European Equity Strategy Notes
Fourth Quarter 2023 (1 October – 31 December 2023)

The Brandes European Equity Strategy rose 12.10% (gross of fees), outperforming its benchmark, the MSCI Europe Index, which increased 11.05% in the quarter, and the MSCI Europe Value Index, which appreciated 9.16%.

Positive Contributors
Leading performers included holdings in the aerospace and defense industry, led by **Rolls-Royce** and new purchase **Montana Aerospace**. Both companies benefitted from a resurgence in their aerospace end- markets.

Ireland- and United Kingdom-domiciled consumer staple companies were leading performers as well, notably grocer **J Sainsbury**, contract caterer **Greencore Group**, and beverage company **C&C Group**. Additionally, Switzerland-based wealth management firm **UBS** appreciated as it continued to execute on its integration with Credit Suisse.

Performance Detractors
Major detractors included pharmaceutical company **Sanofi** and active pharmaceutical ingredient company **Euroapi**.

Euroapi issued a profit warning in October, revising down its EBITDA (earnings before interest, taxes, depreciation, and amortization) and sales growth guidance for the 2023 fiscal year, while also suspending its medium-term targets to 2026. Euroapi was carved out of global pharmaceutical firm Sanofi in May 2022, and it was expected that the company could face initial operational challenges as a standalone entity. Despite these short-term issues, we maintain a positive long-term outlook for Euroapi and have taken advantage of the share-price decline to add to our position.

Sanofi saw its share price decline after announcing a significant increase in research and development investment in its late-stage drug pipeline; this is expected to impact its near-term financial results. Taking a long-term view, however, we believe the share-price drop was excessive. The shares now trade at a low double-digit multiple of what we believe will likely be trough-level earnings, offering an appealing long-term risk/reward tradeoff, in our opinion.

Other detractors included Irish bank **AIB Group**, U.K. media company **ITV,** and France-based luxury goods company **Kering.** Additionally, our underweight to the information technology and industrials sectors weighed on performance relative to the benchmark.

Select Activity in the Quarter
We initiated positions in Switzerland-based Montana Aerospace and bank **Valiant Holding**.

Montana Aerospace (AERO) is a vertically integrated manufacturer of metallic systems and components (aluminum, titanium) for the commercial aerospace, electric vehicle, and renewable energy end-markets. AERO, which went public in 2021 following its spin-off from parent company Montana Tech Components (MTC), has a relatively short operating history as a publicly traded company. However, its legacy assets date back to the 1990s when the business served as a U.S.-based casting company for Boeing. In 2006, the assets were acquired by MTC. Over time, MTC eventually recognised the opportunity to streamline the highly inefficient commercial aerospace supply chain, which is burdened by strict regulatory certifications that result in the industry's high fragmentation, high-cost labor footprint and high transportation expenses.

Fast forward several years, AERO now boasts a vertically integrated industrial base, expanding manufacturing scale, and low-cost industrial footprint that is intelligently located near customers. These capabilities position AERO as a cost-effective, one-stop-shop solution for aircraft OEMs (original equipment manufacturers) and Tier 1 suppliers (i.e., those that work the most closely with OEMs) looking to rationalise their highly complex and inefficient supply chains. To provide perspective, a typical commercial aircraft is made up of five million parts, and if one part is missing, the OEM can't finish assembling the plane.
We have been monitoring AERO since it went public in 2021, but at that time we felt the elevated project execution risk and cycle recovery timing uncertainty, combined with its leveraged balance sheet and other company-specific issues, were too great to overcome. Today, we see a more visible recovery path—air traffic has resumed, aircraft production has been ramping up, capital expenditures have been declining, and new factories have become operational. With the

various risks fading and the stock price closer to trough levels, we believe the market provided an opportune time to invest in a company with an attractive long-term risk/reward trade-off.

Besides the new purchases above, other major portfolio activity included a full sale of global reinsurer **Swiss Re**. The company benefitted from improved industry pricing and rising interest rates, driving its share price to reach our estimate of its intrinsic value.

Year-to-Date Briefing
The Brandes European Equity Strategy rose 29.76%, outperforming its benchmark, the MSCI Europe Index, which appreciated 19.89% for the year ended December 31, 2023, as well as the MSCI Europe Value Index, which increased 19.65%.

