Brandes European Value Fund

A sub-fund of Brandes Investment Funds Plc

ARTICLE 8 SFDR Classification

FUND OBJECTIVE

Long-term capital appreciation by investing primarily in equity and equity related securities of issuers carrying out their activities predominantly in Europe.

FUND IDENTIFIERS

Class I EUR	G1309T246
Class I1 EUR	G1309T568
Class A EUR	G1309T253
Class A1 EUR	G1309T535
Class B EUR	G1309W132
Class R EUR	G1309W124
Class I USD	G1309T162
Class A USD	G1309T238
Class A1 USD	G1309T733
Class I GBP	G1309T261
Class I1 GBP	G1309T519
Class A GBP	G1309T220

TOP TEN HOLDINGS

(% of assets as of 3/31/2024)

Rolls-Royce Holdings PLC	3.57
Heineken Holding NV	2.79
UBS Group AG	2.66
SAP SE	2.62
Sanofi SA	2.56
Intesa Sanpaolo SpA	2.47
WPP Plc	2.40
Henkel AG & Co KGaA	2.25
GSK PLC	2.20
Nova Ljubljanska Banka dd	2.14

Fund holdings are subject to change at any time at the discretion of the investment manager.

BRANDES INVESTMENT FUNDS PLC

The Brandes European Value Fund (the "Fund") Class I EUR rose 7.02%, underperforming its benchmark, the MSCI Europe Index, which increased 7.63% in the quarter, and outperforming the MSCI Europe Value Index, which appreciated 4.87%.

Positive Contributors

The Fund's performance was meaningfully bolstered by holdings in the industrials and financials sectors, with notable contributions from several companies. Aerospace and defence company Rolls-Royce emerged as a standout, alongside banking institutions Intesa Sanpaolo in Italy, Nova Ljubljanska Banka (NLB) in Slovenia, and Addiko Bank in Austria.

Rolls-Royce continued to benefit from the ongoing recovery in passenger air travel that has led to solid revenue growth, expanding profit margins, healthier cash-flow generation, and an improved balance sheet. These positive fundamental developments helped confirm our long-term thesis around franchise quality, balance sheet durability and end-market recovery potential. Moreover, record backlogs highlighted the appealing long-term secular growth outlook for global passenger air travel in an industry that has historically allowed incumbents to generate attractive returns on capital. Consequently, we revised our intrinsic value estimate upward and believe Rolls-Royce continues to offer an attractive risk/reward trade-off at current valuation levels.

NLB experienced the ongoing benefits of a consolidated and improved end-market, coupled with a favourable interest rate environment, while Addiko Bank enjoyed a material rise in its share price following a tender offer from shareholder Agri Europe.

Additionally, German software firm SAP saw a notable increase in its share price as it progressed on its customer migration to the cloud. Market optimism about its future growth prospects and potential margin improvement has further fuelled market sentiment in favour of the company.

Performance Detractors

Notable detractors included several health care-related investments, such as France-based Euroapi, Spain-based Grifols, Netherlands-based Koninklijke Philips and Germany-based Fresenius SE.

Euroapi, a pharmaceutical ingredient manufacturer, encountered a share-price drop due to weaker-than-expected earnings results and a temporary production suspension at a manufacturing facility in Italy. Despite these near-term challenges, we view Euroapi as a potential longer-term recovery story, particularly because it only recently began operating as an independent entity following its spinoff from Sanofi. It offers margin and profitability improvement potential over time as its pharmaceutical end-markets grow. However, given short-term risks associated with the difficult biotech funding environment and Euroapi's initial high post-spinoff fixed-cost structure, we have maintained a conservative allocation.

