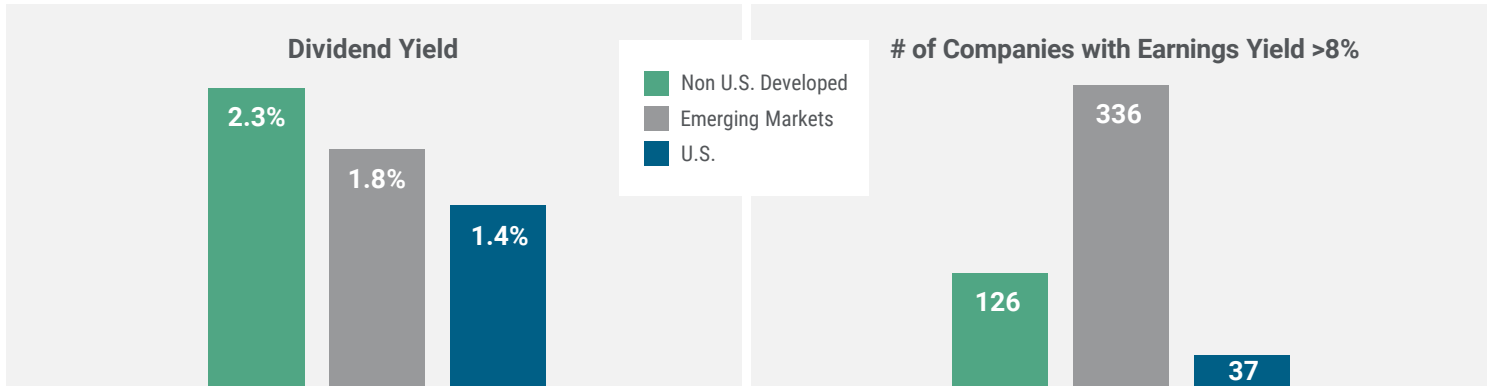


# Have International Value Stocks Hit the Sweet Spot?

After years of underperformance relative to their U.S. counterparts, it is no surprise that international equities have not been the asset class of choice for many investors. However, we believe non-U.S. stocks represent significantly underappreciated potential. Not only do they trade at a compelling discount to U.S. stocks (near 20-year high based on price-to-cash earnings as of March 31, 2021)<sup>1</sup>, but they also offer higher dividend yield on average. Additionally, the asset class boasts a larger opportunity set (especially when including emerging markets), with more companies generating earnings yield of 8% or higher (see chart).

