

Brandes European Value Fund

A sub-fund of Brandes Investment Funds Plc

FUND OBJECTIVE

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

The Brandes European Value Fund (the "Fund") Class I USD decreased -9.07% during the quarter, outperforming the MSCI Europe Index which fell -9.74%.

Positive Contributors

Amid a falling overall market, notable contributors included companies in the communication services and financial sectors.

Hungary-based Magyar Telekom, as well as Austria-based Erste Group Bank, both rose materially. Magyar has seen its share price appreciate significantly over the last year based on its robust revenue growth, improving margins and an improved taxation regime.

While the materials sector was one of the worst-performing sectors in the index, our investments in aggregate contributed to absolute and relative upside performance. Germany-based Heidelberg Materials rose after it announced improved earnings results and guidance.

Other companies aiding performance included U.K.-based WPP, CNH Industrial and Greencore Group. WPP saw its share price climb as a consequence of potential industry consolidation; CNH benefited from news that some well-known investors initiated a position as they anticipate the agricultural equipment down cycle may conclude. Greencore Group's stock was rewarded for its solid earnings results and increased guidance, as well as initiating a share buyback program.

Performance Detractors

Key detractors included industrials, such as aerospace and defence companies Montana Aerospace and LISI, as well as logistics company Deutsche Post. The share price of Montana Aerospace declined after a slower production ramp than the market was forecasting. However, we still believe Montana offers attractive upside potential as the aerospace cycle recovers and the company is well positioned to consolidate the industry supply chain and improving its balance sheet and free cash flow generation.

Other detractors included consumer companies, such as U.K.-based Kingfisher, Switzerland-based Swatch Group and Netherlands-based Heineken. Kingfisher experienced a share price pullback after solid performance earlier this year as the home improvement retailer announced weaker-than-expected earnings because its ongoing operational turnaround may take longer than the market expected.

Select Activity in the Quarter

We initiated positions in Netherlands-based semiconductor firm STMicroelectronics, France-based tire company Michelin and Germany-based technology company Jenoptik.

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 (EVs),

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 12/31/2024)

GSK PLC	2.75
Heineken Holding NV	2.70
Sanofi SA	2.60
BNP Paribas SA	2.33
Swatch Group AG	2.29
UBS Group AG	2.27
Henkel AG & Co KGaA	2.23
Deutsche Post AG	2.20
Kering SA	2.16
WPP Plc	2.14

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

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 Spain-based real estate firm Lar España and retailer Marks & Spencer. We exited our positions when they reached our estimates of intrinsic value.

Marks & 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 & 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 & 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 Fund rose 18.21%, outperforming its index, the MSCI Europe Index, which increased 8.59% for the year ended 31 December 2024, and the MSCI Europe Value Index, which appreciated 11.18%.

While value outperformance provided a better backdrop for the Fund, it was stock selection across nearly all sectors that drove relative returns. Investments in financials, industrials, communication services and consumer staples were the most noteworthy contributors. These were led by U.K.-based aerospace and defence company Rolls-Royce, Ireland-based consumer staples company Greencore, Italy's Intesa Sanpaolo banking group and Slovenia-based Nova Ljubljanska Banka. Other contributors included communication services firms Magyar Telekom (Hungary) and Millicom International (Luxembourg), as well as financial firms Erste Group and Barclays.

Several investments in health care weighed on returns, most prominently French pharmaceutical Euroapi and Spain's blood plasma company Grifols. Other detractors included consumer holdings: luxury goods company Kering and Swiss watchmaker Swatch, as well as beverage company Heineken.

Current Positioning

The Fund holds key overweight positions in consumer staples and communication services but is distinctly underweight in financials, materials and industrials. Although the Fund remains underweight in technology, we increased our exposure to that sector this year after finding several new opportunities that we believe have attractive return potential. Financials were the best-performing sector, and, in aggregate, our holdings performed even better. Consequently, we pared or divested several positions when they reached our estimate of intrinsic value, and we went from an overweight to start the year to a relative underweight allocation to end the year. This underweight is even more noteworthy compared to the value index, which (based on its rules-based construction methodology) has a much larger weight to financials than any other sector (financials are >32% allocation vs. c.11% to the second-largest sector, consumer staples, as of 31 December 2024).

Geographically, the Fund's largest allocations continue to be in France and the United Kingdom. It remains underweight in Switzerland and owns no companies in the Nordic Region. We believe the differences between the MSCI Europe Index and the Fund make it an excellent complement and diversifier to passive and growth-oriented options.

As of 31 December, value stocks (MSCI Europe Value) continued to trade in the least-expensive decile relative to growth (MSCI Europe Growth) since the inception of the style indices, 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. We find this encouraging because the Fund – guided by our value philosophy and process—has tended to outperform the value index when it surpassed the broad index.

Looking ahead, we remain optimistic about the long-term prospects of the companies held in the Fund.

Performance (%)

	NAV	1 mo	3 mo	YTD	1 yr	3 yr	5 yr	10 yr	Since Inception		Inception Date
									Fund	Index	
Class I USD	\$ 49.55	-1.49	-9.07	10.95	10.95	8.94	8.94	6.67	7.56	6.65	1/14/2003
Class A USD	\$ 43.13	-1.57	-9.26	9.97	9.97	7.97	8.09	5.90	7.53	7.24	2/12/2003
Class A1 USD	\$ 11.90	-1.57	-9.23	9.95	9.95	7.96	--	--	6.01	1.93	7/7/2021
MSCI Europe Index USD		-2.44	-9.74	1.79	1.79	1.20	4.90	4.98			
Class I EUR	€ 66.02	0.66	-2.28	18.21	18.21	12.37	10.66	8.33	9.02	7.58	2/26/2003
Class I1 EUR	€ 17.07	0.65	-2.29	18.23	18.23	12.36	10.89	--	8.58	8.17	6/14/2016
Class A EUR	€ 43.18	0.56	-2.48	17.21	17.21	11.43	10.01	7.59	7.05	6.94	7/17/2003
Class A1 EUR	€ 15.68	0.58	-2.49	17.20	17.20	11.46	10.69	--	6.69	6.51	10/5/2015
Class R EUR	€ 14.60	0.62	-2.28	18.22	18.22	12.33	--	--	10.94	6.58	5/10/2021
Class B EUR	€ 14.03	0.57	-2.43	17.31	17.31	11.47	--	--	9.85	6.60	5/24/2021
MSCI Europe Index EUR		-0.49	-2.72	8.59	8.59	4.41	6.60	6.62			
Class I GBP	£ 48.80	0.29	-2.89	12.94	12.94	11.62	9.86	8.81	7.85	7.34	1/13/2004
Class I1 GBP	£ 16.98	0.30	-2.86	12.95	12.95	11.80	10.09	--	8.41	8.29	6/10/2016
Class A GBP	£ 33.66	0.21	-3.11	11.83	11.83	10.67	9.05	8.21	6.50	6.54	9/27/2005
MSCI Europe Index GBP		-0.99	-3.33	3.61	3.61	3.88	6.08	7.30			

Past performance may not be a reliable guide to future performance. Periods of greater than one year have been annualized. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units. Changes in exchange rates may have an adverse effect on the value price or income of the product. Performance is shown net of fund and share class fees. It is not possible to invest directly in an index.

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For term definitions, please refer to <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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