The primary driver of outperformance was our stock selection across multiple sectors, especially materials, industrials, and consumer staples. Noteworthy contributors included aerospace firms Rolls-Royce and Montana Aerospace. Several cyclically oriented holdings, such as construction materials companies **Buzzi** and **Heidelberg Materials**, as well as U.K.-based retailer **Marks and Spencer**, also helped returns as the global economy held up better than expected in a rising interest rate environment. Other contributors included Hungary-based telecommunications services provider **Magyar Telekom** and Switzerland-based UBS.

Notable performance detractors included **Credit Suisse**, which we divested in the first quarter, as well as holdings that have material exposure to Chinese consumer demand, such as luxury goods company Kering and watchmaker **Swatch**. Advertising agency **WPP** also weighed on returns, along with pharmaceutical firm Euroapi, Spain-based insurance company **Linea Directa Aseguradora** and Irish beverage company C&C Group.

Current Positioning
As of December 31, the Brandes European Equity Strategy held key overweight positions in communication services and consumer staples, while maintaining significantly lower allocations to consumer discretionary, technology, and industrials than the benchmark.

On a geographic basis, the portfolio's largest allocations continued to be in France and the United Kingdom. The strategy remained underweight in Germany and Switzerland, as well as to companies in the Nordic Region.

Within the benchmark, there has been notable divergence in sector performance. Technology-related companies—both in the technology and industrials sectors—notably outperformed the MSCI Europe Index, while more defensive sectors such as consumer staples and health care materially underperformed. It is therefore not surprising that we have largely found new value opportunities within consumer staples, thereby increasing our relative weight to that sector.

Even with their outperformance over the past three years, value stocks continued to trade in the least-expensive quintile relative to growth (MSCI Europe Value vs. MSCI Europe Growth) since the inception of the style indices. This was evident across various valuation measures, including price/earnings, price/cash flow, and enterprise value/sales. Historically, such discount levels often signaled attractive subsequent returns for value stocks.

The Brandes European Equity Strategy, guided by our value philosophy and process, has had the tendency to outperform the value index when it outperforms the benchmark. We believe the strategy is an excellent complement and diversifier to passive and growth-oriented strategies.

Looking ahead, we remain optimistic about the long-term prospects of our holdings. As of December 31, 2023, our strategy traded at more compelling valuation levels, while offering more attractive long-term growth characteristics than the benchmark and the MSCI Europe Value Index.

Term definitions: https://www.brandes.com/termdefinitions

The MSCI Europe Growth Index captures large and mid cap securities across developed Europe 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 Europe Index with net dividends captures large and mid cap representation of developed market countries in Europe.

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

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.

Diversification does not assure a profit or protect against a loss in a declining market.

The foregoing Quarterly Commentary reflects the thoughts and opinions of Brandes 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.

Ireland/Europe: FOR PROFESSIONAL INVESTOR USE ONLY. Issued by Brandes Investment Partners (Europe) Limited (Brandes Europe), Alexandra House, The Sweepstakes, Ballsbridge, Dublin, D04 C7H2, Ireland. Registered in Ireland Number 510203. Authorised and regulated by the Central Bank of Ireland. This report is being provided for information purposes only, no representation or warranty is made, whether express or implied as to the accuracy or completeness of the information provided. To the fullest extent permitted by law Brandes Europe shall not be liable for any loss or damage suffered by any person as a result of the receipt of this report. Recipients of this report should obtain their own professional advice. The distribution of this report may be restricted by law. No action has been or will be taken by Brandes Europe to permit the possession or distribution of this report in any jurisdiction where action for that purpose may be required. Accordingly, this report may not be used in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons to whom this report is communicated should inform themselves about and observe any such restrictions. This information is being issued only to, and/or is directed only at (i) persons who have professional experience in matters relating to investments or (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or to whom it may otherwise lawfully be communicated (all such persons together being referred to as "Relevant Persons"). This communication must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this communication relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. This report is a confidential communication to, and solely for the use of, the persons to whom it is distributed to by Brandes Europe.