

# “History Never Repeats Itself But it Rhymes”

Tech Bubble Observations	Today's Observations
Add “.com” to the name of a firm and watch the share price soar	Emphasize the “consumer-tech” aspect of the firm and watch the share price soar
Eyeballs on screens are more important than pesky things like profits	Growing the subscriber base, capturing market share is more important than pesky things like profits
Excessive IPO activity	In 2019, IPOs are on pace to hit \$46 billion, the largest single-year haul since 1999 <sup>1</sup>
During the bubble, value stocks traded at a 86% discount to growth stocks based on P/E ratios <sup>2</sup>	Value stocks now trade at a 90% discount to growth stocks based on P/E ratios <sup>3</sup>

<sup>1</sup> Source: Investors beware: The typical IPO stock is a dud, says Goldman Sachs. September 2019. Morningstar. The information provided should not be considered a recommendation to purchase or sell any particular security.

<sup>2</sup> As measured December 31, 1999.

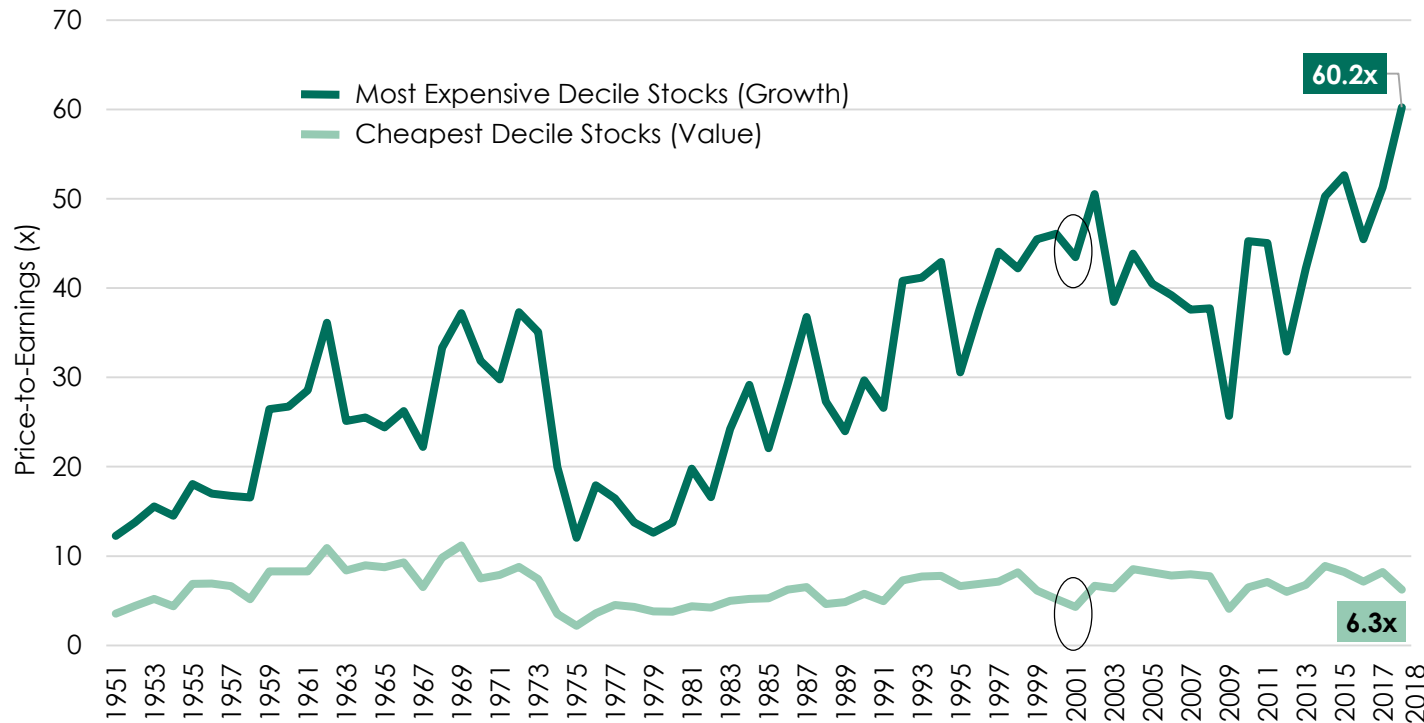
<sup>3</sup> Source: Brandes analysis, Ken French Data Library at [http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data\\_library.html](http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html). The deciles are based on the universe of U.S. stocks from Ken French's data library. The universe is sorted into deciles based on P/E ratio, with the lowest P/E ratio (value) being in decile 10 and the highest P/E ratio (growth) in decile 1 (the library already divides the stocks into deciles). Price-to-earnings (P/E): Price per share divided by earnings per share. Price/Earnings average is a value-weighted average. As of December 31, 2018.

