fiscal Stability

Macro Factors

- Business Cycle
- Currencies
- Demographics

Part 1: Analysis — Disciplined Research Process

Objective: Estimate a Company's Value

Typical
Targets

Identifying Undervalued Companies

- Attractive valuation characteristics
- Sufficient financial history
- Proven ability to generate free cash flow
- Adequate liquidity
- Record of growing shareholder wealth
- Bias for conservative capitalization structures

Focus on
Underlying
Business
Value

Determining Value of the Business

- Sustainable profits
- Brand strength
- Downside risks
- Competitive advantage
- Barriers to entry
- Governance issues
- Market position
- Differentiated product or service
- Regulatory/policy environment

Intrinsic Values Assessed/Updated by Analysts

*Intrinsic Value: The actual value of a company or an asset based on an underlying perception of its true value.

Part 1: Analysis — Fundamental Research

Screening Metrics & Valuation Methods Vary by Sector

Sector Name	Sector-Specific Examples
1. Basic Materials	NAV of Commodity Reserves, P/B, P/E
2. Consumer Products	P/E, Sales/Square Foot, P/FCF
3. Financial Institutions	P/TBV, Deposit Premium, P/Pre Provision Income
4. Healthcare	P/E, DCF, Book Value + Capitalized R&D
5. Industrials	P/E, P/B, DCF
6. Technology	P/FCF, DCF, P/E
7. Telecommunications	P/FCF, DCF, P/E
8. Utilities	P/B, P/E, EV/Regulatory Asset Base

Adjustments to book value and normalization of earnings or cash flow vary by sector.

Deposit Premium: valuing a bank as a percentage of (or at a premium to) its deposits. Discounted Cash Flow: discounting future cash flow using a discount rate/cost of capital to calculate its present value. Enterprise Value: a measure of a company's total value. Net Asset Value of Reserves: the value of a company's commodity assets less any associated liabilities. Price/Book: price per share divided by book value per share. Price/Earnings: price per share divided by earnings per share. Price/Cash Flow: price per share divided by cash flow per share. Price/Free Cash Flow: market capitalization divided by free cash flow. Price/Pre-Provision Income: price per share divided by the pre-provision income for financial institutions. Price to Tangible Book Value: Share price divided by tangible book value per share

Part 2: Valuation — Intrinsic Value

Investment Committee (IC) Establishes Intrinsic Value Estimate

Analyst/Investment Committee Interaction

- IC formally meets weekly
- IC establishes intrinsic value estimate for each company based on:
 - Analyst's comprehensive report
 - Other publicly available information
 - Knowledge and experience
- IC scrutiny process - analysis from multiple points of view:
 - Key drivers specific to company/industry
 - Risk factors
 - Cyclical vs. secular risks

