

# Diversifying in a Concentrated Market: Four Compelling Reasons for Brandes U.S. Value Equity

Amid a highly overconcentrated U.S. market, the Brandes U.S. Value Equity Strategy offers a differentiated exposure to value stocks.

**1. DIVERSIFIER:** Our benchmark-agnostic approach results in portfolios that differ meaningfully from indexes, helping address concentration in a top-heavy U.S. market.

## U.S. MARKET CONCENTRATION (S&P 500)

**37%** Weight of Top 10

**48%** Magnificent 7<sup>1</sup> Contribution to 3-Year Total Return

**8 out of 10** Tech-Related in Top 10 (30 years ago: 6 unique sectors)

## LURKING RISKS OF A CONCENTRATED MARKET:

- Single-stock/idiosyncratic impact is higher
- S&P 500 ≠ diversified portfolio
- Common return drivers = increased correlation risk

## TOP 10 HOLDINGS

S&P 500	Russell 1000 Growth	Russell 1000 Value	Brandes U.S. Value Equity <sup>2</sup>
Nvidia	Nvidia	Berkshire Hathaway	Merck
Apple	Apple	JPMorgan Chase	Citigroup
Microsoft	Microsoft	Exxon Mobil	Textron
Amazon	Broadcom	Alphabet A	Pfizer
Alphabet A	Amazon	Johnson & Johnson	Halliburton
Broadcom	Tesla	Amazon	SLB
Alphabet C	Alphabet A	Walmart	Chevron
Meta Platforms	Meta Platforms	Alphabet C	Cigna
Tesla	Alphabet C	Chevron	FedEx
Berkshire Hathaway	Eli Lilly	Micron Technology	Becton Dickinson
<b>36.5%</b>	<b>59.0%</b>	<b>19.3%</b>	<b>23.6%</b>

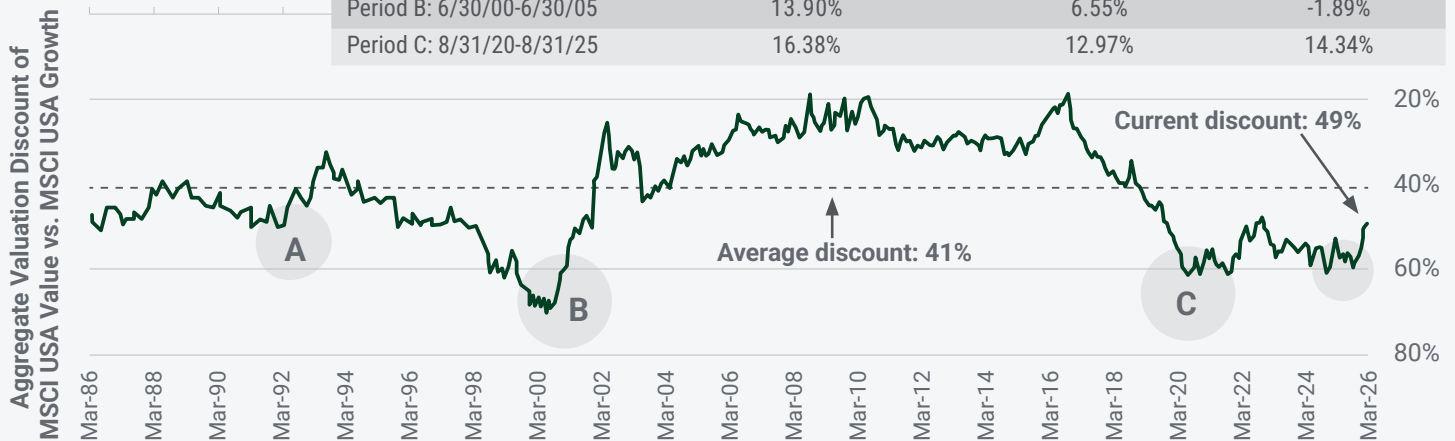
Overlaps with Other Index(es) In the Benchmark/Index

As of March 31, 2026 | U.S. Market Concentration Source: S&P. Past performance is not a guarantee of future results. Top 10 Holdings Source: Brandes, S&P, Russell via FactSet. Holdings subject to change.

**2. LEVERAGE TO VALUE:** As of 3/31/2026, U.S. value stocks traded at above-average discounts relative to growth, which historically preceded solid returns for value stocks and our strategy.

## U.S. VALUE STOCKS RELATIVE VALUATION

5-Year return	Brandes U.S. Value Equity (net)	Russell 1000 Value Index	Russell 1000 Index
Period A: 12/31/91-12/31/96	18.25%	17.19%	15.22%
Period B: 6/30/00-6/30/05	13.90%	6.55%	-1.89%
Period C: 8/31/20-8/31/25	16.38%	12.97%	14.34%



As of March 31, 2026 | Source: Russell and MSCI via FactSet. All returns annualized. Past performance is not a guarantee of future results. For each fundamental ratio (P/B, P/E, P/CF, Forward P/E, EV/Sales, EV Value/EBITDA), we calculate the average ratio of the MSCI USA Value Index and divide it by the average ratio of the MSCI USA Growth Index to determine the relative valuation. Aggregate valuation discounted based upon the average of each individual metrics valuation discount of the value index relative to growth. It is not possible to invest directly in an index. The hypothetical examples are for illustrative purposes only. They do not represent the performance of any specific investments. Actual results will vary.