Biotechnology firm Grifols grappled with multiple declines in its share price following a short seller's report that questioned the company's debt and corporate governance practices. In our opinion, the risks highlighted in the report had been largely known, and we maintained our position in the company despite the volatility—albeit now at a lower weighting due to the share-price decline. While we have long been concerned with the company's balance sheet, there is a potential near-term catalyst for its improvement as

Grifols is expected to complete the sale of its ownership stake in Shanghai RAAS in the first half of this year and use the proceeds to pay down a significant portion of its debt.

We continue to believe there is potentially meaningful upside in the stock. Grifols' plasma business weathered considerable challenges amid the COVID-19 pandemic, including decreased blood donations and higher costs associated with compensating donors. The company had also made substantial investments to expand capacity for future growth, which further weighed on its profitability. While the recovery has been slower than anticipated, we believe that the expected completion of the Shanghai RAAS transaction is a key positive and that Grifols is attractively valued, trading at a single-digit multiple of pre-COVID earnings. Additionally, we appreciate Grifols' competitive position in a consolidated industry with appealing potential growth.

Other detractors included Luxury goods companies Swatch and Kering. Kering fell after announcing an expected revenue drop during the first half of 2024 because the new creative director of its Gucci brand launched a collection in the first quarter and results won't be realised until the second half of the year.

Select Activity in the Quarter

We divested our longtime holding in Netherlands-based insurer Aegon, as well as Ireland-based health care company Avadel Pharmaceuticals when they reached our estimates of their intrinsic value.

Avadel is a biotechnology company with a portfolio of hospital and generic products. We first bought its stock in 2017 when it traded at an attractive valuation because the market wasn't ascribing much, if any, value to its drug development pipeline. Since initiating our first position, our experience has been eventful and included two substantial drawdowns. But with its recent appreciation, Avadel has been a strong contributor over our full ownership cycle.

Initially, the company's value came primarily from three main products, which had deployed Avadel's strategy of submitting unapproved marketed drugs (UMDs) to the FDA and filing the required documentation to gain approval. Clinical trials aren't needed for UMDs launched before 1962, so getting FDA approval can secure exclusivity until other generic manufacturers respond. Avadel's focus was on specialty branded and generic drugs, but it also developed its own drugs and used its proprietary drug delivery platform for distribution. Additionally, the company had a significantly net cash balance sheet comprising nearly half of its market cap and was repurchasing shares. However, it had recently acquired a new narcolepsy drug and was working on commercialising it. Given the product concentration risk and range of intrinsic value, we kept our allocation on the smaller side.

During our ownership period, the stock initially struggled due to increased competition against its narcolepsy drug and heightened investment to fund Phase 3 research on a medication in development. Subsequently, Avadel abandoned plans to market its initial narcolepsy drug and focused on the new drug in its pipeline. While the company generated cash flow from other pharmaceuticals, its emphasis on research and development increased its investment risk and therefore called for a smaller allocation. The stock eventually rebounded as market sentiment regarding the potential of its Phase 3 drug improved. However, it faced another falloff when a patent issue vis-a-vis a competitor delayed launch and raised financing concerns. Nevertheless, over the past year, as Avadel began commercialising its latest narcolepsy treatment, its shares experienced noteworthy appreciation, eventually reaching our estimate of the company's intrinsic value. So, we sold our position.

We decided to divest our longstanding holding in Aegon. Aegon primarily operates in the life insurance sector, with a presence in the U.S., Europe, and Asia. The United States contributes the majority of its earnings. During the past few years, Aegon has pursued a turnaround effort by bolstering its capital position, restructuring its business, and divesting non-core assets. This strategic shift aims to shift Aegon from a primarily spread-based, capital-intensive business model to one that emphasises fee-based operations.

During this turnaround, Aegon's shares demonstrated solid performance, reflecting the success of its restructuring initiatives. A notable milestone was the recent sale of its Dutch business to a competitor, which aimed at streamlining operations and optimising its portfolio. Proceeds from this divestment were used to return excess capital to shareholders.

As Aegon's shares appreciated and aligned with our estimate of intrinsic value, we concluded that it no longer offered an attractive risk/reward trade-off. We therefore decided to divest.