Part 3: Construction — Portfolios

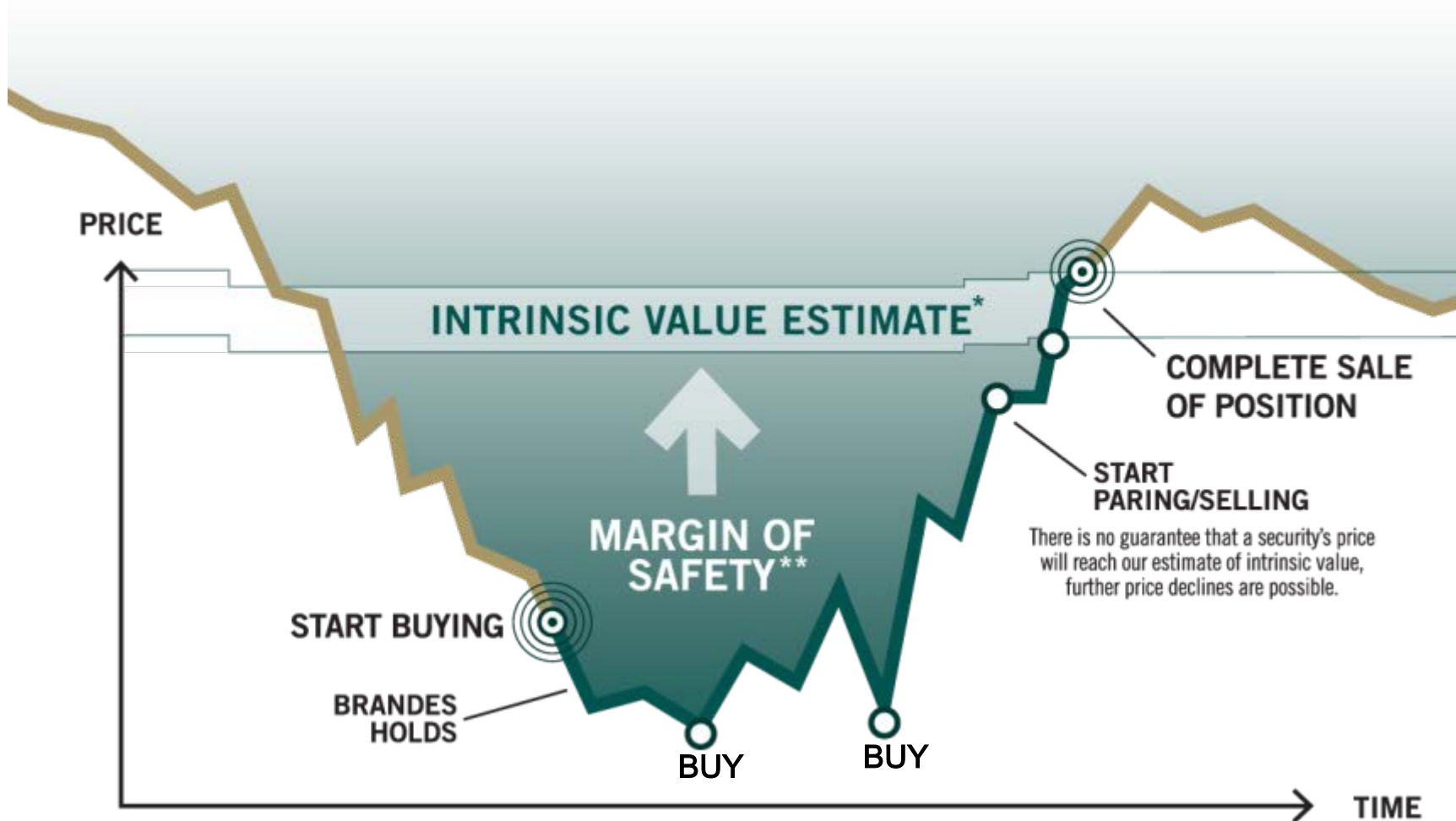
Based on Margin of Safety

- Portfolios typically hold 35 to 85 positions: depends on strategy and opportunity set
- Allocations to individual securities primarily depend on **margin of safety**
- Other allocation factors include:
 - Correlated risks
 - Liquidity
 - Diversification guidelines
 - Range of intrinsic value estimates

