BRANDES
INVESTMENT PARTNERS

Brandes Investment Partners
Global Opportunities Value Strategy Notes
Fourth Quarter 2022 (October 1 – December 31, 2022)

The Brandes Global Opportunities Value Strategy rose 17.60% net of fees and 17.86% gross of fees, outperforming its benchmark, the MSCI ACWI Index, which increased 9.76% in the fourth quarter.

Annualized total return as of December 31, 2022	1-year	5-year	10-year
Brandes Global Opportunities Value Composite (net)	-12.02%	-1.13%	4.10%
Brandes Global Opportunities Value Composite (gross)	-11.25%	-0.21%	5.03%
MSCI ACWI Index	-18.36%	5.23%	7.98%

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

Value outperformance during the quarter provided a tailwind for the strategy. At the stock level, strongest performers included several bank holdings that have continued to benefit from the global rise in interest rates, such as Austria-based **Erste Group**, Switzerland's **UBS Group**, and Slovenian **Nova Ljubljanska Banka**.

A variety of cyclical businesses also aided returns as they rose more than the benchmark. These included Germany's **HeidelbergCement**, U.K.-based **Rolls-Royce**, Brazil's **Embraer**, and French advertising agency **Publicis**. Rolls-Royce's shares rose on news that its engines would be used on the next-generation fleet replacing the Black Hawk helicopters, which currently use legacy GE engines.

Additionally, several of our health care holdings did well, notably **Sanofi**, newly added **Taisho Pharmaceutical**, **Cigna Corporation**, and **Grifols**. Oil and gas firms **BP** and **ENI** also garnered solid returns, as did U.K.-based food retailer **J Sainsbury** and tobacco company **Imperial Brands**, and electric utility **Enel Chile**.

Performance Detractors

In a solid performance period for the strategy, only a few holdings declined, including Switzerland-based **Credit Suisse** and U.S. communications equipment firm **NETGEAR**.

Credit Suisse saw its shares tumble after announcing a significant restructuring plan and a capital raise. If successful, the restructuring should position the company well longer term, in our view, as it will allow the business to focus more on its strong wealth management and domestic Swiss bank franchises. This being said, a meaningful execution risk exists, and while the current valuation is attractive, we will continue to monitor the company's progress before making further allocation decision.

The overall Brazilian stock market (MSCI Brazil) underperformed the broad global market (MSCI ACWI) following the election of Lula da Silva as Brazil's new president, and our positions in **Petrobras** and **Telefonica Brasil** hurt relative returns.

Select Activity in the Quarter

There were several new positions in the portfolio, namely U.S.-based IT services provider **Amdocs** and energy services firm **Dril-Quip**, U.K.-based oil and gas company **Shell**, Japan's **Takeda Pharmaceutical**, and **Taiwan Semiconductor Manufacturing Company** (TSMC). Meanwhile, the investment committee exited the strategy's position in U.S.-based pharmaceutical company **Merck**.

TSMC is the cost and technology leader in fabricating semiconductors for a variety of global technology companies, including Apple, Huawei, and Qualcomm. The firm's scale and technology advantages have helped it gain market share over the past decade, making TSMC the dominant provider of leading-edge semiconductors and enabling it to generate solid cash flows and returns on capital. The company now manufactures a substantial portion of the chips pivotal in the megatrends of the next decade, such as artificial intelligence, machine learning, cloud, electric and autonomous vehicles, and improved energy efficient devices.

Our opportunity to invest in the company came amid worries about heightened geopolitical tension between the U.S. and China, as well as concerns about softening demand and an oversupply of semiconductors following a catch-up in production after the semiconductor shortage last year. In our view, these well-known concerns have been more than reflected in TSMC's share price. Even though weaker demand in the slowing smartphone market and intensifying competition in non-leading edge segments present headwinds, we believe TSMC is well positioned to capitalize on appealing long-term growth potential from increasing silicon demand across a variety of applications (high-performance computing, internet of things, and automotive semiconductors). In our opinion, TSMC is one of the most attractively valued and sustainable franchises in the global semiconductor industry, with a capability to continue generating robust returns on capital and free cash flows going forward.

