

Implications of Silicon Valley Bank, Signature Bank, and Silvergate Bank Failures

Amid recent news regarding the failure of three U.S. banks, the largest being Silicon Valley Bank, we would like to highlight that Brandes has *no direct exposure* to any of these banks across our strategies. Furthermore, based on their disclosure, all of our portfolio holdings have minimal to no indirect exposure to the three banks.

The banks held in our U.S. Value Equity Strategy, as well as U.S. banks held within our Global Equity Strategy, are a combination of money center banks, super-regional banks, and trust banks, all of which we consider well capitalized and diversified from a deposit base and lending perspective. Since our initial purchase of these banks, we have appreciated their scale benefits from a capital, deposit franchise, and regulatory perspective. We have favored the larger capitalization banks for some time as our analysis has shown it has become increasingly challenging for smaller banks to compete in the current operating environment, leading them to take on higher risks to generate returns, as seen with Silicon Valley Bank.

With our most significant bank exposure in our U.S. Value Equity and Global Equity strategies, the Global Large Cap Investment Committee reviewed their current bank allocations and potential opportunities with members of our financials team. Analysis and deliberation included examining:

- Deposit exposures
- Loan and securities duration and exposures
- The impact of the recent Federal Reserve announcement on the Bank Term Funding Program, including its impact on funding costs and net interest margins across the sector

As future regulations are likely to tighten and funding costs may rise for smaller and more vulnerable banks, the investment team continues to believe that the best-positioned banks in this environment are the larger banks (money center, super-regionals, and trust banks) given their better funding position from diversified deposit bases, stronger capital positions and healthier liquidity profiles.

Many questions remain about the second and third order impacts of the recent events, and we are closely monitoring the situation.

Brandes Investment Partners

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The portfolio characteristics 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.

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