

## Our Core Beliefs

From time to time, it can be very rewarding and reassuring to revisit some of our core principles and beliefs, those key values, insights and methods that are the basis for successful investment decision-making.

### Investment Principles:

- I. **Share prices often fluctuate far more than the value of the underlying business.** At any given time, shares of a given business may be dramatically undervalued, or overvalued, based on prevailing market sentiments. The “market” can, and often does, get it wrong in the short term. Carefully analyzing the fundamental values of businesses can provide a distinct advantage. In-depth research of businesses allows an investor to identify undervalued companies. We believe that over time, as the market recognizes the true worth of a company, their share prices will climb.
- II. **A long-term perspective provides investors with a key advantage.** Many market participants tend to look at an investment with a very short time frame. As such, they’re apt to get excited about a stock at the moment the company is doing well, and fearful of a stock when the company is doing poorly. This short-term perspective leads investors toward “buying high and selling low.” A long-term view, on the other hand, can help insulate an investor from the daily turmoil which can lead to poor decision-making. The ability to examine an investment opportunity from a long-term perspective may give an investor a distinct advantage in the market.
- III. **Thinking differently than the crowd provides opportunities for outperformance.** Contrarian thinking allows investors to see opportunities and avoid “conventional wisdom.” Buying a stock when others are desperately selling, and selling when others are greedily buying requires careful analysis and discipline. It’s difficult to go against “conventional wisdom,” but it can pay substantial rewards.
- IV. **Buying stock means owning a part of a business.** Many stock buyers think of a stock as merely a symbol on a page, or as a vehicle for speculation and short-term trading. But the decision to buy, hold, or sell a stock should be based on the fundamentals of that business and, of course, the price. The key questions are: Do I want to invest in this company, and how does the market price compare to the long-term fundamental value and the earnings potential of the underlying enterprise?
- V. **No one has a crystal ball.** The bad news is that no one can predict the future. The good news is that it is not necessary to see into the future in order to take advantage of the present. Investors who realize that no one has the ability to predict the future, put themselves in a better position to take advantage of the opportunities that are created when people become over-confident in their ability to do just that. If, for instance, the market is predicting fantastic opportunities, say during the tech bubble of 1999, the overvalued stocks in that sector will tell you to keep away. Similarly, if the market is predicting Armageddon for a typical industry, you may have the opportunity to find bargains. Knowing that no one can see perfectly into the future is one of the keys to avoiding mistakes and successfully taking advantage of opportunities.
- VI. **Emotions should not guide investment decisions.** It may not feel comfortable, emotionally speaking, to invest in areas of the market that investors are avoiding, or to avoid areas of the market that investors are embracing. Great investors throughout history have recognized, however, that making investment decisions that don’t feel comfortable at the time can pay off handsomely over the long run. Let careful analysis, rather than emotion, guide decisions.

- VII. **It is futile to try to time the market.** Investors who remain focused on company specific individual fundamentals are less likely to flee the market during times of opportunity and dive into the markets during times of euphoria. We believe remaining focused on the relationship between security price and underlying business value promotes the potential for long-term outperformance.
- VIII. **The time to sell a stock is when a superior opportunity has been identified.** We believe that through diligent research and analysis, we are able to make conservative estimates of a businesses' intrinsic value or true worth. We sell a stock when it approaches its estimated value or a more attractive opportunity presents itself.
- IX. **Even the best investors will perform poorly from time to time.** Short term under-performance is inevitable. It's critical that everyone understands this basic reality of investing and builds it into performance expectations. Doing so will help you avoid the temptation to abandon good investments during short-term periods of disappointing performance.
- X. **Patience is critical.** In the short run, the markets can be, in fact will be, enormously disappointing. It is crucial to bear in mind that historically, owning businesses in the stock market has rewarded patient long-term investors. It is precisely the ability to escape the short-term emotion of the market that can help lead to superior returns. The difficult work of analysis and patience are what we believe will yield superior results in the long term. It's not called "discipline" for nothing.

## Conclusion

While we know no written statement can fully express our investment strategy and culture, we hope our core beliefs listed above will give those unfamiliar with Brandes a glimpse into who we are, while reminding those familiar with us what we believe.

Past performance is not a guarantee of future results.

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