

**Brandes Investment Partners**  
**International Equity Strategy Notes**  
**Fourth Quarter 2024 (October 1 – December 31, 2024)**

The Brandes International Equity Strategy declined 8.48% net of fees and 8.39% gross of fees, slightly underperforming its benchmark, the MSCI EAFE Index, which fell 8.11% in the quarter, and underperforming the MSCI EAFE Value Index, which dropped 7.12%.

<b>Annualized total return as of December 31, 2024</b>	<b>1-year</b>	<b>5-year</b>	<b>10-year</b>
Brandes International Equity Composite (net)	7.60%	7.66%	6.33%
Brandes International Equity Composite (gross)	8.01%	8.12%	6.83%
MSCI EAFE Index	3.82%	4.72%	5.19%

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**

Amid a declining market, major contributors included holdings in materials and industrials.

While materials was the worst-performing sector in the benchmark, our holdings held up relatively well, contributing positively to both absolute and relative returns. Notably, Germany’s Heidelberg Materials rose on improved earnings results and guidance.

Within industrials, holdings in the aerospace and defense industry continued to be solid performers. Our recent purchase, CAE in Canada, reported strong earnings, as did Brazilian Embraer and U.K.-based Rolls-Royce. Given the upward trajectory of Rolls-Royce’s share price this year, its margin of safety (the discount of market price to our estimate of intrinsic value) has decreased, leading us to pare our position and redeploy capital in other opportunities that we deem more attractive.

Beyond holdings in materials and industrials, contributors included U.K.-based advertising agency WPP and Austrian bank Erste Group. Additionally, Nissan Motor rose toward the end of the quarter on its potential strategic alliance with Honda.

**Performance Detractors**

Notable detractors included consumer holdings with exposure to China, such as Alibaba, Hong Kong-based Budweiser Brewing APAC, and Switzerland-based Swatch Group. 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.

Additionally, health care was the second-worst performing sector in the benchmark, and our overweight hurt relative returns.

Other detractors included U.K. home improvement retailer Kingfisher and Netherlands-based Heineken Holding. After strong performance earlier this year, Kingfisher’s share price retreated as the company announced weaker-than-expected earnings and its ongoing operational turnaround may take longer than the market anticipated.

**Select Activity in the Quarter**

The investment committee initiated positions in Japanese tire company Bridgestone and Netherlands-based semiconductor firm STMicroelectronics.

STMicroelectronics (STM) is a semiconductor supplier with a diverse product portfolio serving the automotive, industrial, personal electronics, and communications equipment markets. STM holds a strong market position in automotive semiconductors, general purpose micro-controllers, and power semiconductors. These markets are expected to see

attractive growth over the next decade, driven by the adoption of electric vehicles, advanced driver-assistance systems (ADAS), and the proliferation of connected devices (Internet of Things/IoT), which will increase semiconductor content in autos and devices.

However, weakness in the auto semiconductor market this year, which represents around 40% of STM's revenue, has led to a decline in sales. The company has subsequently cut its earnings guidance, resulting in significant market negativity. Consequently, STM is currently trading at a substantial valuation discount relative to its history and many semiconductor peers. While the company's margins are expected to contract in the near term, we believe that its current challenges are largely cyclical, and that the growing semiconductor content demand should lead to a recovery in its auto and industrial end markets.

Although we cannot predict the timing for a recovery, STM's exposure to secular growth drivers and its strong market positions support a positive long-term outlook, in our opinion. Similar to our purchase of Infineon earlier this year, we believe STM represents a compelling opportunity at its current valuation level, with strong growth potential despite cyclical challenges.

Other portfolio activity included the divestments of U.K.-based tobacco company Imperial Brands and retailer Marks and Spencer, as well as Chinese battery manufacturer Contemporary Amperex Technology. We exited our positions as they reached our estimates of intrinsic value.

Marks and Spencer is the largest U.K. apparel retailer by value, with that division accounting for approximately half the company's profit and the other half coming from its premium food retail business. Over the last seven years, Marks and Spencer has been executing a strategic plan to turn its business around by reducing promotions, cutting range options, improving cost efficiency, and improving capital investments. While these improvements started before the pandemic, the company saw its clothing and home business, as well as part of its food business, significantly impacted by COVID. Additionally, concerns about economic weakness in the U.K. contributed to a severely discounted valuation in 2020-2022.

At the time, we were attracted to Marks and Spencer's free-cash-flow generation, property ownership, and its defensive food business. Over the last two years, the share price has rebounded meaningfully as the company has shown consistent sales and earnings growth, driven by continued market share gain in its food business and the successful turnaround of its apparel business. As a result, consensus earnings estimates have improved, along with market sentiment for the company's prospects. Following the significant rally this year, we divested our holding as the share price exceeded our estimate of intrinsic value.

