



Investing Across the Value Spectrum: *A Price-Disciplined Approach in Practice*

Dear Clients and Friends,

In our [October 2021 letter](#), we highlighted how—despite being considered as a “deep value” manager by many observers—the Brandes approach to value investing does not fit neatly in a rigid style box. Rather than confining our stock selection to the cheapest-decile stocks or those traditionally labeled as “value,” we take a broad and flexible view in our search for value opportunities. Our investment universe covers companies across a spectrum—from high-quality businesses to potentially deeply discounted turnaround prospects. Regardless of whether a stock is labeled as value, core, or even growth, if it presents an attractive margin of safety¹ based on our bottom-up research process, we will consider it for our portfolios.

Staying true to our value discipline, Brandes portfolios have consistently served as a value-oriented building block for our clients across various market environments, while adapting to the evolving opportunity set. We believe our flexible,

price-conscious approach has been a key driver to the absolute and relative performance of many of our strategies over the past five years. For example, our International Equity and Global Equity strategies rank in the top decile of their respective eVestment peer groups over the five-year period ending March 31, 2025.

Style Analysis: A Consistent Value Orientation with Dynamic Breadth

In our 2021 letter, we shared Morningstar’s holdings-based style analysis charts to illustrate how the Brandes Global Equity Strategy was positioned in two distinct market environments—2006 and 2021. To provide a current perspective on the evolving opportunity set, we’ve added a 2025 snapshot. This updated view offers fresh insight into how our strategy continues to adapt across different investment landscapes.

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¹ The margin of safety is the discount of a security’s market price to our estimate of its intrinsic value.

Brandes Global Equity Value Exposure

Morningstar Holdings-Based Style Chart: 2006, 2021, 2025



- Brandes Global Equity
- MSCI World Index

- Data icons reflect individual portfolio holdings at a specific quarter-end point with the greater the holding weight, the larger the icon.
- The weighted average (centroid) for the portfolio is the icon with a circle around it.
- The shaded area represents the center 75% of the portfolio's assets and is shown for visual representation of the area of the market in which the portfolio invests.

As of March 31, 2006, March 31, 2021 and March 31, 2025 | Source: Morningstar Direct (see endnote for method for style classification). The portfolio characteristics shown relate to a single account as of date noted, deemed by Brandes to be generally representative of the strategy. Not every account will have these exact characteristics. 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. Data is updated on a quarterly basis.

The charts above demonstrate how our strategy has consistently maintained a value orientation. However, while the weighted average (centroid) of our strategy has always remained in the value quadrant, the shaded area—which represents the center 75% of our holdings—tells a more nuanced perspective.

In 2006 and again in 2025, the shaded area appears wide, reflecting a broad opportunity set across the value spectrum. In contrast, the narrower shaded area in 2021 indicates a more concentrated set of value opportunities during that period.

This visual underscores a key principle in our investment philosophy: While our portfolios are always value-oriented, the types of companies we invest in—and where they fall along the value spectrum—vary depending on the opportunity set. Our flexibility allows us to pursue value wherever it exists, whether in high-quality businesses, cyclical rebounders, or misunderstood turnarounds. **Instead of excluding an investment candidate from our investible universe because it does not screen “value” based on traditional valuation metrics, we bring a business-owner mindset and make that determination ourselves.**

The Categories of Value: A Framework for Opportunity

Borrowing the terminology introduced by Benjamin Graham, we view our holdings as falling into three categories: primary companies, secondary companies, and bargain issues. Each represents a different type of value opportunity and plays a unique role in our portfolios.

Primary Companies

These are well-established businesses—often leaders in their industries. They typically exhibit consistent earnings, strong balance sheets, and durable competitive advantages. While they may not appear “cheap” based on traditional valuation metrics, there are times when the market will misprice (undervalue) these companies, in our opinion. Our broad company

coverage enables us to identify and capitalize on such opportunities. When we find a compelling investment case for a primary company, we are normally comfortable owning it at a lower margin of safety given its quality and typically above-average growth potential. Additionally, primary companies may receive above-average allocations for a given margin of safety.

