Brandes Investment Partners
Emerging Markets Equity Strategy Notes
First Quarter 2023 (January 1 – March 31, 2023)

The Brandes Emerging Markets Equity Strategy returned 8.75% net of fees and 8.89% gross of fees, outperforming its benchmark, the MSCI Emerging Markets Index, which was up 3.96% in the first quarter, and the MSCI Emerging Markets Value Index, which increased 3.91%.

Annualized total return as of March 31, 2023	1-year	5-year	10-year
Brandes Emerging Markets Equity Composite (net)	5.12%	-0.78%	1.58%
Brandes Emerging Markets Equity Composite (gross)	5.67%	-0.17%	2.30%
MSCI Emerging Markets Index	-10.70%	-0.91%	2.00%

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.

Positive Contributors

Holdings in Latin America helped performance, led by Mexico-based cement company **Cemex** and real estate investment trusts **Fibra Uno** and **Terrafina**, as well as Brazilian regional jet manufacturer **Embraer**.

Embraer posted solid results for the fourth quarter of 2022, with revenue and free cash flow ahead of consensus and operating margin improving sequentially across segments. The company provided increased guidance for aircraft deliveries in 2023 in both the commercial and executive divisions. Moreover, one of its competitors announced it had officially shut down its next-generation commercial regional jet program, which could leave Embraer to be the primary supplier in this market.

Similarly, Cemex benefited from an enhanced outlook for 2023, with pricing remaining robust and management optimistic on growth in the industrial and commercial sectors.

From a sector perspective, we saw solid contributions from select information technology holdings, such as Taiwan-based **Wiwynn**, **Accton Technology**, and **Taiwan Semiconductor Manufacturing Company**, as well as South Korea's **Samsung Electronics**. Other notable performers included South Korean steelmaker **POSCO** and China-based **Alibaba**, whose announcement of a six-way split and potential IPOs (initial public offering) of each segment was well received by the market.

Performance Detractors

The largest detractors included several holdings in China, namely **Chinasoft International**, **TravelSky Technology**, **China Education Group**, and **Wynn Macau**.

China Education Group's share price has been weak recently due to the market's disappointment over a change in the company's chief financial officer (CFO) and a lack of progress on the M&A (mergers and acquisitions) front. We view these concerns as overblown. The company is well positioned, in our opinion, to maintain an attractive rate of organic growth, supplemented with disciplined evaluation of potential acquisition targets. With respect to the change in the executive office, the previous CFO resigned due to retirement (age 62). We continue to maintain an allocation to the company as we believe its fundamentals remain intact.

Meanwhile, Chinasoft International reported underwhelming results for the second half of 2022 as the company continued to be impacted by a weak macro environment and a slowdown at a key strategic partner, Huawei. We remain confident about the company's long-term prospects given the volume growth of outsourcing work from clients and Chinasoft's rapidly expanding cloud business.

Apart from holdings in China, notable detractors included South Korean personal care products business **LG H&H** and Brazilian grocer **Sendas Distribuidora**. Additionally, India-based **Indus Towers** hurt returns as it continued to struggle with elevated accounts receivable balances resulting primarily from a major customer's (Vodafone Idea) inability to make timely payments.

Select Activity in the Quarter

The emerging markets investment committee initiated a position in Indian electric utility **NTPC Limited** while divesting China-based **Weichai Power**, Mexico-based **Banco del Bajio**, and Taiwanese technology company **Largan Precision**.

NTPC Limited, formerly known as the National Thermal Power Corporation, is India's largest electric utility, accounting for about a quarter of the country's power generation and over 15% of its installed capacity. The Government of India holds a controlling, but declining stake in NTPC (89.5% stake at the company's 2004 IPO to currently 51.1%). Over 97% of NTPC's capacity operates under cost-of-service regulation, while the remaining installed capacity comprising renewable energy is being developed on a competitive basis. As part of India's environmental commitment to fight global warming, NTPC plans to add 60GW of renewable energy by 2032 to reach 50% of its installed capacity.

Until recently, NTPC suffered a decade-long derating due to adverse regulatory changes and revenue shortfalls in addition to the recurrent overhang from the government gradually reducing its stake. The company also struggled with the stigma associated with its large exposure to coal-based electricity generation. In our view, one of the main uncertainties was the lack of clarity regarding the role the government envisioned for NTPC in India's decarbonization strategy. This concern has been alleviated now that it is clear NTPC will be a leading participant and possibly become the largest developer of renewable capacity in the country, and it will invest significant capital expenditure to retrofit its entire coal-based fleet under regulated returns with good visibility for cost recovery. Hence, the transition from coal to renewable energy has gone from posing a potentially existential threat for NTPC to providing a significant opportunity supporting earnings growth potential in the foreseeable future.

While these positive developments have not gone unnoticed by the market, upside potential persists as NTPC represents, in our opinion, an opportunity to invest in a "growth" utility at "value" or discounted multiples.