## FINDING VALUE OUTSIDE THE UNITED STATES

Non-U.S. Companies: Higher Dividend and Earnings Yields

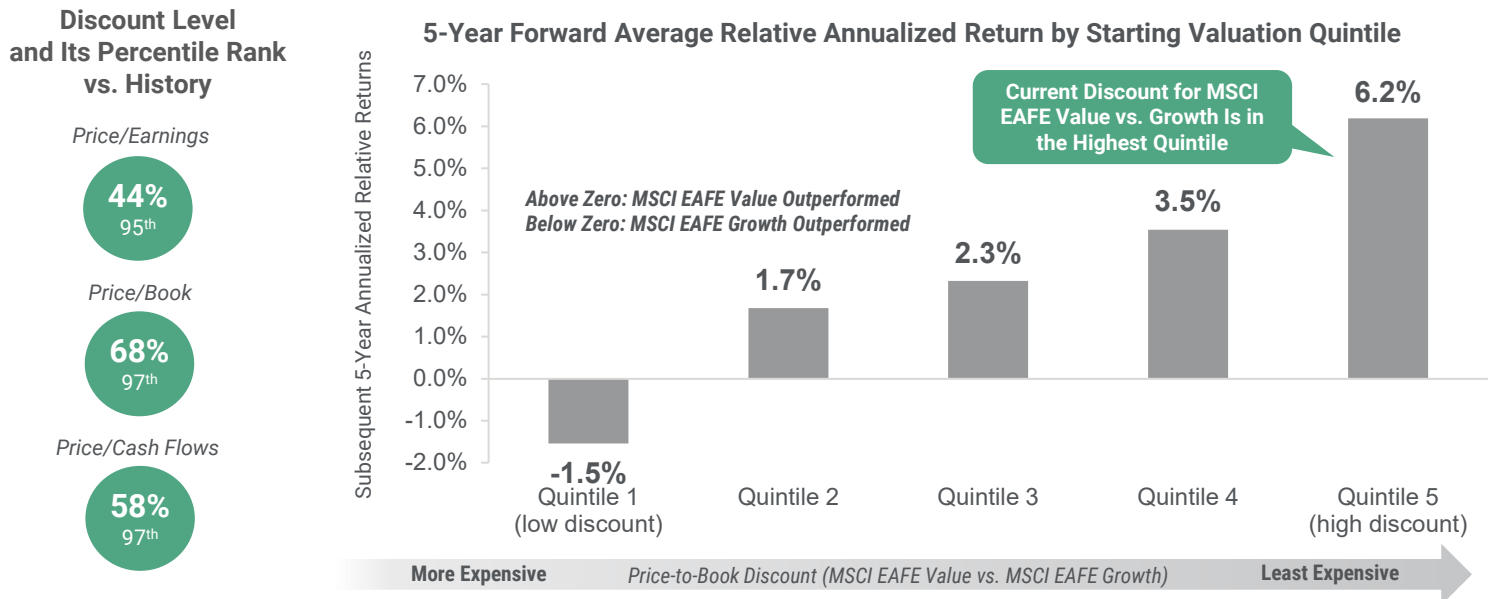


AS OF 3/31/21. Source: Brandes, FactSet. Non-U.S. Developed represented by MSCI EAFE; Emerging Markets represented by MSCI Emerging Markets; U.S. represented by S&P 500.

Within the asset class itself, value stocks appear more attractively priced than growth stocks as they continue to trade at what we consider appealing valuation discounts based on a variety of measures. Historically, higher discount levels tended to precede strong relative returns for value stocks relative to growth stocks.

