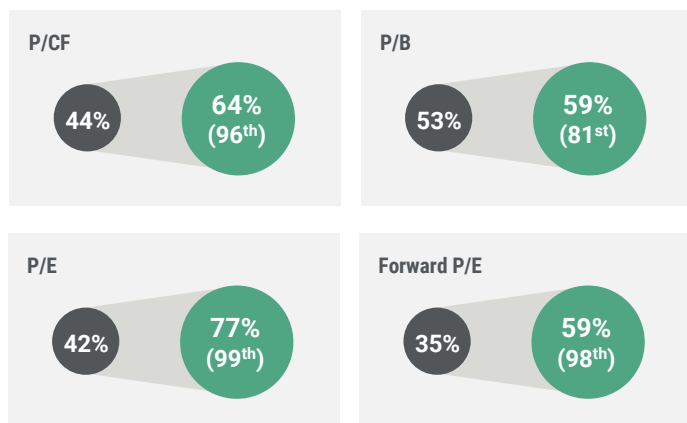


# Unprecedented Opportunity in U.S. Small Cap Value Equities?

With U.S. small cap equities trading above many other asset classes<sup>1</sup>, we believe selectivity is now more important than ever in identifying opportunities. We have observed that U.S. small cap value stocks currently trade at attractive levels relative to both U.S. small and large cap growth stocks.

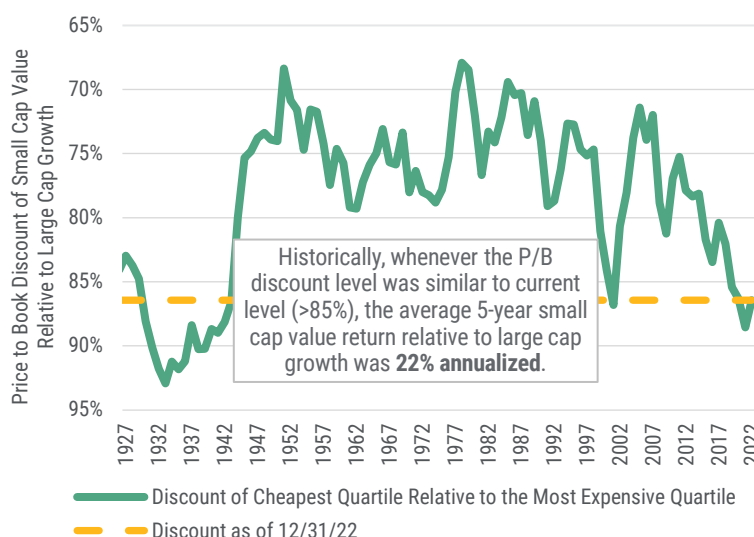
## U.S. small cap value stocks trade at what we consider appealing discount levels compared to U.S. small growth stocks.

Discount Levels  
(U.S. Small Cap Value vs. U.S. Small Cap Growth)<sup>2</sup>



- Historical Average Discount (12/31/94 – 3/31/23)
- Current Discount and Its Percentile Rank vs. History (3/31/23)

## U.S. small cap value stocks also trade at a large price-to-book discount to U.S. large cap growth stocks, which has historically boded well for small cap value returns.<sup>3</sup>



DECEMBER 31, 1926 TO DECEMBER 31, 2022. Current P/B discount as of 12/31/2022. A positive relative return does not guarantee a positive absolute return.

## U.S. small caps have historically performed better than their large-cap peers following bear markets.\* This tendency, combined with U.S. small-cap value stocks' relative valuations vs. large- and small-cap growth stocks, leads us to believe that now may be a compelling time to consider U.S. small-cap value equities.<sup>4</sup>

Returns During and Subsequent to Bear Markets

TECH BUBBLE BURST	Cumulative Returns(%)		
	3/24/00-10/9/02 (929 days)	Subsequent 1-Year	Subsequent 3-Year
S&P 500	-47.38	36.16	62.39
Russell 2000	-41.03	61.64	104.37
Russell 2000 Value	1.56	55.64	108.86

COVID DRAWDOWN	Cumulative Returns(%)		
	2/19/20-3/23/20 (33 days)	Subsequent 1-Year	Subsequent 3-Year
S&P 500	-33.79	77.80	85.24
Russell 2000	-40.66	120.70	78.17
Russell 2000 Value	-43.14	121.71	95.08

GLOBAL FINANCIAL CRISIS	Cumulative Returns(%)		
	10/9/07-3/9/09 (517 days)	Subsequent 1-Year	Subsequent 3-Year
S&P 500	-55.25	72.29	115.84
Russell 2000	-58.53	97.90	147.77
Russell 2000 Value	-59.56	103.66	141.35