Year-to-Date Briefing

The Brandes Global Opportunities Value Strategy declined 12.02% net of fees and 11.25% gross of fees, outperforming its benchmark, the MSCI ACWI Index, which dropped 18.36% for the year ended December 31, 2022.

The largest drivers of our outperformance relative to the benchmark were our underweight and stock selection in technology (one of the worst performing sectors in MSCI ACWI), and our holdings in health care and real estate. At the stock level, the stronger performers included Cigna Corporation, **Cardinal Health**, Enel Chile, and Mexican real estate investment trusts **Fibra Uno** and **Fibra Macquarie Mexico**. Other contributors included tobacco companies Imperial Brands (U.K.) and **KT & G** (South Korea), as well as and facility management firm **MITIE Group**.

Several of our integrated oil holdings also performed well, specifically Petrobras, BP, and ENI. Although it declined in the quarter, Petrobras appreciated for the year on strong operating results. In addition to benefiting from the favorable oil-price environment, the company has increased capital return to shareholders, with several substantial dividend payments in 2022.

Major detractors included Credit Suisse, which we discussed above, and our exposure to Russia (i.e., **Surgutneftegas, Sistema** and **Sberbank**), which mostly hurt performance in the first quarter. Additionally, Brazil-based regional jet manufacturer Embraer weighed on performance due to global economic growth concerns, as did U.K.-based retailer **Marks & Spencer**. Our holding in **Telecom Italia** also detracted from returns as it declined early in the year after private equity firm KKR withdrew its offer to acquire the company.

Current Positioning

As of December 31, 2022, the Brandes Global Opportunities Value Strategy held its key overweights to communication services, real estate, and consumer staples, while maintaining significantly lower allocations to technology than the benchmark.

The solid relative performance of value (MSCI ACWI Value) vs. the broad market (MSCI ACWI), along with a notable return dispersion among sectors, has helped create new value opportunities for us while also enabling us to pare select holdings that have neared our estimates of intrinsic value. For example, we have reduced our exposure to the stronger-performing areas such as energy and consumer staples, and we have started to find more opportunities in technology-related companies. With the energy sector becoming a larger part of the benchmark due to its robust performance, we ended the year with a similar weighting to energy companies as the benchmark (vs. an overweight at the start of the year). Meanwhile, our paring to holdings in consumer staples led to a narrower difference between our allocation and the benchmark's weighting to the sector.

Geographically, we continued to have overweight positions in the U.K., France, Spain, and Brazil, while maintaining a significant underweight to companies in the United States. We believe the differences between our portfolio and the benchmark continue to make it an attractive complement to index-tracking or growth-oriented alternatives.

A variety of headwinds continue to face global stocks, especially those outside the United States. They range from elevated inflation, slowing economic growth and recession concerns to energy risk and political as well as regulatory uncertainties. Nonetheless, we believe our portfolio offers an attractive long-term risk/reward tradeoff at today's valuation levels. Even after their favorable relative performance this year, value stocks (MSCI ACWI Value) continue to trade in the highest quintile of discount levels to the broader market (MSCI ACWI) on a variety of valuation metrics (e.g., forward price/earnings, price/cash flows, enterprise value/sales). Specifically for the Brandes Global Opportunities Value Strategy, our portfolio continues to consist of holdings that trade below our estimates of their intrinsic values, and we remain optimistic about its long-term return potential.

Cash Flow: The amount of cash generated minus the amount of cash used by a company in a given period.

Enterprise Value: Market capitalization plus debt, minority interest and preferred shares, minus total cash and cash equivalents.

Enterprise Value/Sales: Enterprise value divided by annual sales.

Forward Price/Earnings: Price per share divided by earnings per share expected over the next 12 months or next fiscal year.

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

Price/Cash Flow: Price per share divided by cash flow per share.

Return on Capital: Net income minus dividends divided by total capital; used to assess a company's efficiency at allocating the capital under its control to profitable investments.

The MSCI ACWI Index with net dividends captures large and mid cap representation of developed and emerging markets.

The MSCI ACWI Value Index captures large and mid cap securities across developed and emerging markets exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price and dividend yield.

The MSCI Brazil Index is designed to measure the performance of the large and mid cap segments of the Brazilian market.

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.