## VALUATIONS MAY BODE WELL FOR INTERNATIONAL VALUE STOCKS

MSCI EAFE Value vs. MSCI EAFE Growth

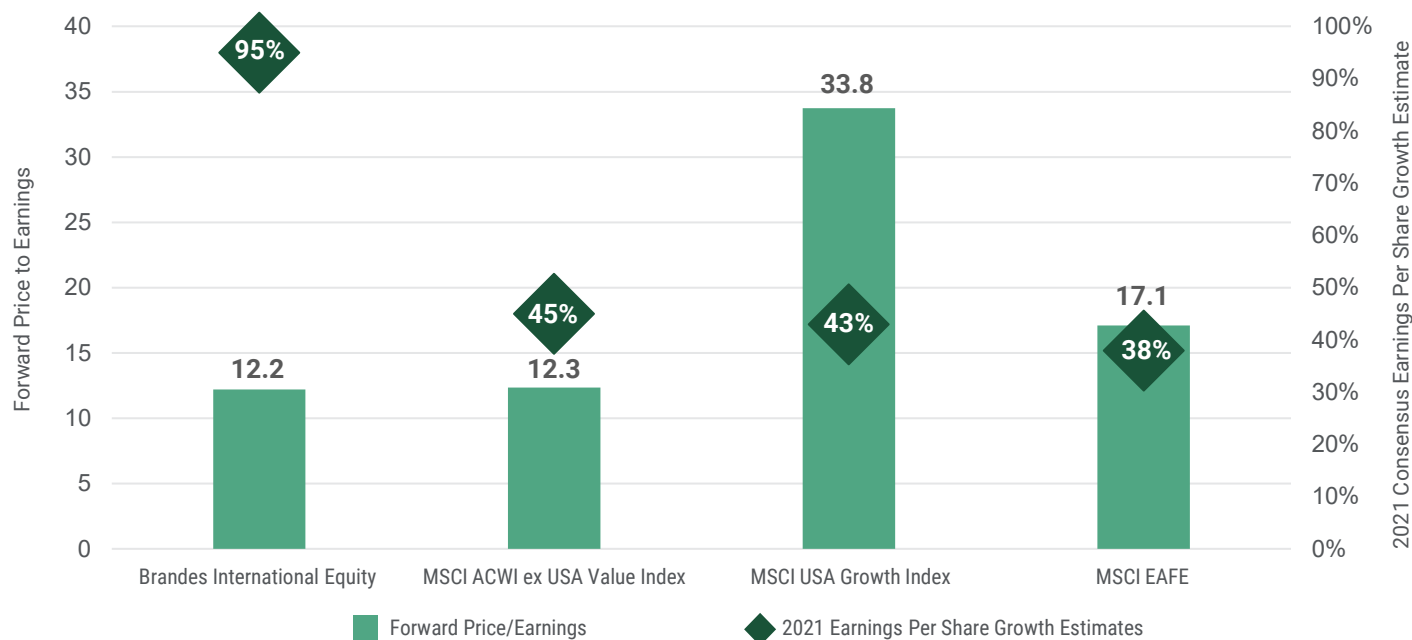


DECEMBER 31, 1974 TO MARCH 31, 2021. Source: MSCI via FactSet. P/E, P/B and P/CF as of 3/31/2021. Annualized returns (12/31/1974-3/31/2021): MSCI EAFE Value 11.12%; MSCI EAFE Growth 9.07%. The quintiles are based on the P/B discount of MSCI EAFE Value vs MSCI EAFE Growth by quarter since 1974. P/B discount = 1 - (MSCI EAFE Value's Price to Book/ MSCI EAFE Growth's Price to Book). Higher discounts indicate lower P/B for MSCI EAFE Value compared to MSCI EAFE Growth. The inception date for the MSCI EAFE Value Index and Growth Index is December 8, 1997. Performance prior to this date is the result of back-testing performed by MSCI. There may be frequent material differences between back-tested performance and actual results. Past performance is not a guarantee of future results. One cannot invest directly in an index.

In addition to their attractive price, international value stocks are expected to have higher earnings growth than U.S. stocks and the broader non-U.S. market. We believe this combination of lower price and higher expected earnings growth puts international value stocks in a “sweet spot.”

### THE SWEET SPOT FOR INTERNATIONAL EQUITIES?

Higher Expected Earnings Growth at Lower Valuation for Non-U.S. Value Stocks



AS OF 3/31/21. Source: Brandes, FactSet, CapitalIQ.

## Value Shift May Be Beneficial for Brandes International Equity

In our opinion, the current “pro-value” cycle—international value stocks (MSCI EAFE Value) have outperformed the general market (MSCI EAFE) and the international growth stocks (MSCI EAFE Growth) by 7.8% and 15.2%, respectively, in the last seven months (10/31/20 to 5/31/21)—may bode well for the Brandes International Equity Strategy. Historically, when value stocks outperformed the general market, our strategy often did even better.

	Q1 2021	Q4 2020	Q4 2018	Q4 2016	11/30/2012 to 11/30/2013	12/31/1999 to 12/31/2003 (Annualized)
<b>Brandes International Equity (net)</b>	<b>8.81%</b>	<b>21.86%</b>	<b>-10.85%</b>	<b>2.46%</b>	<b>32.42%</b>	<b>2.56%</b>
<b>MSCI EAFE</b>	3.48%	16.05%	-12.54%	-0.71%	24.84%	-5.86%
<b>MSCI EAFE Value</b>	7.44%	19.20%	-11.70%	4.17%	26.20%	-0.91%

AS OF 3/31/21. Source: Brandes. Net of management fees. Please see the accompanying International Equity composite performance pages.

Furthermore, while the investment theses for our holdings do not rely on the directions of inflation, we believe that should inflation rise, the Brandes International Equity is well positioned due its value-oriented nature. The strategy has generally outperformed the broader market during inflationary environments.

