

# Brandes Canadian Equity Fund

## Fund Commentary

During the second quarter, the Brandes Canadian Equity Fund outperformed its benchmark, the S&P/TSX Composite Index.

### Positive Contributors

Amid the strong relative performance for value stocks around the globe, portfolio holdings across several sectors held up better than those within the benchmark, however, only a handful contributed positively to absolute performance in the quarter.

The portfolio's strongest individual performer was communications equipment company Sierra Wireless. Its shares rose more than 30% amid strong earnings results, including revenue growth of 60% over the same quarter last year.

Stock selection within materials, as well as a significant underweight to the sector, contributed positively to relative performance. Packaging company Winpak, the portfolio's only Canadian holding within the materials sector, was the portfolio's second strongest individual contributor in the quarter.

Stock selection and an underweight to the technology sector also contributed positively to relative performance.

Other contributors to absolute performance included the two new additions to the portfolio. CGI and CAE both saw their share prices rise after being added to the portfolio in April and May, respectively.

### Performance Detractors

The largest individual detractor from performance was pharmaceutical company Bausch Health, which experienced a share price decline of more than 60% in the quarter.

Stock selection within the consumer discretionary sector detracted from returns, as juvenile products company Dorel Industries saw its share price decrease more than 30% in the quarter.

The Fund's overweight to the healthcare sector detracted from performance, as healthcare was the worst performing sector within the benchmark. Stock selection within the energy and industrials sectors was also a drag on performance.

Other detractors included holdings from the aerospace & defense industry. Heroux-Devtek, a key global supplier of landing gear solutions, and Magellan Aerospace, a manufacturer of aerospace systems and components, both

saw their share price decline more than 15% during the quarter.

### Current Positioning

Amid a declining overall market, value stocks across the globe outperformed the broader market for the year as rising inflation and interest rates caused the valuations of many high-flying growth companies to compress. Geopolitical developments exacerbated inflationary trends and increased worries about a slowdown in growth, raising the potential for a “stagflationary” environment (low economic growth *and* elevated inflation).

In theory, weaker growth may be a headwind for value stocks, *all else being equal*. However, as we (Brandes LP) have mentioned in previous notes, two of the best periods for value versus growth occurred in stagflationary environments during the 1970s and early 2000s. The common factors that led these two periods to result in highly favourable value environments were: markets had been in a state of elevated valuations and the spread between value and growth had been at historically wide levels. The tailwinds for value that were driving relative returns earlier this year still appear evident to us. While valuation spreads between value and growth have started to narrow from the

The information contained herein is subject to important disclosures and disclaimers contained in the Disclosure Statement on the last page of this document. This document is not complete without such Disclosure Statement.

BRANDES

on the  
BRIDGEHOUSE  
INDEPENDENT PLATFORM

# Brandes Canadian Equity Fund

historically wide gap at the start of the year, they remain among the widest quintile in history, and we therefore continue to feel optimistic about the potential returns for value stocks.

At quarter end, the Fund's largest industry overweights were in aerospace & defense, beverages, and household durables. The Fund's largest industry underweight continued to be in banks, as the Fund has not owned a Canadian bank for close to a decade. Metals & mining, road & rail, as well as oil, gas & consumable fuels industries also continued to represent significant underweights for the Fund.

Please note that while macro conditions are considered when we determine valuation estimates for individual companies, the Fund's industry weightings are a byproduct of bottom-up stock selection, not the result of top-down observations.

We believe the differences between our portfolio and the broader market continue to make the Fund an attractive complement to index-tracking or growth-oriented alternatives.

The Fund exhibits more appealing valuations, in our view, than the S&P/TSX Composite Index. Additionally, the Fund's holdings feature what we consider strong balance sheets, compelling growth prospects and strong free cash flow.

## 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.

The information contained herein is subject to important disclosures and disclaimers contained in the Disclosure Statement on the last page of this document. This document is not complete without such Disclosure Statement.