Current Positioning

The Fund holds key overweight positions in communication services and consumer staples, while maintaining significantly lower allocations to technology and industrials than the benchmark.

On a geographic basis, the Fund's largest allocations continue to be in France and the United Kingdom. The Fund remains underweight in Germany and Switzerland, as well as to companies in the Nordic Region.

Within the benchmark, there has been notable divergence in sector performance. Technology-focused companies—both in the technology and industrials sectors—notably outperformed the MSCI Europe Index, as did holdings in the consumer discretionary and financials sectors. Meanwhile, more defensive sectors, such as consumer staples and utilities, materially underperformed.

While MSCI Europe Value underperformed the MSCI Europe Index during the first quarter, value stocks continued to trade in the least-expensive decile relative to growth (MSCI Europe Growth) since the inception of the style indices. This was evident across various valuation measures, including price/earnings, price/cash flow, and enterprise value/sales. Historically, such discount levels have often signalled attractive subsequent returns for value stocks.

The Fund, guided by our value philosophy and process, has tended to outperform the MSCI Europe Value Index when it has outperformed the MSCI Europe Index. We believe the Fund is an excellent complement and diversifier to passive and growth-oriented strategies.

We remain optimistic about the long-term prospects of the companies owned by the Fund. As of 31 March 2024, the Fund traded at what we consider more compelling valuation levels than the MSCI Europe Index and the MSCI Europe Value Index.

Performance (%)

	NAV	1 mo	3 mo	YTD	1 yr	3 yr	5 yr	10 yr	Since Inception Fund	Since Inception Index	Inception Date
Class I USD	$ 46.72	5.97	4.61	4.61	21.63	8.39	9.47	4.38	7.54	7.06	1/14/2003
Class A USD	$ 40.93	5.87	4.36	4.36	20.60	7.43	8.68	3.64	7.55	7.68	2/12/2003
Class A1 USD	$ 11.29	5.81	4.31	4.31	20.58	--	--	--	5.67	3.73	7/7/2021
MSCI Europe Index USD		3.74	5.23	5.23	14.11	6.18	7.95	--			
Class I EUR	€ 59.77	6.14	7.02	7.02	22.25	11.41	10.32	6.95	8.85	7.82	2/26/2003
Class I1 EUR	€ 15.45	6.11	7.01	7.01	22.27	11.37	10.56	--	8.06	8.88	6/14/2016
Class A EUR	€ 39.35	6.09	6.81	6.81	21.26	10.52	9.65	6.24	6.84	7.15	7/17/2003
Class A1 EUR	€ 14.29	6.09	6.81	6.81	21.29	10.61	10.35	--	6.14	7.01	10/5/2015
Class R EUR	€ 13.22	6.10	7.04	7.04	22.18	--	--	--	10.14	8.06	5/10/2021
Class B EUR	€ 12.78	6.06	6.86	6.86	21.25	--	--	--	8.98	8.11	5/24/2021
MSCI Europe Index EUR		3.94	7.63	7.63	14.79	9.22	8.79	--			
Class I GBP	£ 45.65	5.97	5.65	5.65	18.88	11.43	9.86	7.11	7.80	7.76	1/13/2004
Class I1 GBP	£ 15.88	6.01	5.63	5.63	18.86	11.64	10.08	--	8.33	9.48	6/10/2016
Class A GBP	£ 31.71	5.88	5.35	5.35	17.71	10.52	9.03	6.60	6.43	6.96	9/27/2005
MSCI Europe Index GBP		3.88	6.19	6.19	11.69	9.35	8.62	--			

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Diversification does not assure a profit or protect against a loss in a declining market.
Term definitions: https://www.brandes.com/termdefinitions

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This Fund promotes environmental and/or social characteristics and is classified as an Article 8 fund under the EU's Sustainable Finance Disclosure Regulation ("SFDR").

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