**BRANDES HAS OUTPERFORMED THE BROADER MARKET DURING INFLATIONARY ENVIRONMENTS**

Returns During 1991-2019 (All Calendar Years Since International Equity Inception)

**Brandes International Equity (Net) Less MSCI EAFE**

<b>Above-Average Global Inflation</b>	<b>+10.1%</b> (1991-1997, 2008)
<b>Below-Average Global Inflation</b>	<b>+1.9%</b> (1998-2007, 2009-2019)
<b>Above-Average or Increasing Global Inflation</b>	<b>+5.4%</b> (1991-1998, 2000-2001, 2003-2008, 2010-2011, 2016-2018)
<b>Below-Average and Decreasing Global Inflation</b>	<b>+0.9%</b> (1999, 2002, 2009, 2012-2015, 2019)

AS OF DECEMBER 31, 2019. Source: MSCI, World Bank. Average annual relative performance net of management fees. Past performance is not a guarantee of future results. One cannot invest directly in an index. Please see the accompanying International Equity composite performance presentation. Global inflation represented by inflation in the consumer price index from the World Bank. Average global inflation is for the period 12/31/1990 to 12/31/2019. Annual returns of the MSCI EAFE Index were subtracted from annual returns of the Brandes International Equity composite. A positive result indicates the strategy outperformed and a negative result indicates the benchmark outperformed. It is possible for a strategy to outperform its benchmark but still experience a negative absolute return.

Amid the recent favorable environment for value stocks and the possibility for increased inflation, which may serve as a tailwind to value stocks' performance, we believe the Brandes International Equity Strategy can help investors tap into the underappreciated potential of international equities.

<sup>1</sup>Source: MSCI via FactSet 3/31/01 to 3/31/21; international: MSCI EAFE, U.S.: MSCI USA. As of 3/31/21, MSCI EAFE traded at 42% price-to-cash earnings discount to MSCI USA vs. 27% 20-yr average and 20-yr high of 49%.

Past performance is not a guarantee of future results. It is not possible to invest directly in an index. The declaration and payment of shareholder dividends are solely at the discretion of the issuer and are subject to change at any time.

**Forward Price/Earnings:** Price per share divided by expected earnings per share. **Price/Book:** Price per share divided by book value per share. **Price/Earnings:** Price per share divided by earnings per share. **Price/Cash Flow:** Price per share divided by cash flow per share. **Dividend Yield:** Dividends per share divided by price per share.

**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 MSCI EAFE Index** with net dividends captures large and mid cap representation of developed market countries excluding the U.S. and Canada. **The MSCI EAFE Value Index** with net dividends captures large and mid cap securities across developed market countries, excluding the United States and Canada, exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield. **The MSCI EAFE Growth Index** with net dividends captures large and mid cap securities across developed market countries, excluding the United States and Canada, exhibiting 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. The MSCI USA Index measure the performance of the large and mid cap segments of the U.S. equity market. **The MSCI ACWI ex USA Index** with gross dividends captures large and mid cap representation across developed and emerging markets excluding the United States. **The MSCI ACWI ex USA Value Index** with gross dividends captures large and mid cap securities across developed and emerging markets excluding the United States. Attributes for value index construction are book value to price, 12-month forward earnings to price, and dividend yield. **The MSCI Emerging Markets Index** with net dividends captures large and mid cap representation of emerging market countries.

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**BRANDES INVESTMENT PARTNERS, L.P.**  
International Equity Annual Performance Presentation  
As of December 31 Period End  
Reporting Currency: USD

Period	Annual Performance %			Composite Characteristics				Total Firm Assets \$ Millions	Annualized 3 Year Standard Deviation % (2)	
	Composite Gross*	Composite Net*	Benchmark (a)	Assets \$Millions	Number of Accounts	Internal Dispersion (1)	Non-Fee Paying Accounts (%)		Composite Gross	Benchmark (a)
2019	15.43	14.88	22.01	5,590	245	0.75	<1	21,451	11.44	10.81
2018	-8.98	-9.43	-13.79	5,236	319	0.31	<1	22,106	10.94	11.24
2017	16.60	16.02	25.03	6,331	386	0.52	<1	25,578	12.33	11.83
2016	8.20	7.65	1.00	5,599	406	0.75	<1	22,971	13.06	12.46
2015	-1.17	-1.70	-0.81	5,121	461	0.46	<1	20,666	13.46	12.46
2014	-4.03	-4.59	-4.90	5,458	543	0.56	<1	20,722	13.48	13.03
2013	28.70	27.95	22.78	6,654	599	0.73	<1	21,464	15.82	16.25
2012	11.25	10.59	17.32	7,695	746	0.64	<1	22,171	17.84	19.37
2011	-10.10	-10.63	-12.14	9,649	1043	0.92	<1	26,658	20.96	22.43
2010	5.62	5.00	7.75	14,820	1272	0.97	<1	38,659	25.38	26.23

