Investment Team Corner



In conversation with Luiz Sauerbronn, member of the International Large-Cap and Small-Cap Investment Committees and an analyst on the Industrials Research Team

Luiz Sauerbronn, with 29 years of investment experience, provides an overview of the Brandes International Equity Fund and International ETF. Emphasizing a bottom-up investment strategy, Luiz highlights the funds' strategic geographic positioning as well the investment theses behind specific portfolio holdings. He has been with Brandes since 2001.

Can you provide insights on the geographic positioning of the Brandes International Equity Fund and International ETF?

The first thing to clarify is that we are bottom-up investors. We are long-term investors in businesses, not in countries, sectors, or regions. Having said that, we have significant exposure to the U.K., France, and Europe more generally today. After many years of significant exposure to companies based in Japan, we have been reducing our holdings there. Emerging markets are also a significant area of interest, specifically Latin America and emerging Asia.

Where has the International Large-Cap Investment Committee been finding value potential over the past year?

Recent portfolio additions include Heineken and Ambev in the beverage category, Astellas in the pharmaceuticals, and luxury goods companies Richemont and Kering.

Could you walk us through the investment thesis for one of the pharmaceutical companies that the funds hold?

Certainly. Sanofi is one of our largest holdings and has been part of our investment portfolio for several years. Based in France, it's a well-diversified global pharmaceutical, and a top player in rare genetic diseases, diabetes, vaccines, and consumer health care. The company benefits from balanced geographic exposure, avoiding heavy reliance on the highly profitable yet riskier U.S. market, and holds a significant presence in emerging markets.

Our investment thesis is supported by the company's prospects for solid growth following a challenging period marked by patent expirations and heightened competition in the insulin market. The failure to meet market expectations last year was primarily due to reduced earnings per share (EPS) guidance, directly linked to higher research and development (R&D) expenses. This increase in R&D spending was spurred by compelling data from late-stage drug candidates in its pipeline. Contrary to market sentiment, which perceived the reduced EPS guidance more negatively, we interpret it as a positive indicator of the company's potential.

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Can you walk us through the investment thesis for some of your consumer staples holdings, as well?

Within the consumer staples sector, we find the beverage category particularly compelling, with recent additions including Heineken and Ambev. Heineken serves as a prime example of the kinds of companies we look for. It is encountering near-term challenges in several of its key markets, specifically Nigeria and Vietnam. These countries have experienced currency issues but present attractive long-term growth opportunities.

Earnings Per Share: Net income divided by common shares outstanding.

Brandes International ETF Top 10 Holdings by Weight as of 6/30/2024: Takeda Pharmaceutical, Alibaba Group Holding Ltd., Sanofi SA, Heineken Holdings NV, SAP SE, UBS Group AG, Rolls-Royce, Koninklijke Philips NV, Intesa Sanpaolo SpA, Henkel AG & Co KGaA.

As of 6/30/2024, the Brandes International Equity Fund held the following of the securities identified: Heineken (2.48%), Sanofi (2.52%), Astellas (1.80%), Ambev (1.66%), Kering (1.66%), Richemont (1.61%). Fund holdings are subject to change at the discretion of the investment manager.

As of 6/30/2024, the Brandes international ETF held the following of the securities identified: Heineken Sanofi (2.56%), Heineken (2.49%), Kering (1.85%), Astellas (1.79%), Ambev (1.70%), Richemont (1.61%). Fund holdings are subject to change at the discretion of the investment manager.

The portfolio characteristics discussed relate to a single account deemed by Brandes to be generally representative of the strategy as of date noted. 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.

Past performance is not a guarantee of future results. Holdings subject to change.

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