

Brandes Investment Partners
Emerging Markets (ex-China) Equity Strategy Notes
First Quarter 2025 (1 January – 31 March 2025)

The Brandes Emerging Markets (ex-China) Equity Strategy returned 3.55% (gross of fees), outperforming its benchmark, the MSCI Emerging Markets ex-China Index, which was down 1.72% in the quarter.

Positive Contributors

Holdings in Brazil, led by regional jet manufacturer Embraer and wireless telecommunication services provider TIM, helped performance. Embraer has maintained its impressive streak, announcing several new wins against competitors in its defence business. This, coupled with an expanding order backlog for regional jets, has further boosted market confidence in the company's prospects.

Our bank holdings also performed well, most notably Georgia-based TBC Bank Group, Slovenian Nova Ljubljanska Banka, Austria-domiciled Erste Group, and U.K.'s HSBC.

Other solid performers included Hungary's Magyar Telekom, Indian chemical company UPL Limited, and South Korean Samsung Electronics.

Relative to the benchmark, our underweights to Taiwan and the information technology sector aided returns, along with our overweight to Mexico.

Performance Detractors

Poor performers included select holdings in information technology, specifically Taiwanese Wiwynn Corporation and Taiwan Semiconductor Manufacturing Company (TSMC), as well as Hong Kong-based semiconductor company ASMPT.

Other detractors included holdings in Indonesia, such as Indonesian Telkom, noodle maker Indofood, and tobacco company Gudang Garam. India's IndusInd Bank also performed poorly.

Additionally, our underweight to South Africa hurt performance relative to the benchmark.

Select Activity in the Quarter

We initiated a position in India-based real estate investment trust (REIT) Embassy Office Parks REIT while selling positions in South African consumer goods business Tiger Brands and Mexican REIT Fibra Macquarie Mexico.

Embassy Office Parks is India's first publicly listed REIT and the largest office REIT in Asia by area. It was formed in 2019 through the IPO of a portfolio of office properties from Blackstone in exchange for 31.5% of the REIT units. Blackstone eventually sold its stake in December 2023.

Today, Embassy Office Parks owns and operates 14 office parks in the Indian cities of Bengaluru, Mumbai, Pune, Chennai, and the NCR (New Capital Region), totalling an area of 51.1 million square feet (msf). This includes 37.7 msf of completed leasable area, 8.6 msf of area under construction, and 4.8 msf of proposed development area. In addition to office properties, the portfolio features strategic amenities such as four operational business hotels, two hotels under construction, and a 100-megawatt solar park supplying renewable energy to tenants.

Given its continued rental rate growth, construction pipeline, and reasonable valuation metrics that include a 6% dividend yield, we believe Embassy Office Parks offers relative value within the Indian equity market.

Current Positioning

The portfolio maintains a significant overweight in Latin America, with diversified investments in telecommunications, utilities, energy, and real estate.

Amid fiscal spending concerns in Brazil, it might be reassuring to know that our allocation to Brazil is predominantly to exporters or companies with U.S. dollar-linked revenues, such as jet manufacturer Embraer, paper producer Suzano,

and oil and gas firm Petrobras. Meanwhile, our domestic-oriented businesses include telecom services provider TIM, which offers a sizeable 10% dividend yield, and utility Neoenergia, whose revenues are inflation-protected.

We have also observed substantial value potential in select businesses in Mexico as the market remains concerned about tariffs. The bulk of our allocation in Mexico is geared toward domestic consumption through our positions in leading businesses such as consumer products company Kimberly-Clark, real estate investment trust Fibra Uno, and grocer Walmex. Our other Mexican holdings, such as cement producer Cemex and telecom services provider America Movil, have significant exposure to non-Mexican peso currencies.

The portfolio remains underweight India and Taiwan relative to the benchmark. Despite the market correction this quarter, we have not found much value potential in India, where we maintain exposure to banks and have identified some value in IT office parks.

On a sector basis, the portfolio holds large overweights in consumer staples, communication services, and financials, while remaining underweight in consumer discretionary, health care, and information technology.

We remain comfortable with the risk/reward tradeoff that our holdings offer and are excited about the continued prospects of the Brandes Emerging Markets (ex-China) Equity Strategy.

For term definitions, please refer to <https://www.brandes.com/termdefinitions>

The MSCI Emerging Markets ex-China Index with net dividends captures large and mid cap representation of emerging market countries, excluding China.

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