Secondary Companies

Secondary companies are solid businesses that are temporarily out of favor—often due to sector-wide, geographic, or cyclical factors. They may operate in less glamorous industries or face short-term headwinds, but their fundamentals remain sound. In our view, they provide a balance between business quality and upside potential. **Most of our opportunities fall into this category, where valuation dislocations often create compelling entry points.**

Our allocation decisions for these companies are driven by their relative margin of safety and our assessment of how quickly operational or fundamental improvements may materialize.

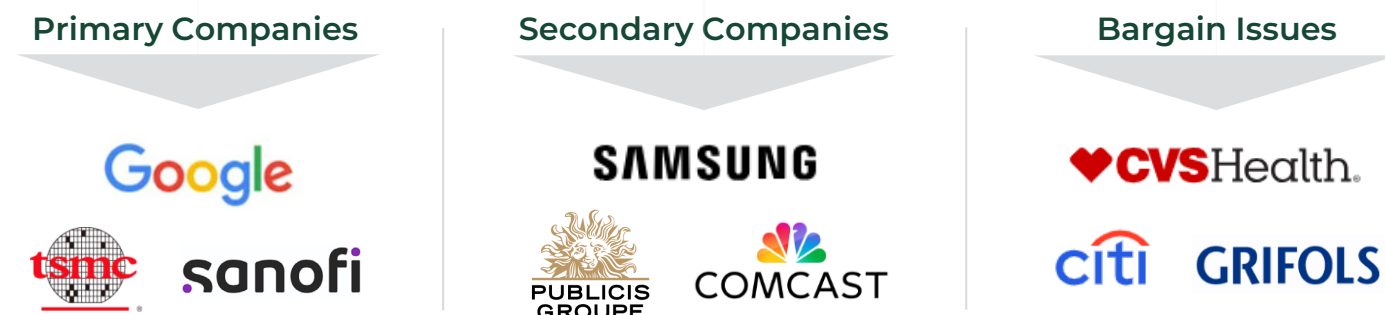
Bargain Issues

Bargain issues represent companies that are undergoing major restructuring or facing temporary, yet significant challenges. They may be misunderstood, complex, or simply overlooked. While they carry higher risk, they also offer the potential for outsized returns should our analysis prove correct.

We take a more cautious approach in deciding our allocations for bargain issues, being conservative in averaging down and quick to trim or exit positions as prices approach our intrinsic value estimates.

Brandes Buckets of Value – Based on Graham Principles

Sample Opportunities Across the Value Spectrum – Brandes Global Equity



As of March 31, 2025 | Primary, secondary, and bargain issues are categories Ben Graham referenced in *Security Analysis* and *The Intelligent Investor*. Holdings subject to change. The portfolio characteristics shown relate to a single account as of date noted, deemed by Brandes to be generally representative of the strategy. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) size of the account, (ii) investment restrictions applicable to the account, if any; (iii) market exigencies at the time of investment. Data is updated on a semi-annual basis.