### ***Year-to-Date Briefing***

The Brandes International Equity Strategy rose 7.60% net of fees and 8.01% gross of fees, outperforming its benchmark, the MSCI EAFE Index, which appreciated 3.82% for the year ended December 31, 2024, and the MSCI EAFE Value Index, which rose 5.68%.

While value outperformance created a favorable performance environment for the strategy, it was stock selection across several sectors that drove relative returns. The most significant contributors were holdings in technology, industrials, materials, and consumer staples. Leading performers included Rolls-Royce, Embraer, CAE, and Contemporary Amperex Technology in industrials; Heidelberg Materials in materials; Tesco in consumer staples; and Taiwan Semiconductor Manufacturing Company and SAP in technology.

Other contributors included several financial holdings such as Austria-domiciled Erste Group, Italy's Intesa Sanpaolo, and U.K.-based Barclays. Financials was the best-performing sector in the benchmark, and our holdings did better than those in the index, although our underweight detracted from relative returns.

Major detractors included luxury goods companies Kering and Swatch, as well as consumer staples holdings Heineken Holding, Carrefour, and Ambev. Consumer staples was among the weakest areas in the benchmark, and our overweight detracted partially from our strong stock selection within the sector.

Other poor performers included emerging markets holdings Samsung and Fibra Uno, as well as Spain-based blood plasma company Grifols.

### **Current Positioning**

The portfolio maintains overweight positions in France and emerging markets, while remaining underweight in Australia and Japan. We are now only slightly overweight the U.K. relative to the benchmark, as we sold and pared select positions following their notable performance this year.

The international equity market (MSCI EAFE) experienced significant performance dispersion among sectors this year, with several sectors appreciating by double digits while others declined by double digits. We believe this has resulted in an appealing environment for an active international value manager like Brandes, as indicated by the uptick in our portfolio activity.

Compared to the benchmark, the portfolio has higher allocations to communication services, health care, consumer discretionary, and consumer staples, while holding meaningfully lower allocations to industrials and financials. Our underweight to financials increased this year. The sector was the best-performing area in the benchmark and several of our holdings did well, leading us to fully exit or pare positions that have reached or neared our estimates of their intrinsic values. We have largely deployed these proceeds into opportunities in industrials, technology, consumer discretionary, and consumer staples.

We have observed increased aversion to owning international equities given the robust performance of U.S. stocks. The valuation gap between U.S. and international stocks (MSCI USA vs. MSCI EAFE) has widened as 2024 marked the largest outperformance year for U.S. stocks relative to international stocks since 1997. As a result, U.S. stocks now trade at their most expensive levels relative to international stocks since the inception of the MSCI indices in 1970, even when adjusting for the sector differences. While the fundamentals of U.S. companies have been strong, nearly all of the outperformance was driven by the eight largest companies in the MSCI USA Index (the "Magnificent 7"\* and Broadcom) and the appreciation of the U.S. dollar.

With the U.S. dollar near all-time high levels dating back to 1971 and given the concentration of the largest eight companies in the U.S. equity market, we are optimistic that now is a great time to invest in or add to international equities. Not only do international equities offer a large opportunity set for potentially appealing investments, but they also trade at what we consider more attractive valuation levels than U.S. stocks, which has tended to bode well for subsequent relative returns for international stocks. International and U.S. stocks have historically cycled through periods of outperformance and underperformance, with valuation gaps between the two markets and the exchange rate of the U.S. dollar often being the catalysts for market leadership change. The last time we saw comparable valuation levels to today was around 2000-2001, when international stocks traded at a large sector-adjusted discount to U.S. stocks and the U.S. dollar had gone through a strong decade of appreciation relative to foreign currencies. This was followed by a compelling relative return period for international stocks vs. U.S. stocks over the next five years or so.

We remain confident about the prospects of our holdings and are comfortable with the margins of safety they offer. We believe the Brandes International Equity Strategy can serve as an excellent complement and diversifier to passive, growth-oriented, or U.S. stocks-dominated strategies.

\*Magnificent 7 companies: Apple, Nvidia, Microsoft, Meta, Amazon, Alphabet, Tesla.

For term definitions: <https://www.brandes.com/termdefinitions>

The MSCI EAFE Index with net dividends captures large and mid cap representation of developed market countries excluding the U.S. and Canada.

The MSCI USA Index with net dividends captures large and mid cap representation of the U.S. market.

The MSCI EAFE Value Index with gross dividends captures large and mid cap securities across developed market countries, excluding the United States and Canada, exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.

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.

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. 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.