



Quarterly Commentary BRANDES SMALL CAP VALUE FUND

SEPTEMBER 30, 2019

FUND INFORMATION

Class I:	BSCMX
Class A:	BSCAX
Class R6:	BSCRX

STRATEGY

The Fund seeks long-term capital appreciation by investing predominantly in U.S. equity securities of small-capitalization companies that the Fund's investment team believes are undervalued relative to their financial strength and upside potential.

TOP TEN HOLDINGS

(% of assets as of 9/30/2019)

Edgewell Personal Care Co	4.31
NETGEAR Inc	4.05
MDC Holdings Inc	3.08
St Joe Co	3.05
PDL BioPharma Inc	2.97
United Therapeutics Corp	2.82
MicroStrategy Inc	2.76
National Western Life Group Inc	2.66
Avnet Inc	2.62
Taylor Morrison Home Corp	2.57

Fund holdings are subject to change at any time at the discretion of the investment manager.

The Brandes Small Cap Value Fund returned 1.03% (Class I Shares), outperforming its benchmark, the Russell 2000 Index, which declined 2.40% in the third quarter.

Positive Contributors

Select investments in health care, homebuilding and technology performed well.

Avadel Pharmaceuticals rose materially in late September following news that the U.S. Food and Drug Administration agreed to reduce the sample size of its phase III trial of FT218 (a medication intended to treat excessive daytime sleepiness and muscle weakness in narcolepsy patients). This change accelerates the clinical trial timeline for FT218 by up to a year. **Emergent BioSolutions** and **Invacare Corporation** also performed well.

Homebuilders **M.D.C. Holdings** and **Taylor Morrison Home** contributed effectively. M.D.C. saw its home orders for July/August rise by more than 60% compared to 2018. Similarly, Taylor Morrison increased as its orders and sales improved. Construction and engineering firm **Orion Group**, communications equipment business **NETGEAR** and **Edgewell Personal Care** rebounded strongly.

Performance Detractors

While Avadel, Invacare and Emergent BioSolutions performed well, other health care holdings were notable detractors, including **PDL BioPharma**, **Triple-S Management** and **Phibro Animal Health**.

Briggs & Stratton's shares dropped after the company reported worse-than-expected results, cut its dividend and closed a manufacturing facility. As a result, we performed a thorough review of the company. We believe it still offers a reasonable risk/reward opportunity at its current valuation level, especially as it transitions through its Sears distribution disruption and operational issues associated with a move to two new, more efficient factories. The unusually wet spring in North America also negatively affected lawnmower sales. Given the execution and balance sheet risks, we did not buy more stock during the price decline but retained the lower allocation as we continue to monitor the company's progress.

Other detractors included regional jet manufacturer **Embraer** and **Chesapeake Energy**.

Select Activity in the Quarter

Additions to the portfolio included full-service community bank **Eagle Bancorp Montana**, additive flavors company **Sensient Technologies**, machinery business **Hurco Companies** and **National Presto Industries**.



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National Presto (NPK) was founded in 1905. Following the 2017 sale of its absorbent products division, NPK now operates two businesses. Its small appliance division (29% of sales, 6% of earnings before interest and taxes, or EBIT) designs, markets and distributes small kitchen appliances, including pressure cookers, canners, griddles, popcorn makers and many others. Its defense products division (71% of sales, 94% of EBIT) is a vertically integrated manufacturer of ammunition (i.e., 40 mm grenades) and related products (i.e., detonators, release cartridges and other energetic materials) sold to the U.S. Department of Defense (DoD) and other defense contractors.

NPK operates in what seem to be mature and competitive industries with impressive historical returns, as illustrated by a 10-year return on invested capital (ROIC) of 22% and a 30-year ROIC of 38%. We believe these results can be attributed to smart capital allocation and a commitment to use assets well beyond their depreciated life. NPK has been managed conservatively for many years, as reflected in a consistently cash-heavy balance sheet, an unbroken 75-year dividend track record and a 30-year payout ratio of 85%. Maryjo Cohen, the great granddaughter of L.E. Philips (who bought the company in 1943), leads NPK as chair and chief executive officer.

We view NPK as an inexpensive source of diversification due to the low economic sensitivity of DoD ammunition needs and the counter-cyclical small appliances business. The high net-cash balance sheet is reassuring but creates capital allocation risk. Nonetheless, we take comfort in a long-term, value-oriented management culture that is economically aligned with its shareholders.

Positions in **Speedway Motorsports**, **Beazer Homes**, **Federated Investors** and **Kelly Services** were sold in the quarter.

Year-to-Date 2019 Briefing

In the nine months ended June 30, 2019, the Brandes Small Cap Value Fund rose 6.75% (Class I Shares), underperforming its benchmark, the Russell 2000 Index, which appreciated 14.18%.

Key contributors year to date included **World Fuel Services**, **St. Joe Company** and **Rent-A-Center**. Homebuilders Taylor Morrison Home and M.D.C. also performed well, as did **Eagle Pharmaceuticals** and Avadel Pharmaceuticals.