BRANDES

on the  
  
**BRIDGEHOUSE**  
INDEPENDENT PLATFORM

# Brandes Canadian Equity Fund

## Contribution Analysis

LAST QUARTER				LAST 12 MONTHS			
COMPANY		COMPANY					
Top 5 Contributors	%	Top 5 Detractors	%	Top 5 Contributors	%	Top 5 Detractors	%
Sierra Wireless	0.83	Bausch Health Companies Inc.	-1.97	Chesapeake Energy Corp	1.63	Bausch Health Companies Inc.	-2.36
Wnpak Ltd.	0.29	Sprott Physical Uranium Trust	-1.43	Cameco Corp	1.56	Lassonde Industries, Inc. Class A	-0.95
CAE Inc.	0.13	Dorel Industries Inc. Cl. B	-1.41	Sprott Physical Uranium Trust	1.13	Magellan Aerospace Corp	-0.95
CGI Inc	0.04	Magellan Aerospace Corp	-0.87	Pason Systems Inc.	0.90	Open Text Corp.	-0.83
Emera Inc.	0.02	Héroux-Devtek Inc.	-0.69	Sierra Wireless	0.83	Héroux-Devtek Inc.	-0.81

The information contained herein is subject to important disclosures and disclaimers contained in the Disclosure Statement on the last page of this document. This document is not complete without such Disclosure Statement.

BRANDES

on the  
  
**BRIDGEHOUSE**  
 INDEPENDENT PLATFORM

# Brandes Canadian Equity Fund

## Quarterly Additions/Deletions

Additions	Deletions
CGI Inc.	
CAE Inc.	

The information contained herein is subject to important disclosures and disclaimers contained in the Disclosure Statement on the last page of this document. This document is not complete without such Disclosure Statement.



# Brandes Canadian Equity Fund

FOR DISTRIBUTION TO INVESTORS BY REGISTERED DEALERS ONLY.

Bridgehouse Asset Managers® is a trade name of Brandes Investment Partners & Co. (Bridgehouse). Brandes Investment Partners® is a registered trademark of Brandes Investment Partners, L.P. (Brandes LP), which is an affiliate of Bridgehouse. Bridgehouse is the manager of the Bridgehouse Funds and has hired Brandes LP, Lazard Asset Management (Canada), Inc. (Lazard), Morningstar Associates Inc. (Morningstar), Sionna Investment Managers Inc. (Sionna), GQG Partners LLC (GQG Partners) and TD Asset Management (TDAM) as portfolio sub-advisors (collectively, the “portfolio sub-advisors”) in respect of the Bridgehouse Funds. The foregoing reflects the thoughts, opinions and investment strategies of Bridgehouse and/or the portfolio sub-advisors and is subject to change at their discretion, based on changing market dynamics or other considerations. Bridgehouse and the portfolio sub-advisors have taken reasonable steps to provide accurate and current data. The data has been gathered from sources believed to be reliable, however, Bridgehouse and/or the portfolio sub-advisors are not responsible for any errors or omissions contained herein. Indices are unmanaged and cannot be directly invested into. Securities mentioned herein are not to be construed as a recommendation to buy or sell. Past performance is not a reliable indicator of future results. This material has been provided by Bridgehouse and is for informational purposes only. It is not intended to provide legal, accounting, tax, investment, financial or other advice and is not to be construed as a recommendation to buy or sell. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. This report may contain forward-looking statements about the economy and markets; their future performance, strategies or prospects. Units and shares of the Bridgehouse Funds are available through registered dealers only and are not available through Bridgehouse.

The words “may,” “could,” “should,” “would,” “suspect,” “outlook,” “believe,” “plan,” “anticipate,” “estimate,” “expect,” “intend,” “forecast,” “objective” and similar expressions are intended to identify forward-looking statements. Forward-looking statements are not guarantees

of future performance. Forward-looking statements involve inherent risks and uncertainties about general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. You are cautioned to not place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement. Before making any investment decisions, you are encouraged to consider these and other factors carefully. Where applicable, please note that MSCI has not approved, reviewed or produced this report, makes no express or implied warranties or representations and is not liable whatsoever for any data in the report. You may not redistribute the MSCI data or use it as a basis for other indices or investment products.

Published August 4, 2022

BRANDES

on the  
**BRIDGEHOUSE**  
INDEPENDENT PLATFORM