Past performance is not a guarantee of future results. One cannot invest directly in an index.



# Valuation Dispersion at Extreme Levels

Price/Earnings of Most Expensive Decile vs. Cheapest Decile (U.S.)

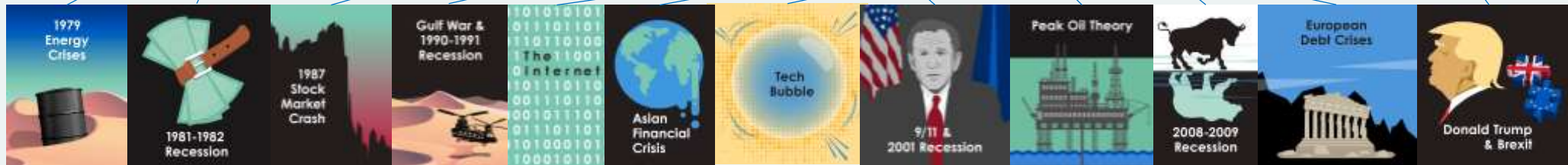
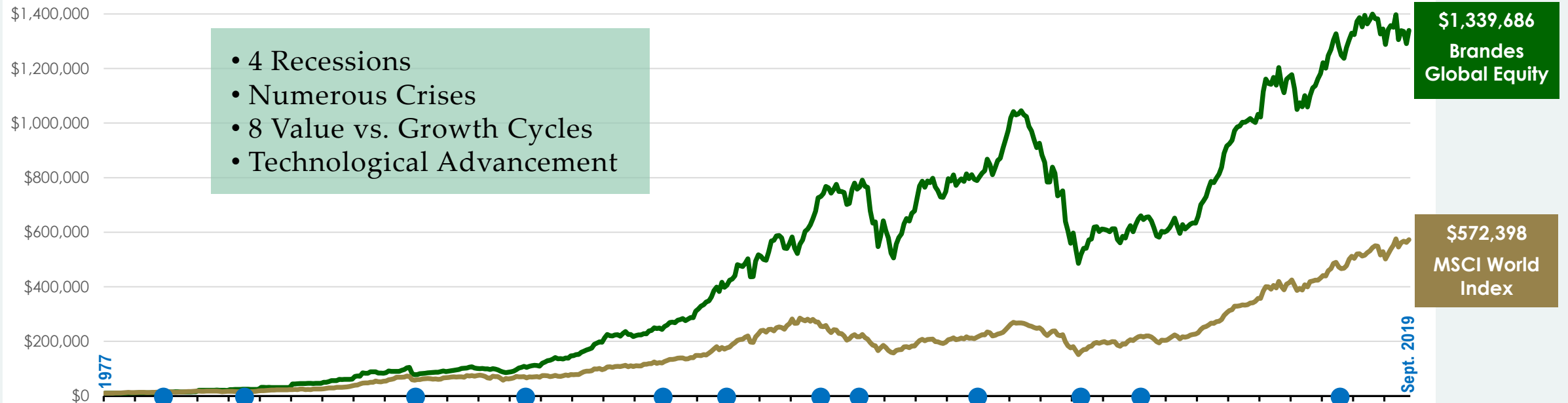


- **90% Discount:** Value stocks traded at a 90% discount to growth stocks based on P/E ratios.
- **Value's Resilience:** Historically, we've seen value stocks' remarkable resilience following similar levels of valuation dispersion.

