BRANDES
INVESTMENT PARTNERS

Brandes Investment Partners
U.S. Value Equity Strategy Notes
Second Quarter 2025 (April 1 – June 30, 2025)

The Brandes U.S. Value Equity Strategy rose 2.10% net of fees and 2.22% gross of fees in the quarter, underperforming its benchmark, the Russell 1000 Value Index, which was up 3.79%.

Annualized total return as of June 30, 2025	1-year	5-year	10-year
Brandes U.S. Value Equity Composite (net)	13.54%	16.47%	10.83%
Brandes U.S. Value Equity Composite (gross)	14.05%	17.08%	11.50%
Russell 1000 Value Index	13.70%	13.92%	9.18%

Past performance is not a guarantee of future results. One cannot invest directly in an index. Returns include reinvestment of all dividends and are reduced by any applicable foreign withholding taxes, without provisions for income taxes, if any.

Contributors to Performance
The largest contributors to performance reflected a combination of solid stock selection in the technology and health care sectors. Electronics manufacturing services provider Flex continued to capitalize on robust demand across its diversified manufacturing services platform. Semiconductor firm Micron Technology also contributed positively, supported by improving memory chip pricing and strong AI-related demand. The company’s leadership in DRAM and NAND technologies continues to position it well for long-term growth.

Within health care, Cardinal Health advanced on the back of continued margin expansion and upward earnings revisions. Other contributors included agricultural chemicals firm Corteva and commercial bank Citigroup. Corteva benefited from improving agricultural fundamentals and pricing power in its seed and crop protection businesses, while Citigroup rose as a steepening yield curve, the expectation of deregulation, and an improved capital return outlook boosted investor sentiment. The market also responded positively to the bank’s capital discipline and restructuring progress.

Detractors from Performance
The largest detractors from performance were concentrated in energy and communication services. Shares of both Chevron and Halliburton retreated amid falling energy prices and investor concerns around global demand. Advertising agency Omnicom also declined due to concerns about integration risk and dilution following its announced stock-for-stock acquisition deal with Interpublic Group.

Other notable detractors included financial technology holding Fiserv, chemicals firm Westlake, and insurer Willis Towers Watson.

Fiserv faced weakened investor sentiment following a slowdown in its small business gross merchandise volume in the first quarter of 2025. Despite the slowing near-term growth, Fiserv remains well positioned, in our opinion, to grow at an attractive rate over the next several years. We believe Fiserv should benefit from improving profitability as it scales. This, coupled with the company’s share repurchase program, supports our belief in Fiserv as a high-quality compounder with durable earnings power.

Westlake experienced margin pressure as it suffered from oversupply in its commodity chemicals segment, as well as weaker housing-related demand in its building materials segment. Meanwhile, Willis Towers Watson underperformed as softer-than-expected organic growth and margin compression in its consulting business weighed on results.

Portfolio Activity
The investment committee initiated new positions in healthcare companies Becton Dickinson and ICON as well as retailer, Target Corporation, while exiting General Dynamics, Berkshire Hathaway, and Cisco.

Becton Dickinson (BDX) is one of the world's largest medical device manufacturers with the top U.S. market share in medication delivery, diagnostics, and interventional products. About 85% of BDX's revenues are recurring, and the company benefits from deep integration into hospital networks, a broad product portfolio, and scale advantages in manufacturing. Since the launch of its transformation plan in 2021, BDX has focused on organic growth, margin expansion, and deleveraging. A pending divestiture of its Biosciences and Diagnostic Solutions businesses could potentially unlock value, and in our view, BDX offers a compelling combination of quality, stability, and upside optionality from product portfolio optimization.

ICON is a leading global clinical research organization (CRO), offering a full suite of services for the pharmaceutical industry across the clinical development cycle, including trial design, execution, post-market commercialization, and data solutions. Following its acquisition of PRA Health in 2021, ICON became the largest pure-play CRO, with 16% share of the global clinical outsourcing market. The company boasts a vast clinical site network that allows fast patient recruitment.

ICON has been out of favor as the CRO industry faces slowing growth due to already high outsourcing penetration and cyclical headwinds from reduced biotech funding. However, we believe ICON is well equipped to navigate these challenges given its healthy balance sheet and solid competitive positioning. Additionally, with deleveraging from the PRA acquisition now complete, ICON can utilize its capital to fund future growth (e.g., by consolidating weaker players) and share buybacks. We see ICON as an attractive value opportunity, with the stock trading at less than 11x price/earnings.

The exits from General Dynamics, Berkshire Hathaway, and Cisco were valuation-driven, as each company approached or exceeded our estimates of intrinsic value. We redeployed the capital into higher-conviction opportunities that offer what we consider more attractive risk/reward profiles.

Year-to-Date Briefing

The Brandes U.S. Value Equity Strategy gained 6.20% net of fees and 6.45% gross of fees, outperforming the Russell 1000 Value Index, which rose 6.00% for the six months ended June 30, 2025.

Leading contributors included holdings in health care and technology, such as Flex and Micron, as well as pharmaceutical distributors McKesson and Cardinal Health. Another notable contributor from the quarter, Corteva, was also among the standout performers for the year.

Major detractors included holdings in industrials and communication services, notably FedEx, ad agency Omnicom, and Alphabet. Pharmaceutical firm Merck also hurt performance, along with oil services company Halliburton and chemical company Westlake.

Current Positioning

Although there has been significant portfolio activity amid the volatile market environment this year, portfolio exposure from a sector perspective remains largely unchanged. Overall, the portfolio continues to have overweight positions in financials and health care, while maintaining key underweights in real estate and utilities. We have pared allocations to some of the strong-performing areas of the market (e.g., financials and technology), while adding to others that have underperformed (e.g., health care).

In the second quarter, the valuation gap between value and growth stocks (MSCI USA Value vs. MSCI USA Growth) widened again, driven by a rebound in technology stocks, which accounted for over 50% of the growth index as of June 30. We are increasingly optimistic about the return potential for value stocks over the longer term and the diversification benefits they offer in a concentrated U.S. market. Currently, value stocks are trading at the largest quartile discount relative to growth stocks since the inception of the style indices. This valuation disparity is evident across various metrics, such as price/earnings, price/cash flow, and enterprise value/sales. Historically, such valuation differentials have often signaled compelling subsequent returns for value stocks over longer-term horizons. This is encouraging to us because our portfolio, guided by our value philosophy and process, has tended to outperform the Russell 1000 Value benchmark when the benchmark has outperformed the broader Russell 1000 Index. We believe the differences between the strategy and the broad U.S. market index make it an excellent complement and diversifier to passive and growth-oriented strategies.

As of June 30, the Brandes U.S. Value Equity Strategy trades at more compelling valuation levels than the benchmark, in our opinion. We believe the current fundamentals of our holdings bode well for the long term, and we are excited about the strategy's prospects.

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

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

The Russell 1000 Value Index with gross dividends measures performance of the large cap value 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 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.

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

The MSCI USA Growth Index captures large and mid cap U.S. securities exhibiting overall 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.