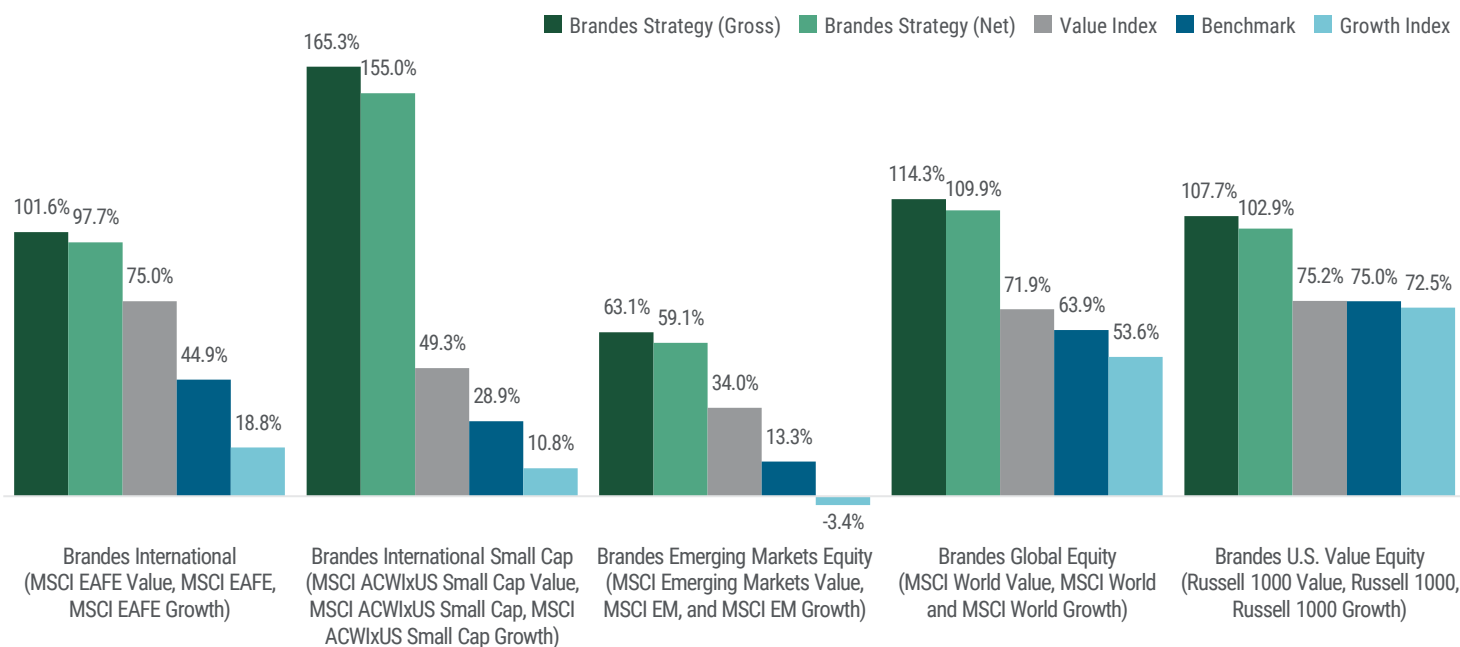
Across these three sources of investment opportunities, we are guided simply by our fundamental analysis. We apply a business-owner mindset to look through a business cycle and try to take advantage of when we believe the market is underappreciating the prospects for a business. **As long as we can buy a business at a discount to our estimate of its intrinsic or fair value, every business—regardless of how it's defined in the index—is a potential candidate for our portfolios.**

Performance and Value Cycles

Our price-conscious value approach has not only resulted in portfolios that plot value based on their holdings, but also ones that are leveraged to value from a performance perspective. Since the value rebound in September 2020, the below strategies have performed well, outperforming both the broader market and the value indexes on a cumulative basis.

Returns During Recent Value Rebound – Since September 2020

Compared to Benchmark, Growth and Value Indices (Cumulative)