**DECEMBER 31, 1951 TO DECEMBER 31, 2018** | Source: Brandes analysis, Ken French Data Library at [http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data\\_library.html](http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html). The deciles are based on the universe of U.S. stocks from Ken French's data library. The universe is sorted into deciles based on P/E ratio, with the lowest P/E ratio (value) being in decile 10 and the highest P/E ratio (growth) in decile 1 (the library already divides the stocks into deciles). Price-to-earnings (P/E): Price per share divided by earnings per share. Price/Earnings average is a value-weighted average. Past performance is not a guarantee of future results. This material is intended for informational purposes only. The information provided in this material should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any strategy discussed was or will be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance referenced herein. The foregoing reflects the thoughts and opinions of Brandes Investment Partners® exclusively and is subject to change without notice. Brandes Investment Partners® is a registered trademark of Brandes Investment Partners, L.P. in the United States and Canada.

# What We're Built For

Growth of \$10K – Brandes Global Equity Composite CAD (net of 1.17% fee) vs. MSCI World Index CAD



GROWTH OF \$10K, DECEMBER 31, 1977 (BRANDES GLOBAL EQUITY INCEPTION) TO SEPTEMBER 30, 2019 | Source: Brandes, MSCI via Zephyr. Past performance is not a guarantee of future results. One cannot invest directly in an index. This hypothetical example is for illustrative purposes only. Does not represent any specific investment. Actual results will vary. Please see the accompanying composite performance page.

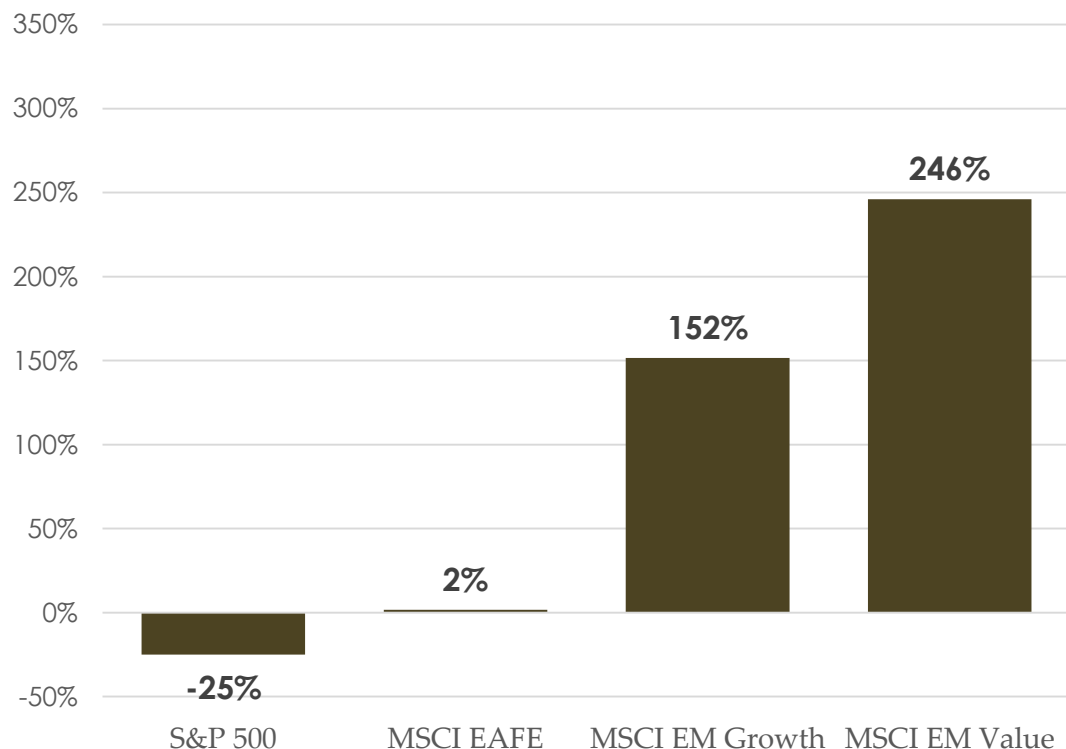
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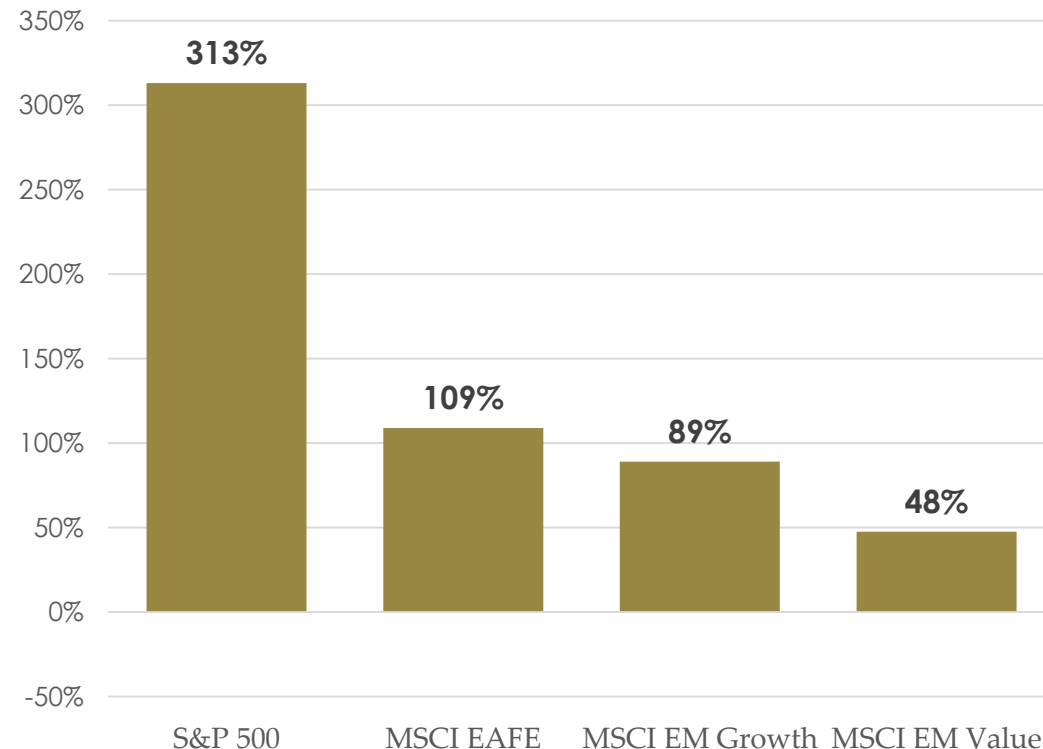
# Enthusiasm Shifts Over Time...And Will Likely Shift Again

