BRANDES
INVESTMENT PARTNERS

Brandes Investment Partners
U.S. Value Equity Strategy Notes
Fourth Quarter 2022 (October 1 – December 31, 2022)

The Brandes U.S. Value Equity Strategy rose 16.46% net of fees and 16.61% gross of fees in the quarter, outperforming its benchmark, the Russell 1000 Value Index, which increased 12.42%, as well as the broader Russell 1000 Index, which rose 7.24%.

Annualized total return as of December 31, 2022	1-year	5-year	10-year
Brandes U.S. Value Equity Composite (net)	-2.18%	9.10%	12.14%
Brandes U.S. Value Equity Composite (gross)	-1.68%	9.82%	12.86%
Russell 1000 Value Index	-7.54%	6.67%	10.29%

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 as a variety of companies appreciated more than the overall market. These included oil-related companies **Halliburton** and **Chevron**, as well as health care companies **Merck**, **HCA Healthcare**, and **Cigna**. Halliburton has performed well amid the strong oil price environment and increased demand for oilfield services leading to attractive pricing for the company's services.

Other contributors included insurance company **American International Group**, industrial company **Emerson**, and advertising agency **Omnicom**. Emerson rose amid its continued execution to focus its business on industrial automation as it divested non-core businesses.

Performance Detractors

Amid solid absolute and relative performance, there were no holdings in the strategy that declined significantly during the period. The largest detractors were primarily companies that stayed fairly flat in an overall rising market. These included regional bank **Truist**, **CVS Health**, and **Fox**.

There were also several technology-related holdings that underperformed the broader market (Russell 1000) during the quarter, including **Alphabet**, IT services firm **Cognizant**, and memory manufacturer **Micron**. Alphabet and Cognizant were impacted in part by customers reducing advertising and IT service spending due to weaker economic expectations, while Micron was impacted by oversupply.

Select Activity in the Quarter

Amid the rising overall market, investment activity was fairly light during the period. The investment committee pared a few of the stronger-performing holdings as their margins of safety narrowed, including **General Dynamics, Taylor Morrison**, **Cigna**, and **Johnson Controls.** While this led to our overall cash position rising slightly, we did add to our position in memory manufacturer Micron, and we initiated a position in global pharmaceutical firm **Sanofi**.

Micron, a manufacturer of DRAM and NAND memory semiconductors, experienced a stock price decline amid concerns about oversupply and a downturn in memory prices. While the current downturn is forecast to be more severe than others in recent years, the industry has already announced significant supply cuts, which should eventually help match supply and demand. Additionally, industry consolidation over the past decade should help the firm manage the changing supply/demand dynamics as the industry now has only three major players (Samsung, SK Hynix and Micron). Micron's current valuation multiples are near typical trough cycle levels, as the current downturn seems largely priced in, in our view.

Longer term, we believe Micron should continue to benefit from several secular trends in technology, including cloud computing, artificial intelligence, 5G and autonomous computing. All of these developments are expected to help grow long-term demand for DRAM and NAND flash memory. Given the impact of short-term concerns affecting memory demand and pricing, coupled with the company's current valuation and long-term growth potential, we view Micron as offering an appealing value opportunity.

Year-to-Date Briefing

The Brandes U.S. Value Equity Strategy fell 2.18% net of fees and 1.68% gross of fees for the year ended December 31, 2022, outperforming its benchmark, the Russell 1000 Value Index, which fell 7.54%, and the broader Russell 1000 Index, which declined 19.13%.

Value stocks, as represented by the Russell 1000 Value Index, saw their strongest relative performance year versus the broader index, Russell 1000, in nearly 20 years. This provided a tailwind for the relative performance of the strategy given our value philosophy. The largest driver of our outperformance relative to the benchmark was our stock selection within the health care and technology sectors, as well as the materials sector. Health care companies Merck and Cigna performed well, as did our holdings in pharmaceutical distributors **Cardinal Health** and **McKesson**, all up in a declining overall market. Oil-related companies Chevron and Halliburton also aided returns amid a stronger oil price environment this year. Other contributors included chemical company **Corteva**, defense company General Dynamics, as well as technology companies **Amdocs** and **Flex**.

