

Brandes Emerging Markets Value Fund

Fund Commentary

During the quarter, the Brandes Emerging Markets Value Fund outperformed its benchmark, the MSCI Emerging Markets Index.

Positive Contributors

Holdings in Latin America helped performance, led by Mexico-based cement company Cemex and real estate investment trusts Fibra Uno and Terrafina, as well as Brazilian regional jet manufacturer Embraer.

Embraer posted solid results for the fourth quarter of 2022, with revenue and free cash flow ahead of consensus and operating margin improving sequentially across segments. The company provided increased guidance for aircraft deliveries in 2023 in both the commercial and executive divisions. Moreover, one of its competitors announced it had officially shut down its next-generation commercial regional jet program, which could leave Embraer to be the primary supplier in this market.

Similarly, Cemex benefited from an enhanced outlook for 2023, with pricing remaining robust and management optimistic on growth in the industrial and commercial sectors.

From a sector perspective, we (Brandes LP) saw solid contributions from select information technology holdings, such as Taiwan-based Wiwynn, Accton Technology and Taiwan Semiconductor Manufacturing Company, as well as South Korea's Samsung Electronics. Other notable performers included South Korean steelmaker POSCO and China-based Alibaba, whose announcement of a six-way split and potential IPOs (initial public offering) of each segment was well received by the market.

Performance Detractors

The largest detractors included several holdings in China, namely Chinasoft International, TravelSky Technology, China Education Group and Wynn Macau.

China Education Group's share price has been weak recently due to the market's disappointment over a change in the company's chief financial officer (CFO) and a lack of progress on the M&A (mergers and acquisitions) front. We view these concerns as overblown. The company is well positioned, in our opinion, to maintain an attractive rate of organic growth, supplemented with disciplined evaluation of potential acquisition targets. With respect to the change in the executive office, the previous CFO resigned due to retirement (age 62). We continue to maintain an allocation

to the company as we believe its fundamentals remain intact.

Meanwhile, Chinasoft International reported underwhelming results for the second half of 2022 as the company continued to be impacted by a weak macro environment and a slowdown at a key strategic partner, Huawei. We remain confident about the company's long-term prospects given the volume growth of outsourcing work from clients and Chinasoft's rapidly expanding cloud business.

Apart from holdings in China, notable detractors included South Korean personal care products business LG H&H and Brazilian grocer Sendas Distribuidora. Additionally, India-based Indus Towers hurt returns as it continued to struggle with elevated accounts receivable balances resulting primarily from a major customer's (Vodafone Idea) inability to make timely payments.

Select Buy & Sell Activity

The emerging markets investment committee initiated a position in Indian electric utility NTPC Limited while divesting China-based Weichai Power.

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NTPC Limited, formerly known as the National Thermal Power Corporation, is India's largest electric utility, accounting for about a quarter of the country's power generation and over 15% of its installed capacity. The Government of India holds a controlling but declining stake in NTPC (89.5% stake at the company's 2004 IPO to currently 51.1%). Over 97% of NTPC's capacity operates under cost-of-service regulation, while the remaining installed capacity comprising renewable energy is being developed on a competitive basis. As part of India's environmental commitment to fight global warming, NTPC plans to add 60GW of renewable energy by 2032 to reach 50% of its installed capacity.

Until recently, NTPC suffered a decade-long derating due to adverse regulatory changes and revenue shortfalls in addition to the recurrent overhang from the government gradually reducing its stake. The company also struggled with the stigma associated with its large exposure to coal-based electricity generation. In our view, one of the main uncertainties was the lack of clarity regarding the role the government envisioned for NTPC in India's decarbonization strategy. This concern has been alleviated now that it is clear NTPC will be a leading participant and possibly become the largest developer of renewable capacity in the country, and it will invest significant capital expenditure to retrofit its entire coal-based fleet under regulated returns with good visibility for cost recovery. Hence, the transition

from coal to renewable energy has gone from posing a potentially existential threat for NTPC to providing a significant opportunity supporting earnings growth potential in the foreseeable future.

