BRANDES
INVESTMENT PARTNERS

# Brandes Investment Partners
## Asia Pacific (ex-Japan) Equity Strategy Notes
## Fourth Quarter 2022 (October 1 – December 31, 2022)

The Brandes Asia Pacific (ex-Japan) Equity Strategy returned 16.21% net of fees and 16.49% gross of fees, outperforming its benchmark, the MSCI AC Asia Pacific ex Japan Index, which was up 12.10%, as well as the MSCI AC Asia Pacific ex Japan Value Index which returned 12.30%.

| Annualized total return as of December 31, 2022 | 1-year | 5-year | 10-year |
|---|---|---|---|
| Brandes Asia Pacific (ex-Japan) Equity Composite (net) | -10.50% | -1.95% | 3.91% |
| Brandes Asia Pacific (ex-Japan) Equity Composite (gross) | -9.65% | -1.01% | 4.93% |
| MSCI AC Asia Pacific ex Japan Index | -17.48% | 0.13% | 3.55% |

Past performance is not a guarantee of future results. One cannot invest directly in an index. Returns include reinvestment of all dividends and are reduced by any applicable foreign withholding taxes, without provisions for income taxes, if any. Please refer to the GIPS® Report for additional information.

***Positive Contributors***

Holdings in China drove returns, with notable contributors including **China Education Group**, **Wynn Macau**, **TravelSky Technology**, **Fu Shou Yuan International** and **Chinasoft International**. After detracting for much of the year, Chinese stocks recovered in the fourth quarter as the country began to ease COVID-related restrictions on residents and inbound travelers.

Other stronger performers included holdings in South Korea, led by **Hana Financial Group** and **POSCO**, which benefited from a sentiment shift related to the reopening of the Chinese market and the growth potential of its lithium business.

From a sector standpoint, financials holdings and consumer discretionary businesses earned some of the strongest returns.

***Performance Detractors***

In a solid period for the strategy, only a few holdings detracted from returns, including communication services companies **XL Axiata** (Indonesia) and **Indus Towers** (India).

Indus Towers continued to struggle with elevated accounts receivable balances resulting primarily from Vodafone Idea's (VI) inability to make timely payments. VI, which is facing operational and financial challenges, leases multiple towers and rooftop locations from Indus Towers to operate its mobile network.

Other detractors included Indonesia-based tobacco company **Gudang Garam** and Taiwanese communications equipment business **Accton Technology**.

***Select Activity in the Quarter***

Portfolio activity was minimal. No new portfolio additions were made; however, the emerging markets investment committee sold China-based **Genertec Universal Medical**.

While no new additions were made in the quarter, the investment committee took advantage of share price weakness to increase its position in **Cognizant Technology Solutions**. Cognizant is a leading provider of offshore IT services to primarily U.S. and European clients. While the company is headquartered in New Jersey, approximately 70% of its workforce resides in India. Cognizant has developed deep domain expertise and somewhat sticky customer relationships within its primary focus areas of financial services and health care (which together make up 60% of sales). However, the company has been slowly diversifying into other industries, with manufacturing/logistics, retail, communication, media and technology now comprising 40% of its sales.

We believe that Cognizant is an underappreciated turnaround story, even though it has already made significant progress in turning the ship around. Since 2019, the company has made over 20 acquisitions and has spent over $2.5 billion to acquire much-needed scale and capabilities within areas such as cloud, artificial intelligence, digital engineering. Moreover, Cognizant has made significant investments in talent, reskilling and repositioning roughly one-third of its workforce to focus on digital engagements, while also rebuilding the delivery pyramid by stepping up hiring of entry level associates. Overall, we believe the stock offers an opportunity to invest in an undervalued company with appealing growth prospects.

***Year-to-Date Briefing***

The Brandes Asia Pacific (ex-Japan) Equity Strategy declined 10.50% net of fees and 9.65% gross of fees, outperforming the MSCI AC Asia Pacific ex Japan Index, which fell 17.48% in 2022, as well as the MSCI AC Asia Pacific ex Japan Value Index, which declined 11.70%.

As interest rates rose, technology-related companies were the worst performers within the benchmark, along with some cyclically oriented companies due to growing concerns about economic growth. Meanwhile, defensively oriented, financials, and commodity-related companies performed relatively well.

Our relative performance could be attributed to our value exposure, as value stocks (MSCI AC Asia Pacific ex Japan Value) outperformed the broad market (MSCI AC Asia Pacific ex Japan Index). Our holdings in Hong Kong, China, and South Korea were notable contributors to relative returns, as were select holdings in the information technology, communication services, financials, and consumer discretionary sectors.

At the company level, contributors included **Galaxy Entertainment Group**, **Flex**, and TravelSky Technology, while detractors included **Samsung Electronics**, **Taiwan Semiconductor Manufacturing Co.** and South Korean semiconductor business **SK Hynix**.

***Current Positioning***

The strategy has maintained its largest country weightings in China and South Korea, as well as a material overweight to Indonesia. We have remained underweight companies in India and have no holdings in Australia or New Zealand, as has been the case for several years.

From a sector perspective, the portfolio's largest weightings are in consumer discretionary, information technology and financials (although it is underweight relative to the MSCI AC Asia Pacific ex Japan Index). Notable underweights are in materials (which coincides with the strategy's lack of exposure to Australia), energy, and health care.

We believe the positioning of the Brandes Asia Pacific (ex-Japan) Equity Strategy bodes well for the long term.

The MSCI AC Asia Pacific ex Japan Index with net dividends captures large and mid cap representation of developed and emerging markets in the Asia Pacific region, excluding Japan. Data prior to 2001 is gross dividend and linked to the net dividend returns.

The MSCI AC Asia Pacific ex Japan Value Index with gross dividends captures large and mid cap securities across developed and emerging markets in the Asia region excluding Japan. Attributes for value index construction are book value to price, 12-month forward earnings to price, and dividend yield.