The largest detractors from returns for the year were our holdings and overweight in financials, as well as our underweights in staples and utilities. Consumer finance company **OneMain Holdings**, trust bank **Bank of New York Mellon,** and banks **Citigroup**, **Truist**, and **Bank of America** declined more than the overall market. Semiconductor-related holdings **Applied Materials** and Micron also declined during the year due to concerns about a short-term downturn in the semiconductor cycle amid building inventories.

Other detractors included more cyclically oriented companies such as **FedEx** and **Mohawk** and technology-related companies mentioned earlier in this note like Alphabet and Cognizant.

Current Positioning

As of December 31, 2022, from an industry/sector standpoint, the strategy's largest relative overweight positions remained in the economically sensitive financials sector, the more defensive health care sector, and various areas within the technology sector that are exposed to secular growth at what we consider to be reasonable valuations.

However, relative performance for value (Russell 1000 Value) relative to the broad market index (Russell 1000) and notable performance dispersion among sectors helped create new value opportunities and also provided us the opportunity to pare our exposure to names that neared our estimate of intrinsic value. As the technology sector, especially semiconductor-related companies, underperformed the benchmark, our relative weight increased as we increased our allocation to existing names and added new names that looked attractive while the sector became a smaller part of the benchmark.

As semiconductor and semiconductor equipment has been one of the worst performing industries in the benchmark and broader market this year, it is an area where we have increasingly found value opportunities. During the year we purchased **Qorvo** and added to our positions in Applied Materials and Micron. At the beginning of the year, we were underweight the industry, but with our recent additions we are now overweight vs. the Russell 1000 Value Index.

We pared some of our health care holdings as they performed well, but also added to some holdings in the sector, so our relative weight vs. the benchmark increased during the year. Our overall and relative weight to financials stayed roughly the same, as the sector slightly underperformed the benchmark and we added to a few holdings that declined.

Our most significant underweights are in consumer staples, utilities, and real estate, which generally appear expensive as, from our perspective, investors are overpaying for perceived defensiveness amid an expected economic downturn. We continue to be careful with our exposure to companies that may be hurt by elevated inflation or those with balance sheet leverage, and instead seek value in the traditionally defensive health care sector.

Despite their solid relative performance this year, U.S. value stocks (MSCI USA Value) continue to trade in the cheapest quintile relative to growth stocks (MSCI USA Growth) across a variety of valuation metrics (e.g., price/earnings, price/cash flow, enterprise value/sales). The discounts at today's levels have often portended attractive returns over a long-term time horizon for U.S. value stocks, and as we have seen this year, our portfolio has a historical tendency to do well when value stocks do well.

While a variety of headwinds face stocks today (e.g., elevated inflation and/or potentially increasing interest rates, slowing economic growth and recession concerns, energy risk, and political and regulatory risks just to name a few), we believe that at today's valuations, value stocks and our portfolio in particular offer an attractive long-term opportunity. It's important to remember that our overall positioning is driven from the bottom up, on a company-by-company basis, with a focus on the long term. We take into account many of the economic concerns noted above when we are evaluating a potential investment, estimating the impact they may have on each investment's intrinsic value.

We believe the differences between the Brandes U.S. Value Equity Strategy and the broader U.S. market continue to make the strategy an attractive complement to more index-like or growth-oriented alternatives and we remain excited about the portfolio's future potential.

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.

Margin of Safety: The discount of a security's market price to what the firm believes is the intrinsic value of that security.

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

Price/Earnings: Price per share divided by earnings per share.

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.

MSCI has not approved, reviewed or produced this report, makes no express or implied warranties or representations and is not liable whatsoever for any data in the report. You may not redistribute the MSCI data or use it as a basis for other indices or investment products.

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 value 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.

Diversification does not assure a profit or protect against a loss in a declining market. There is no assurance that a forecast will be accurate. Because of the many variables involved, an investor should not rely on forecasts without realizing their limitations.

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.