Monitoring Portfolios

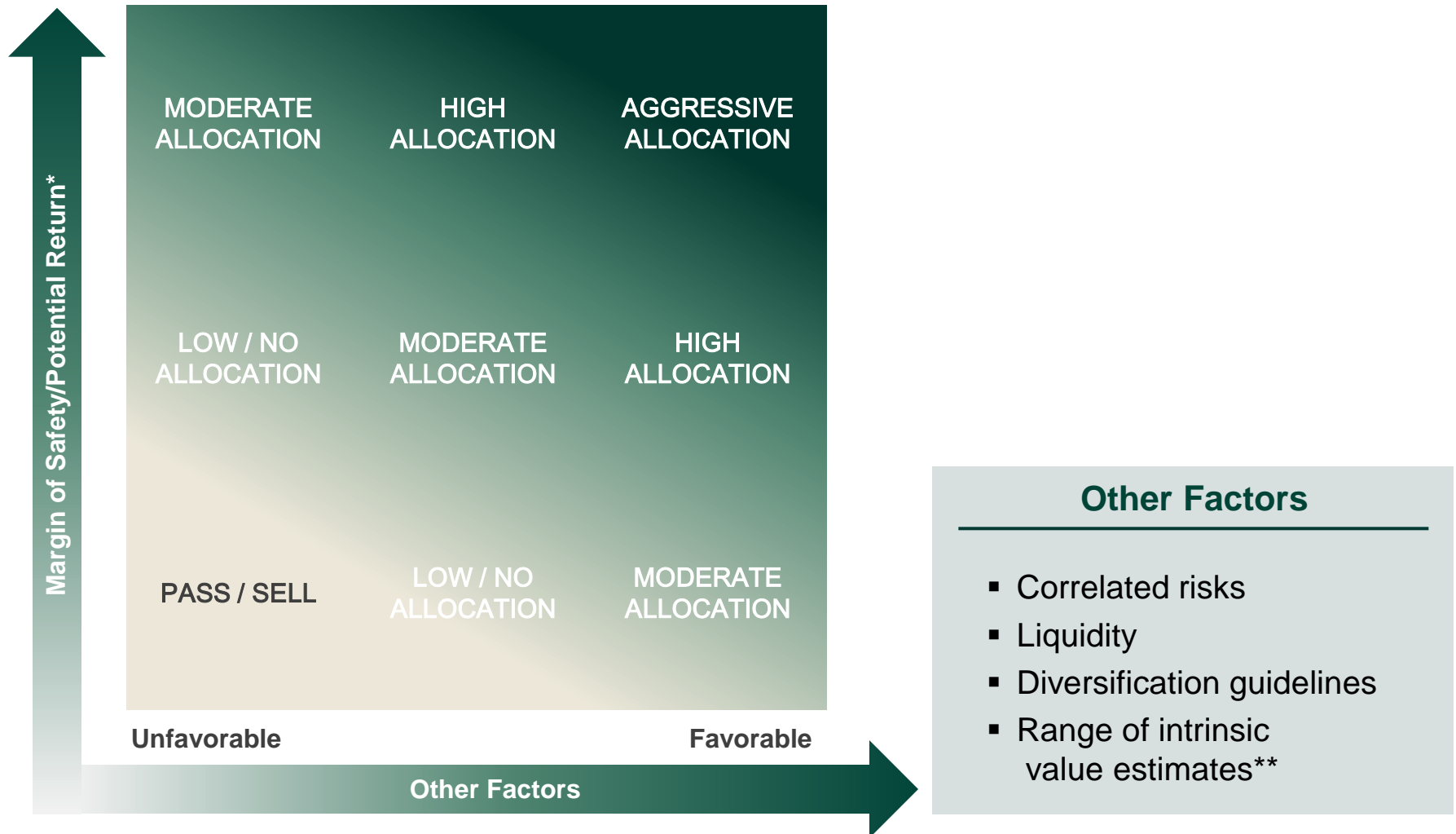
- Investment Committees review weekly reports and large moves daily
- Reports show current margin of safety and allocation for every holding based on latest share price

Part 3: Construction — Margin of Safety



This is a hypothetical illustration of value investing concepts. It does not represent the performance of any specific security. It assumes intrinsic value changes over time. Actual results will vary. No investment strategy can assure a profit or protect against loss. "Intrinsic value: 'In general terms it is understood to be that value which is justified by the facts, e.g., the assets, earnings, dividends, definite prospects, as distinct, let us say, from market quotations established by artificial manipulation or distorted by psychological excess'"— Security Analysis, 1934, page 17. **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.

Part 3: Construction — Allocation Factors



*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.

**Intrinsic value estimates can change over time.

Part 3: Construction — Equity Sell Discipline

Investment Committee Decision

- Full sale when a security's price reaches estimate of intrinsic value
- Full or partial sale may occur if our estimated intrinsic value declines, making the margin of safety unattractive
- Partial or full sale may occur to free up cash for other securities with estimated higher margin of safety