## Total Return (Gross, CAD)

### 1999-2009



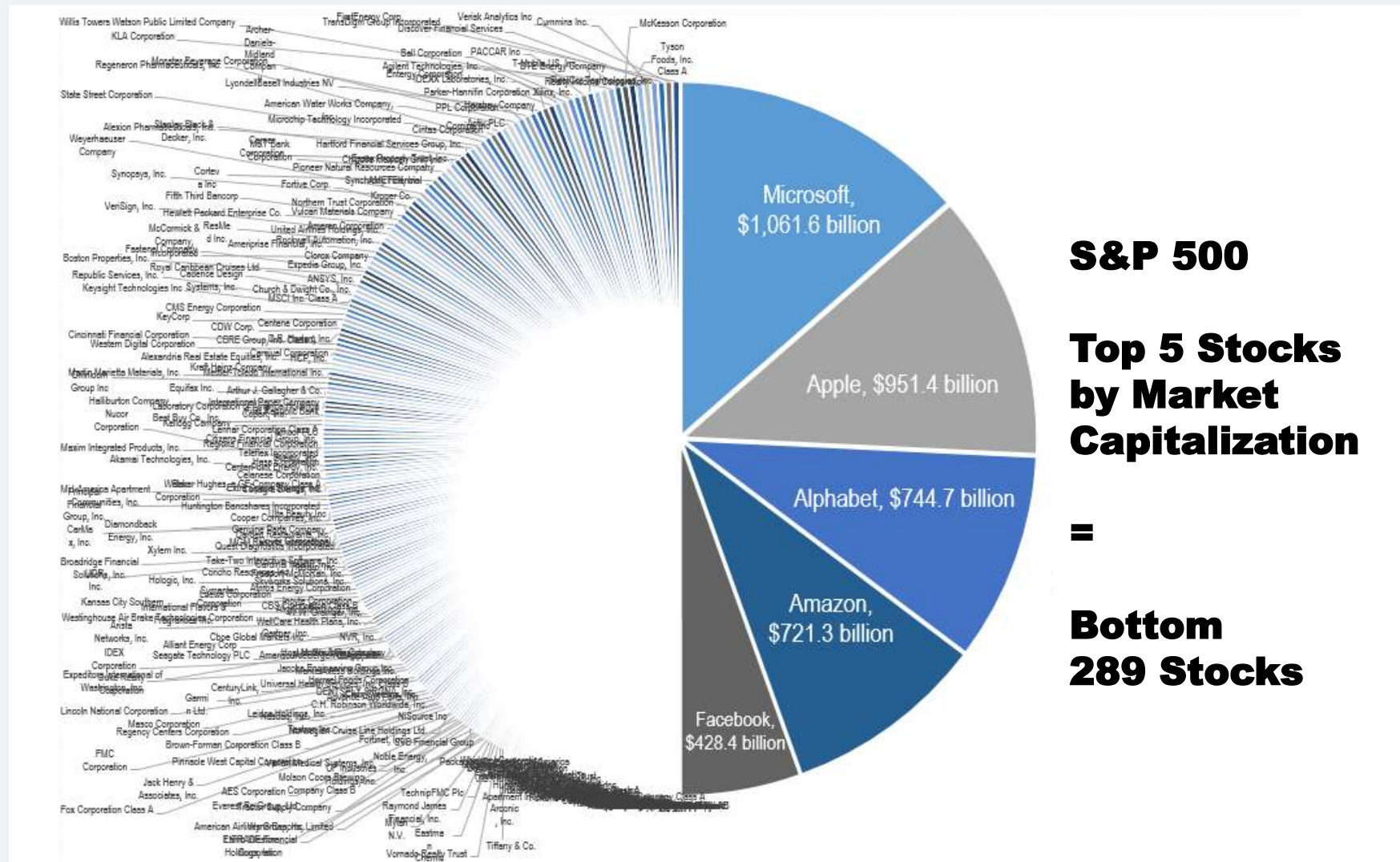
### 2010-2019



Source: Zephyr Style Advisor as at September 30, 2019. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

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# Concentrated/Tech Driven Market



Source: FactSet as at September 30, 2019. One cannot invest directly in an index. Stocks rated by market capitalization. Figures shown in USD.

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# Value as a Diversifier

If you had \$885 billion USD to spend buying companies...

**You could buy**

**amazon**

**OR**

**you could buy:**

EMBRAER, mitie, Cardinal Health, TELECOM ITALIA, CHI, STJOE, 中国移动 China Mobile, CREDIT SUISSE, Mitsubishi Tanabe Pharma, FUNO, FIBRA Macquarie México, Dräger, UBS, gsk GlaxoSmithKline, ENGIE, vivo, Carrefour, MCKESSON, Edgewell, HONDA, SANOFI

2018 Net Income = \$10.1 billion

2018 Net Income = \$74.1 billion

Top 23 holdings in the Brandes Global Opportunities Fund.

...and you'd still have \$18.3 billion left over

Source: FactSet as at November 8, 2019. Refers to the market cap of each company on November 8, 2019 in USD and 2018 net income in USD. Securities referenced are for illustrative purposes only, and should not be considered recommendations. 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 has taken reasonable steps to provide accurate and current data. The data has been gathered from sources believed to be reliable, however Bridgehouse is not responsible for any errors or omissions contained herein. As the manager of the Bridgehouse Funds, Bridgehouse has hired Brandes Investment Partners, L.P. (Brandes LP) as portfolio sub-advisor in respect of certain of the Bridgehouse Funds. This material has been provided by Bridgehouse and is for informational purposes only. It should not 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. Published November 2019.

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