<sup>2</sup>The three-year annualized ex-post standard deviation measures the variability of the monthly gross composite returns and the benchmark returns over the preceding 36-month period. It is not presented for periods with less than 36 monthly composite returns.

\*The net and gross annual returns, calculated in USD, presented for the Brandes International Equity composite were calculated on a time-weighted and asset-weighted, total return basis, including reinvestment of all dividends, interest and income, realized and unrealized gains or losses and are net of brokerage commissions, execution costs, and any applicable foreign withholding taxes, without provision for federal and state income taxes, if any. Securities transactions are accounted for on the trade date. Dividend and interest income is accounted for on an accrual basis. Cash and cash equivalents are included in performance returns. Returns for some accounts in the composite reflect the deduction of a broker fee that includes transaction costs and may include advisory, custody, and other administrative fees.

Beginning January 1, 2018, Brandes Investment Partners includes Brandes Investment Partners, L.P., Brandes Investment Partners (Europe) Limited, Brandes Investment Partners (Asia) Pte Ltd. and the Brandes Investment Partners & Co. assets sub-advised by Brandes Investment Partners, L.P. For the period from 1/1/06-12/31/17 the SMA Division of Brandes was excluded from the GIPS firm definition. The firm was redefined to reflect the dissolution of the SMA Division and the firm bringing those former SMA Division assets into compliance with the GIPS Standards.

This composite was created in 1990.

Prior to April 2014 accounts were removed from the composite when an account's market value falls below US\$50,000 due to capital withdrawals.

The Brandes International Equity Composite seeks to achieve long-term capital appreciation by investing primarily in the equity securities of non-U.S. issuers whose equity market capitalizations exceed \$5 billion at the time of purchase. Generally, no more than 30% of the composite total assets, measured at the time of purchase, may be invested in securities of companies located in emerging and frontier countries throughout the world.

The Brandes International Equity composite results include all actual, fee-paying and non-fee-paying, fully discretionary International Equity accounts that have substantially the same investment objectives, policies, techniques and restrictions.

From 2010-2014 and from 2017-2018, composite performance after management fee returns were determined by reducing the gross of fee returns monthly by the highest applicable fee schedule per account. From 2015-2016 composite performance after management fee returns were calculated using actual fees. For 2019, composite performance after management fee returns were determined by using the highest applicable fee schedule per account in January – September, and using actual fees in October – December, with the exception of select portfolios to which the applicable fee schedule was applied for the entire year to better reflect our typical management fees. The composite may include accounts with performance-based fees.

Standard fee schedule - First \$25 million 0.75%; Next \$25 million 0.60%; Next \$50 million 0.50%; Next \$50 million 0.45%; Amounts over \$150 million 0.40%. Brandes' investment advisory fees are detailed in Part 2A of its Form ADV.

Brandes claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Brandes has been independently verified for the annual periods 1995 through 2019. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The International Equity composite has been examined for the periods since inception through year end 2019. The verification and performance examination reports are available upon request.

The complete list and description of Brandes' composites and additional information regarding policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request. Contact client service at 800-237-7119 or write 11988 El Camino Real, Suite 600, P.O. Box 919048, San Diego, California 92191-9048 or email [info@Brandes.com](mailto:info@Brandes.com).

Investors should not rely on prior performance results as a reliable indication of future results.

(a) The MSCI EAFE Index with net dividends captures large and mid cap representation of developed market countries excluding the U.S. and Canada. 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 benchmark returns are not covered by the report of independent verifiers.