Annualized total return as of March 31, 2025

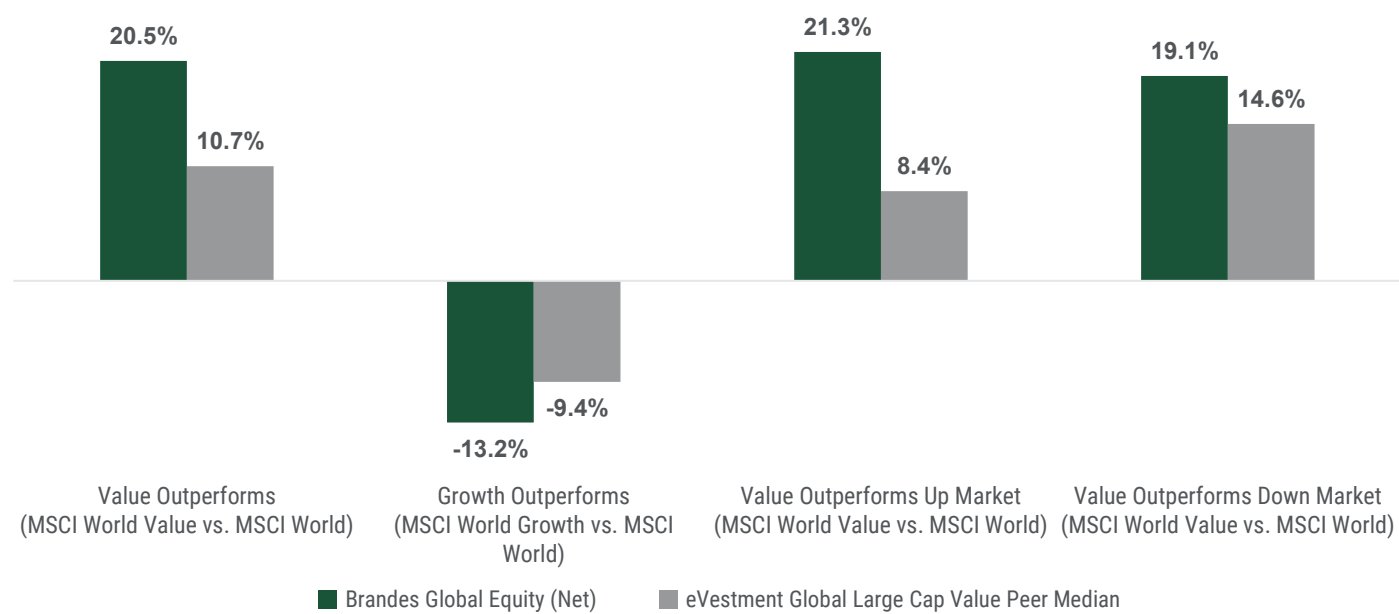
	1 Yr	5 Yrs	10 Yrs		1 Yr	5 Yrs	10 Yrs
Brandes International Equity Composite (gross)	13.14	18.33	7.23	Brandes Global Equity Composite (gross)	10.56	20.17	8.80
Brandes International Equity Composite (net)	12.66	17.82	6.73	Brandes Global Equity Composite (net)	10.18	19.61	8.24
MSCI EAFE Index	4.88	11.76	5.39	MSCI World Index	7.04	16.12	9.49
MSCI EAFE Value Index	12.85	14.76	5.05	MSCI World Value Index	8.69	14.97	7.13
Brandes International Small Cap Equity Composite (gross)	26.63	25.83	9.97	Brandes U.S. Value Equity Composite (gross)	7.95	19.97	11.26
Brandes International Small Cap Equity Composite (net)	25.53	24.74	9.00	Brandes U.S. Value Equity Composite (net)	7.46	19.32	10.59
MSCI ACWI ex USA Small Cap Index	1.87	11.83	5.32	Russell 1000 Value Index	7.18	16.14	8.79
MSCI ACWI ex USA Small Cap Value Index	4.14	13.70	5.48	Russell 1000 Index	7.82	18.45	12.17
Brandes Emerging Markets Equity Composite (gross)	7.86	14.18	6.00				
Brandes Emerging Markets Equity Composite (net)	7.26	13.55	5.30				
MSCI Emerging Markets Index	8.09	7.94	3.70				
MSCI Emerging Markets Value Index	7.60	9.81	3.21				

As of March 31, 2025 | Source: Brandes, MSCI and Russell. Quarterly absolute performance gross and net of management fees. Past performance is not a guarantee of future results. It is not possible to invest directly in an index. 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. This chart is not reflective of all Brandes strategies. Please go to Brandes.com to see our full suite of products including performance. GIPS reports for named strategies available in the disclosure section below.

While past performance is not a guarantee of future results, the recent performance is consistent with the historical return pattern of our portfolios: **When value investing has performed well, Brandes portfolios have tended to do well.** As exemplified in the chart below, our Brandes Global Equity Strategy has shown a tendency to outperform peers during value-led market cycles. Over the past 10 years, when value outperformed the broader market (MSCI World Value vs. MSCI World), the Brandes Global Equity Strategy outperformed the MSCI World Index by 20.5% on average (based on monthly annualized alpha). In our opinion, this leverage to value is a natural outcome of our disciplined, research-driven process.

Brandes Global Equity vs. Peers

10-Year Average Monthly Annualized Alpha (vs. the MSCI World Index)



As of March 31, 2025 | Source: Brandes, eVestment. Net of management fees. eVestment Global Large Cap Value Peer Median represented by the universe in the eVestment database. Average monthly annualized alpha is the average of the monthly alpha of the represented time periods then annualized. Past performance is not a guarantee of future results. It is not possible to invest directly in an index.