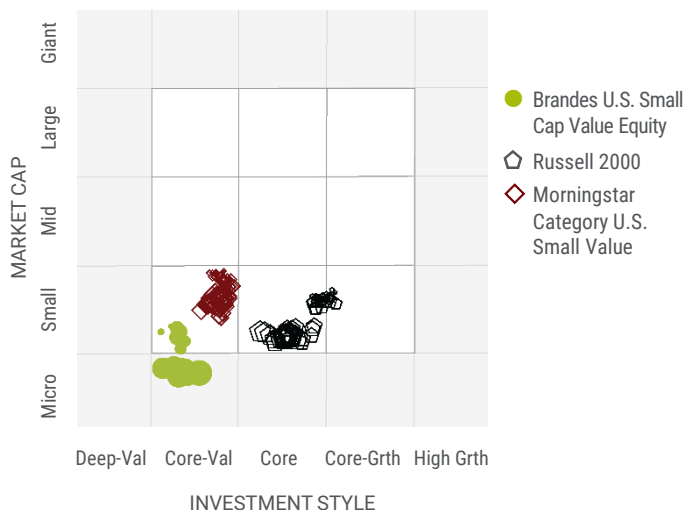
BEAR MARKET OF 2022	Cumulative Returns(%)	
	1/3/22-10/12/22 (282 days)	
S&P 500	24.49	
Russell 2000	-24.96	
Russell 2000 Value	-20.52	

\*Bear markets are periods during which the S&P 500 declined 20% or more.

# Consider Brandes U.S. Small Cap Value Equity

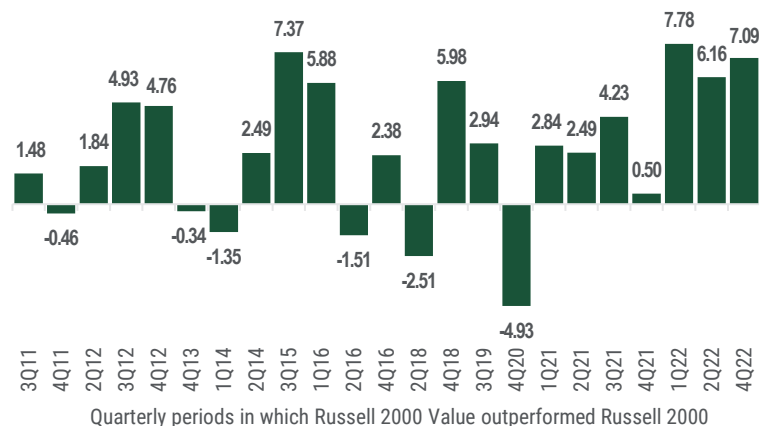
## Consistent Value Approach

Morningstar Style Chart<sup>5</sup>



## Brandes Performance When Value Outperformed

Relative Returns of Brandes U.S. Small Cap Value Equity vs. Russell 2000 During Strong Value Periods (in %)<sup>6</sup>

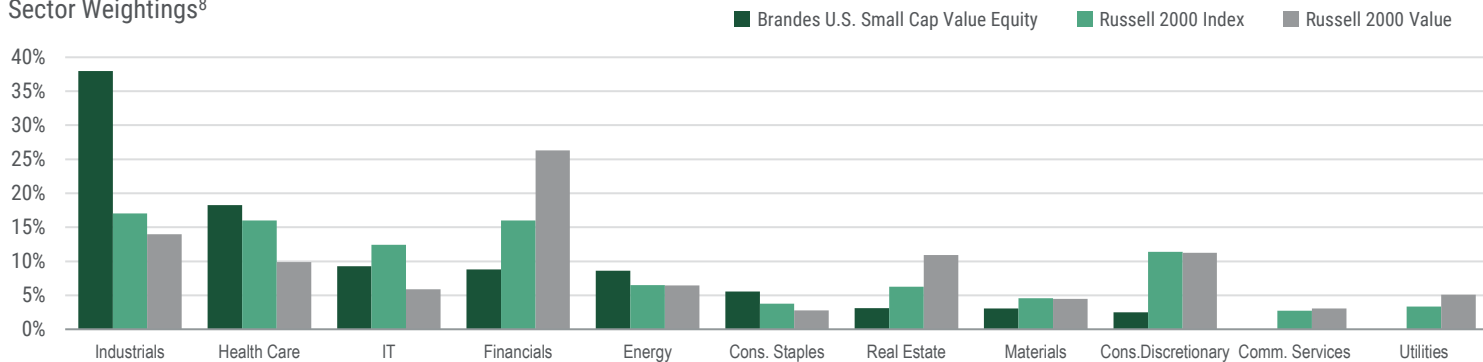


Annualized total return as of March 31, 2023<sup>7</sup>

	1 Yr	5 Yrs	10 Yrs
Brandes U.S. Small Cap Value Equity Composite (gross)	1.85	10.41	10.76
Brandes U.S. Small Cap Value Equity Composite (net)	1.04	9.43	9.75
Russell 2000 Index	-11.61	4.71	8.03

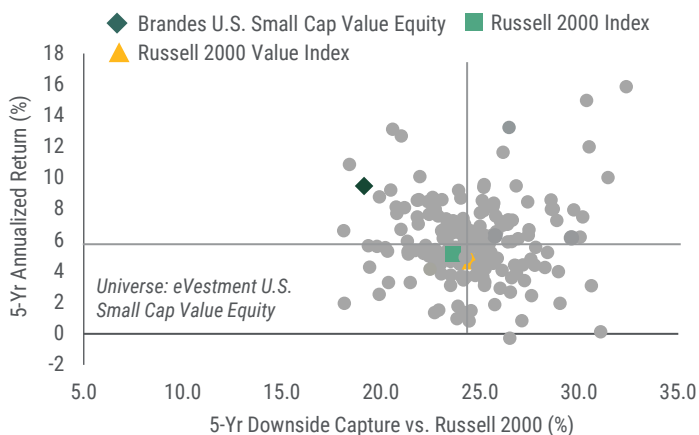
## A Good Complement to Passive Strategies