Composite Performance vs Benchmark	1 Year	5 Years	10 Years
Brandes U.S. Value Equity Composite (net)	14.59%	10.80%	12.36%
Russell 1000 Value Index	15.87%	9.42%	10.57%
Russell 1000 Index	17.74%	11.33%	13.96%

As of March 31, 2026 | Source: Brandes, Russell. Total return – net of management fees. Returns include reinvestment of all dividends and are reduced by any applicable foreign withholding taxes, without provisions for income taxes, if any. Periods of greater than one year have been annualized. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

**3. FUNDAMENTALS:** The strategy offers comparable long-term earnings growth potential as the broad Russell 1000 Index, while trading at more compelling valuations, in our opinion.

**PORTFOLIO CHARACTERISTICS**

	Brandes U.S. Value Equity <sup>3</sup>	Russell 1000 Value	Russell 1000
# of Securities	64	867	1,006
Forward Price/Earnings	13.3x	17.0x	20.3x
Price/Earnings	14.0x	21.0x	25.7x
Price/Cash Flow	10.1x	13.1x	17.1x
Price/Book	1.9x	3.0x	4.7x
Dividend Yield	2.1%	1.9%	1.2%
Net Debt to Equity (ex Financials)	51%	77%	58%
Net Debt to EBITDA (ex Financials)	1.6x	1.8x	0.9x
Consensus 3-5 Yr EPS Growth	10.1%	8.5%	9.1%

As of March 31, 2026 | Source: Brandes, Bloomberg, Russell, MSCI, FactSet. Consensus 3-5 Yr EPS Growth based on long-term company growth estimates aggregated from FactSet. Price/Book, Price/Earnings, Price/Cash Flow and Dividend Yield for each security provided by Bloomberg, L.P. Please note that Bloomberg does not provide negative numbers in the data feed. Index fundamentals are calculated from holdings data as provided by the relevant index or by FactSet Fundamentals, excluding negative numbers for consistency. Thus, index fundamentals calculated by Brandes may differ from those computed and published by index providers. The declaration and payment of shareholder dividends are solely at the discretion of the issuer and are subject to change at any time.

**4. DIVERSE RETURN DRIVERS:** The strategy draws on multiple value drivers rather than a single dominant theme, supporting a more balanced mix of potential return sources.

**WHERE BRANDES SEES VALUE DRIVERS**

**Defensive – Health Care**

- Mostly in pharmaceuticals and services, but recent opportunities in other areas (e.g., tools, equipment)
- Short-term uncertainty around regulations, pipeline, and reimbursement
- Market seems to underappreciate durable cash flows, solid balance sheets, and long product life cycles



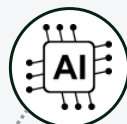
**Interest Rates**

- Exposure to large money center banks with scale advantage, robust balance sheets and capital levels, as well as franchise quality
- Holdings in select insurance firms with history of solid underwriting and pricing strategies



**AI/Tech-Related**

- Focus on idiosyncratic opportunities, rather than directional bets on entire sectors/segments
- Exposure to secondary beneficiaries of AI (e.g., semiconductor-related firms, utilities)
- Recent opportunities in areas perceived to be negatively affected by potential AI disruption (e.g., IT services, software)



**Turnaround Potential**

- Holdings in industries experiencing downcycle (e.g., transportation, machinery)
- Opportunities in select businesses affected by macroeconomic uncertainty (e.g., retailers, media)
- Companies undergoing restructuring



Brandes U.S. Value Equity <sup>4</sup> – Top 5 Sector Weightings	Portfolio	Russell 1000 Value	Russell 1000
Health Care	23.5	11.7	9.0
Financials	20.8	22.6	13.8
Industrials	15.0	13.1	9.2
Information Technology	9.6	10.5	32.9
Energy	7.2	5.9	3.0

As of March 31, 2026 | Source: Brandes, Russell.

<sup>1</sup> The Magnificent 7 stocks are a group of seven large, influential technology-focused companies in the US stock market: NVIDIA, Apple, Microsoft, Amazon.com, Alphabet Inc. Class A, Alphabet Inc. Class C, Meta Platforms Class A, Tesla.

<sup>2,3,4</sup> The portfolio characteristics shown relate to a single account as of date noted, deemed by Brandes to be generally representative of its standard account noted. Not every account will have these exact characteristics.

For term definitions, please refer to <https://www.brandes.com/termdefinitions>.

The Russell 1000 Index with gross dividends measures performance of the large cap segment of the U.S. equity universe.

The Russell 1000 Value Index with gross dividends measures performance of the large cap segment of the U.S. equity universe. Securities are categorized as growth or value based on their relative book-to-price ratios, historical sales growth, and expected earnings growth.

The MSCI USA Value Index captures large and mid cap U.S. securities exhibiting overall value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.

The MSCI USA Growth Index captures large and mid cap U.S. securities exhibiting overall growth style characteristics, defined using long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, and long-term historical sales per share growth trend.

The S&P 500 Index measures equity performance of 500 of the top companies in leading industries of the U.S. economy.

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