Unwavering Commitment to Value

Our consistent value orientation—as highlighted by the Morningstar’s holdings-based style charts above—shows that while we are always firmly rooted in value, we are not constrained by narrow definitions. Our flexibility allows us to pursue opportunities across the full value spectrum, including primary and secondary companies, as well as bargain issues. The result is portfolios diversified across the value spectrum that, in our opinion, balance quality, valuation, and potential upside, while having had the tendency to do well during value-led cycles, such as the one we have observed in the past few years.

We remain committed to this price-disciplined, research-driven approach and believe it will continue to serve our clients well in the years ahead.

Thank you for your continued trust and partnership.

Sincerely,

Brandes

For term definitions: <https://www.brandes.com/termdefinitions>.

[Click here for the Brandes Emerging Markets Equity GIPS Report.](#)

[Click here for the Brandes Global Equity GIPS Report.](#)

[Click here for the Brandes International Equity GIPS Report.](#)

[Click here for the Brandes International Small Cap Equity GIPS Report.](#)

[Click here for the Brandes U.S. Value Equity GIPS Report.](#)

The Morningstar Holdings-based Style Map uses a 10-factor model to determine the style of an individual stock. Separate value and growth “style scores,” each based on five factors, are calculated for each stock. In calculating each score, the methodology places 50 percent weight on the forward-looking measure and 50 percent weight on four historical-based measures. These four measures are equally weighted. The five value factors are price-to-projected earnings, price-to-book, price-to-sales, price-to-cash flow, and dividend yield. The growth score is calculated independent of price, using these five factors: long-term projected earnings growth, historical earnings growth, sales growth, cash flow growth, and book value growth. Securities are classified as value or growth based upon the dominant score. If neither score is dominant, the stock will be classified as “core.” Each security is plotted on the style map representing its “style score”, with the size of the dot corresponding to the position size of the security in the portfolio (i.e. the larger the dot, the larger the allocation in the portfolio). The style attributes of stocks within the portfolio are also “rolled up” to determine the portfolio’s overall investment style. This is represented by the “centroid” plot (i.e. the dot with the circle around it) on the style map.

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 Index** with net dividends captures large and mid cap representation of developed market countries excluding the U.S. and Canada. **The MSCI EAFE Growth Index** with gross 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 ACWI ex USA Small Cap Value Index** with net dividends measures small-cap equity market performance of developed and emerging markets excluding the United States. The attributes for value index construction are book value-to-price ratio, 12-months forward earnings-to-price ratio, and dividend yield.

The MSCI ACWI ex USA Small Cap Index with gross dividends captures small-cap representation across developed and emerging markets excluding the United States.

The MSCI ACWI ex USA Small Cap Growth Index with net dividends measures small-cap equity market performance of developed and emerging markets excluding the United States. The attributes for growth index construction are 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 Emerging Markets Growth Index** with gross dividends captures large and mid cap securities 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 Emerging Markets Index** with gross dividends captures large and mid cap representation of emerging market countries. **The MSCI Emerging Markets Index** with net dividends captures large and mid cap representation of emerging market countries. Data prior to 2001 is gross dividend and linked to the net dividend returns. **The MSCI Emerging Markets Value Index** with gross dividends captures large and mid cap securities exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield. **The MSCI World Value Index** captures large and mid cap securities across developed market countries exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield. **The MSCI World Index** with net dividends captures large and mid cap representation of developed markets. **The MSCI World Growth Index** captures large and mid cap securities across developed market countries 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 Russell 1000 Value Index** with gross dividends measures performance of the large cap 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.

The Russell 1000 Index with gross dividends measures performance of the large cap segment of the U.S. equity universe. **The Russell 1000 Growth Index** with gross dividends measures performance of the large cap growth 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.

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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. Such risks are increased when investing in emerging markets. Additional risks associated with emerging markets investing include smaller-sized markets, liquidity risks, and less established legal, political, social, and business systems to support securities markets. Some emerging markets countries may have fixed or managed currencies that are not free-floating against the U.S. dollar. Certain of these currencies have experienced, and may experience in the future, substantial fluctuations, or a steady devaluation relative to the U.S. dollar.

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