Average Annual Portfolio Turnover Typically = 20 - 40%

Part 3: Construction — Assembling Portfolios

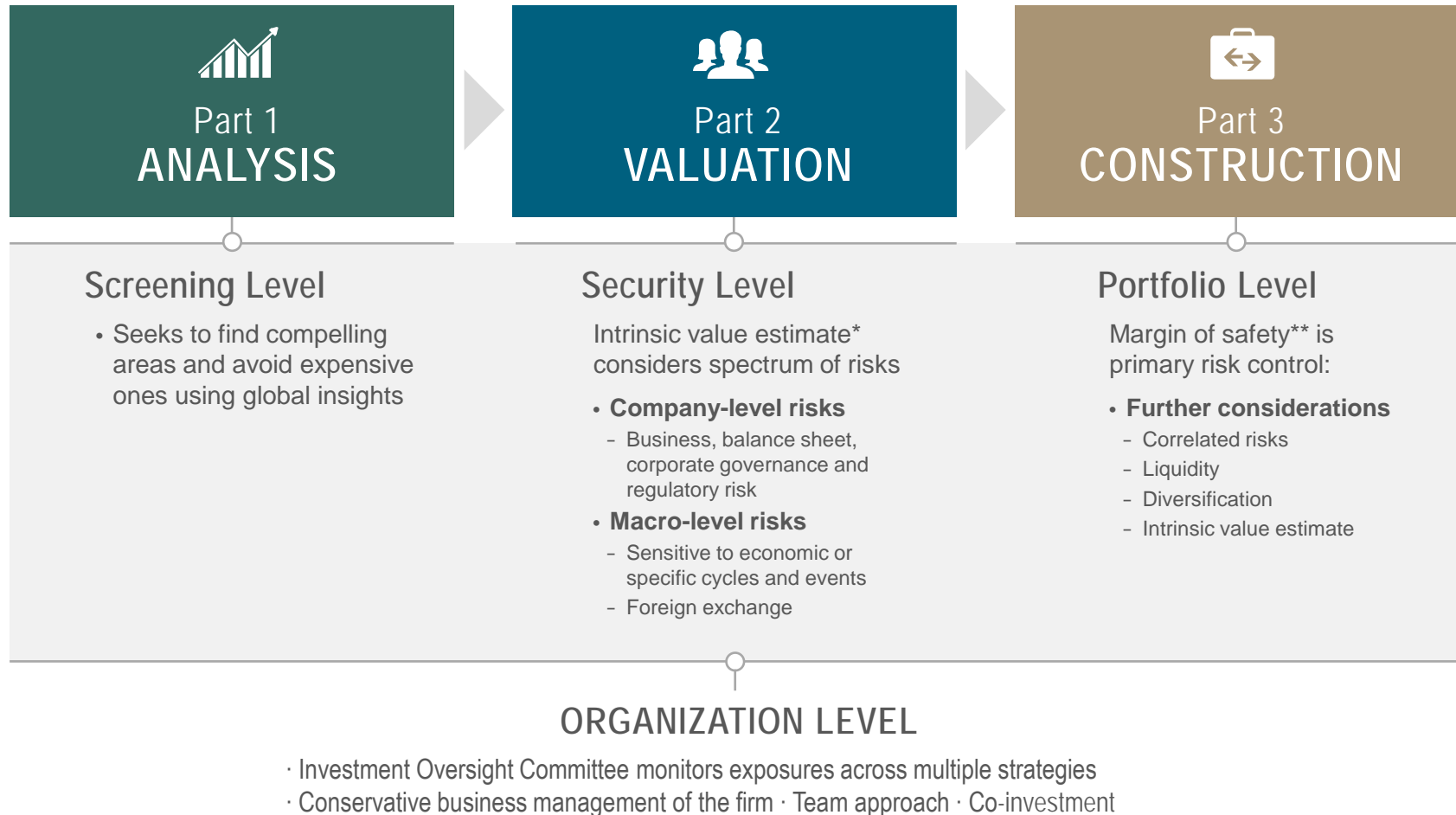
Client Portfolio Managers

- Implements Investment Committee decisions according to client investment policy statements/requirements:
 - Social restrictions
 - Country/industry prohibition
 - Cash limitations

Strategic Trading

- Integrated into decision making
 - 24 hour trading desk, access to liquidity through multiple global relationships
 - Ongoing communication with ICs on price and liquidity opportunities
 - Proactive on U.S. market-structure issues, with client benefits in mind
- Focus on best execution: price, minimizing trading costs/market impact

Active, Fundamental Risk Management



*Intrinsic value estimates can change over time.

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

Investment Oversight Committee

The Investment Oversight Committee (IOC) works with our Investment Committees to ensure the Graham-and-Dodd value process is applied consistently to portfolios. The IOC also provides additional risk monitoring and checks/balances, including:

- Monitoring style characteristics and portfolio exposures
- Examining key process and structure issues
- Challenging views on portfolio positioning and significant exposures
- Viewing the portfolio from the perspective of a client/consultant
- The IOC uses third-party tools that include:
Style Research, MorningStar, FactSet and eVestment

The Brandes Difference

Purpose-Built to Find Value

- Started as a value investor and maintains this focus 4 decades later

Global Reach and Insight

- In-depth research crossing:

- Cap size
- Sectors
- Geographies

3-Part Fundamental Process

1. Analysis
2. Valuation
3. Construction

Risk Management Integrated into Process

- Security analysis and valuation
- Portfolio management
- Business management

Disclosures

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