Current Positioning

With the limited turnover in the quarter, the positioning of the portfolio did not meaningfully change. As of March 31, 2023, the Brandes Emerging Markets Equity Strategy remained underweight China (although Chinese companies made up our largest country allocation), India, Saudi Arabia, and Taiwan, while having significant overweights to Mexico, Brazil, Panama, and Indonesia. On a sector basis, the strategy held large overweights to real estate (outside China), consumer staples and consumer discretionary, while maintaining key underweights to materials and energy.

Given the volatility and headlines surrounding the financials sector globally, we'd be remiss not to mention our exposure. At quarter end, the strategy held a slightly lower allocation to financials than the MSCI Emerging Markets Index's 21% weighting. Our financials research team and investment committee have been meeting frequently as they monitored ongoing developments. We have been updating our valuation and risk exposure analysis across a variety of financial holdings and have been in contact with several global financial companies via email, phone, and in-person meetings at financial conferences. We believe the risk of permanent, fundamental impairment stemming from issues similar to those faced by Silicon Valley Bank and other struggling banks remains low for the financial institutions we own specifically within the strategy.

We remain optimistic about the long-term prospects of the Brandes Emerging Markets Equity Strategy.

Free Cash Flow: Total cash flow from operations less capital expenditures.

Operating Margin: Operating income divided by net sales; used to measure a company's operating efficiency.

The MSCI Emerging Markets Index with net dividends captures large and mid cap representation of emerging market countries. Data prior to 2001 is gross dividend and linked to the net dividend returns.

The MSCI Emerging Markets Value Index with gross dividends captures large and mid cap securities exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.

BRANDES INVESTMENT PARTNERS

The foregoing Quarterly Commentary reflects the thoughts and opinions of Brandes Investment Partners® exclusively and is subject to change without notice. The information provided in the commentary should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any security transactions, holdings or sectors discussed were or will be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance discussed herein. International and emerging markets investing is subject to certain risks such as currency fluctuation and social and political changes; such risks may result in greater share price volatility. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that the securities sold have not been repurchased. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Unlike bonds issued or guaranteed by the U.S. government or its agencies, stocks and other bonds are not backed by the full faith and credit of the United States. Stock and bond prices will experience market fluctuations. Please note that the value of government securities and bonds in general have an inverse relationship to interest rates. Bonds carry the risk of default, or the risk that an issuer will be unable to make income or principal payment. There is no assurance that private guarantors or insurers will meet their obligations. The credit quality of the investments in the portfolio is not a guarantee of the safety or stability of the portfolio. Investments in Asset Backed and Mortgage Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Securities of small companies generally experience more volatility than mid and large sized companies. Although the statements of fact and data in this report have been obtained from, and are based upon, sources that are believed to be reliable, we cannot guarantee their accuracy, and any such information may be incomplete or condensed. Strategies discussed are subject to change at any time by the investment manager in its discretion due to market conditions or opportunities. The Brandes investment approach tends to result in portfolios that are materially different than their benchmarks with regard to characteristics such as risk, volatility, diversification, and concentration. Please note that all indices are unmanaged and are not available for direct investment. Past performance is not a guarantee of future results. No investment strategy can assure a profit or protect against loss. Market conditions may impact performance. The performance results presented were achieved in particular market conditions which may not be repeated. Moreover, the current market volatility and uncertain regulatory environment may have a negative impact on future performance. The margin of safety for any security is defined as the discount of its market price to what the firm believes is the intrinsic value of that security. The declaration and payment of shareholder dividends are solely at the discretion of the issuer and are subject to change at any time.

United States: Issued by Brandes Investment Partners, L.P., 4275 Executive Square, 5th Floor, La Jolla, CA 92037.

Singapore/Asia: FOR INSTITUTIONAL/ACCREDITED INVESTOR USE ONLY. Issued by Brandes Investment Partners (Asia) Pte Ltd., The Gateway West, 150 Beach Road, #35-51, Singapore 189720. Company Registration Number 201212812M. ABRN:164 952 710. This document is for "institutional investors" or "accredited investors" as defined under the Securities and Futures Act, Chapter 289 of Singapore and may not be distributed to any other person. This document is being provided for information purposes only. Incorporated in Singapore in 2012, Brandes Investment Partners (Asia) Pte Ltd (Brandes Asia) provides portfolio management services to clients in Asia (as permitted under local law). Brandes Investment Partners, L.P., a U.S. registered investment adviser and a sister entity to Brandes Asia, provides research, portfolio construction and other support to Brandes Asia.

Canada: FOR REGISTERED DEALERS AND THEIR REGISTERED SALESPERSONS' USE ONLY. NOT FOR DISTRIBUTION TO INVESTORS. Distributed by Brandes Investment Partners & Co., 36 Toronto Street, Suite 850, Toronto, ON M5C 2C5. This communication is for information purposes only and should not be regarded as a sales communication or as advice regarding any financial product or services.