Sector Weightings<sup>8</sup>



## Return and Downside Capture

5-Yr Return and Downside Capture vs. Peer Universe<sup>9</sup>



**Downside Capture (vs. Russell 2000):**  
78.00 (2nd Percentile Rank vs. Universe)

## Attractive Fundamentals, Lower Leverage<sup>10</sup>

	Brandes U.S. Small Cap Value Equity	Russell 2000	Russell 2000 Value
# of Securities	43	1,921	1,363
Price/Sales	0.4x	1.1x	0.8x
Price/Book	1.2x	2.0x	1.3x
Dividend Yield	5.0%	1.5%	2.3%
Net Debt to Equity (ex Financials)	45%	63%	101%

<sup>1</sup> Source: FactSet as of 3/31/23. Based on forward price/earnings of Russell 2000 Index (20.7x) vs. international small caps (S&P Developed ex-U.S. SmallCap; 14.5x), U.S. large caps (MSCI USA; 18.6x), international large caps (MSCI EAFE; 12.8x), emerging markets (MSCI Emerging Markets; 11.8x).

<sup>2</sup> Source: MSCI via FactSet; 12/31/94 to 3/31/22. For each fundamental ratio (P/B-Price/Book, P/CF-Price/Cash Flow, Forward P/E-Forward Price/Earnings), we calculate the average ratio of the MSCI USA Small Cap Value Index and divide it by the average ratio of the MSCI USA Small Cap Growth Index to determine the relative valuation.

<sup>3</sup> Source: Ken French Data Library. Universe (all U.S. stocks) is divided into thirds by market cap (small, mid and large cap). Small cap value defined as the 50% of small cap stocks with the highest book value to market value ratio. Large cap growth defined as the 50% of large cap stocks with the lowest book to market.

<sup>4</sup> Source: Brandes, FactSet as of 3/31/23.

<sup>5</sup> Source: Morningstar Direct; 3/31/18 to 3/31/23. Data icons reflect aggregate portfolio holdings at a specific quarter-end point with the more recent the holding period, the larger the icon.

<sup>6</sup> Source: Brandes, Russell; 3/31/13 to 3/31/23. Total return - net of management fees. Annualized returns (net) for the period: 9.75% for Brandes U.S. Small Cap Value Equity vs. 8.03% for Russell 2000 Index. A positive relative return does not guarantee a positive absolute return.

<sup>7</sup> Source: Source: Brandes, Russell; as of 3/31/23. Total return – gross and 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.

<sup>8</sup> Source: Brandes, Russell via FactSet as of 3/31/23.

<sup>9</sup> Source: eVestment as of 3/31/23; compared to U.S. Small Cap Value Equity universe as defined by eVestment.

<sup>10</sup> Source: Brandes, FactSet as of 3/31/23.

**Book Value:** Assets minus liabilities. Also known as shareholders' equity. **Price/Book:** Price per share divided by book value per share. **Price/Cash Flow:** Price per share divided by cash flow per share. **Price/Earnings:** Price per share divided by earnings per share. **Price/Sales:** Price of a stock or market cap divided by the sales per share or total shares of the company. **Debt/Equity:** Total liabilities divided by shareholder equity. **Downside Capture:** A statistical measure of an investment manager's overall performance in down-markets. **Forward Price/Earnings:** Price per share divided by earnings per share expected over the next 12 months or next fiscal year. **Net Debt/EBITDA:** Net debt divided by EBITDA (earnings before interest, taxes, depreciation and amortization), excluding holdings in the financials sector. **Standard Deviation:** The measure of a data set's dispersion from its mean. **Yield:** Annual income from the investment (dividend, interest, etc.) divided by the current market price of the investment.

**The Russell 2000 Index** with gross dividends measures the performance of the small cap segment of the U.S. equity universe. **The Russell 2000 Value Index** with gross dividends measures performance of the small 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 Emerging Markets Index** with net dividends captures large and mid cap representation of emerging market countries. **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** measure the performance of the large and mid cap segments of the U.S. equity market. **The MSCI USA Small Cap Growth Index** captures small cap securities exhibiting overall growth style characteristics in the US. The growth investment style characteristics for index construction are defined using long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend. **The MSCI USA Small Cap Value Index** captures small cap US securities exhibiting overall value style characteristics. The value investment style characteristics for index construction are defined using book value to price, 12-month forward earnings to price and dividend yield. **The S&P 500 Index** with gross dividends measures equity performance of 500 of the top companies in leading industries of the U.S. economy. **The S&P Developed Ex U.S. SmallCap Index** with gross dividends measures the equity performance of small cap companies in developed markets excluding the United States.

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