While these positive developments have not gone unnoticed by the market, upside potential persists as NTPC represents, in our opinion, an opportunity to invest in a "growth" utility at "value" or discounted multiples.

Current Positioning

With the limited turnover in the quarter, the positioning of the portfolio did not meaningfully change. As of March 31, 2023, the Brandes Emerging Markets Value Fund remained underweight China (although Chinese companies made up our largest country allocation), India, Saudi Arabia and Taiwan, while having significant overweights to Mexico, Brazil, Panama, Chile and Indonesia. On a sector basis, the Fund held large overweights to real estate (outside China) and consumer discretionary, while maintaining key underweights to materials and energy.

Given the volatility and headlines surrounding the financials sector globally, we'd be remiss not to mention our exposure. At quarter end, the Fund held a slightly lower allocation to financials than the MSCI Emerging Markets Index's 21% weighting. Our financials research team and investment committee have been meeting frequently as they

monitored ongoing developments. We have been updating our valuation and risk exposure analysis across a variety of financial holdings and have been in contact with several global financial companies via email, phone and in-person meetings at financial conferences. We believe the risk of permanent, fundamental impairment stemming from issues similar to those faced by Silicon Valley Bank and other struggling banks remains low for the financial institutions we own specifically within the Fund.

We remain optimistic about the long-term prospects of the Brandes Emerging Markets Value Fund.

About Brandes LP

In the 40-plus years since Brandes LP was founded, its goal has remained the same: pursue above-market gains to help investors move closer to their long-term investment objectives. Brandes LP believes that its unwavering commitment to value investing will lead it to attractively priced, fundamentally sound companies worthy of inclusion in the Fund.

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Contribution Analysis (relative to benchmark)

LAST QUARTER

INDUSTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Aerospace & Defense	1.54	Interactive Media & Svcs.	-1.04
Tech. Hardware, Storage & Periph.	0.84	Diversified Telecom. Services	-0.65
Construction Materials	0.77	Semicond. & Semicond. Equip.	-0.51
Communications Equipment	0.76	IT Services	-0.42
Diversified REITs	0.71	Diversified Consumer Services	-0.38

COUNTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Mexico	1.81	China	-0.88
Brazil	1.73	Thailand	-0.23
Taiwan	0.65	Greece	-0.05
Luxembourg	0.46	Czech Republic	-0.04
Chile	0.44	Peru	-0.02

COMPANY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Embraer S.A. ADR	1.53	Indus Towers Ltd.	-0.49
Wiwynn Corp.	0.89	Chinasoft International Ltd	-0.46
Cemex SA de CV ADR	0.82	China Education Group	-0.39
Accton Technology Corp.	0.78	LG Household & Health Care	-0.36
Fibra Uno Admin. SA ORD	0.70	Taiwan Semiconductor	-0.29

LAST 12 MONTHS

INDUSTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Hotels, Restaurants & Leisure	2.02	Diversified Telecom. Services	-1.59
Banks	1.88	Wireless Telecom. Services	-1.35
Electric Utilities	1.67	Personal Products	-0.50
Diversified REITs	1.63	Beverages	-0.33
Aerospace & Defense	1.46	Multiline Retail	-0.32

COUNTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
China	3.83	Russia	-2.81
Mexico	3.36	Thailand	-1.05
Taiwan	2.80	Indonesia	-0.32
Brazil	2.65	Turkey	-0.22
Chile	1.78	Greece	-0.08

COMPANY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Fibra Uno Admin. SA ORD	1.55	Mobile Telesystems	-0.92
Enel Chile ORD	1.54	Detsky Mir PJSC	-0.79
Embraer S.A. ADR	1.49	Indus Towers Ltd.	-0.79
Travelsky Technology Ltd H	1.16	Sistema JSFC	-0.73
Accton Technology Corp.	1.08	Jasmine Broadband Internet	-0.73

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Published April 19, 2023

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