Significant detractors were similar to those in the third quarter, namely Briggs & Stratton and PDL BioPharma. Other

poor performers included household durables businesses **CSS Industries** and **Dorel Industries**, **Arlo Technologies** and Edgewell Personal Care.

Current Positioning

As passive investing has become increasingly popular among U.S.-based investors, we believe that the Fund can be a potential complement to investors' passive exposure. Most passive strategies are market capitalization-weighted, which means that as their holdings get more expensive, their weightings in the strategies increase. As such, these strategies tend to be more growth- or momentum-oriented; in other words, "anti-value." Our active, value-focused fund could therefore potentially provide diversification for investors with predominantly passive exposure.

The valuation discount for U.S. small cap value stocks relative to growth stocks (as measured by the price/earnings of the MSCI USA Small Cap Value and Growth indices) continues to be near the highest levels in almost 70 years, which implies to us attractive relative return potential for value over the medium term.

Recently, we saw a very short-term example of what a value rebound could look like. During the last month of the quarter, value stocks experienced a sharp snapback and outperformed the broader market by over 300 basis points (Russell 2000 Value Index relative to Russell 2000 Index for the period 8/31/19 to 9/30/19). The Fund also participated in this value resurgence. This is consistent with the Fund's track record, as it has tended to perform well when the value index outperformed the broader market. Given where valuations remain today for value stocks, we believe the Fund would benefit should value investing finally experience a reversal after many years of underperformance.

As of September 30, the Fund's sector allocations were fairly diverse. Its largest allocations were to companies in the health care and industrials sectors. The most notable underweights were to financial services and real estate.

We remain committed to holding value portfolios for our clients in all market conditions and appreciate the trust you have placed in us.

Average Annual Total Returns (%) as of September 30, 2019

Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 10/1/1997
Class I	1.03	6.75	-8.13	3.99	7.06	12.04	6.57
Class A	0.87	6.30	-8.64	3.63	6.73	11.73	6.29
Class R6	-6.75	-1.61	-15.36	1.37	5.43	11.18	6.20
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 10/1/1997
Class A	-4.92	0.16	-13.92	1.61	5.48	11.07	6.00
Russell 2000 Index	-2.40	14.18	-8.89	8.23	8.19	11.19	7.05
Russell 2000 Value Index	-0.57	12.82	-8.24	6.54	7.17	10.06	7.78

Operating Expenses: Class I: 3.67% (gross), 0.90% (net) Class A: 3.21% (gross), 1.15% (net) Class R6: 2.99% (gross), 0.72% (net)

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. All performance is historical and includes reinvestment of dividends and capital gains. Performance data current to the most recent month end may be obtained by calling 1.800.395.3807. Performance data shown with load reflects the Class A maximum sales charge of 5.75%. Performance shown without load does not reflect the deduction of the sales load. If reflected, the load would reduce the performance quoted.

The performance information shown for periods before January 2, 2018 is that of a private investment fund managed by the Advisor (the "Predecessor Fund") prior to the commencement of the Small Cap Fund's operations with policies, guidelines and restrictions that were, in all material respects, equivalent to those of the Small Cap Fund. The Small Cap Fund acquired the assets and assumed the liabilities of the Predecessor Fund on January 2, 2018, and investors in the Predecessor Fund received Class I shares of the Small Cap Fund as part of the reorganization. With respect to Class I and Class R6 shares, the performance information shown reflects the gross expenses of the Predecessor Fund. Class A shares reflect the gross expenses of the Predecessor Fund restated to reflect the Class A sales load and Rule 12b-1 fees.

The Advisor has contractually agreed to limit the operating expenses through January 31, 2020. The Expense Caps may be terminated at any time by the Board of Trustees upon 60 days notice to the Advisor, or by the Advisor with the consent of the Board. Investment performance reflects fee waivers and/or reimbursement of expenses. In the absence of such waivers/reimbursements, total return would be reduced.

Basis Point: 1/100 of 1%.

Price/Earnings: Price per share divided by earnings per share.

Return on Invested Capital/Return on Capital (ROIC): Net income minus dividends divided by total capital; used to assess a company's efficiency at allocating the capital under its control to profitable investments.

The Russell 2000 Index with gross dividends measures the performance of the small cap segment of the U.S. equity universe.

The Russell 2000 Value Index with gross dividends measures performance of the small cap 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 Small Cap Value Index captures small-cap securities exhibiting value style characteristics (defined using book value to price, 12-month forward earnings to price, and dividend yield) across the U.S. equity markets.

The MSCI USA Small Cap Growth Index captures small-cap securities exhibiting growth style characteristics (defined using book value to price, 12-month forward earnings to price, and dividend yield) across the U.S. equity markets.

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Because the values of the Fund's investments will fluctuate with market conditions, so will the value of your investment in the Fund. You could lose money on your investment in the Fund, or the Fund could underperform other investments. The values of the Fund's investments fluctuate in response to the activities of individual companies and general stock market and economic conditions. Diversification does not assure a profit or protect against a loss in a declining market. It is not possible to invest directly in an index. Stocks of small-sized and mid-sized companies tend to have limited liquidity and usually experience greater price volatility than stocks of larger companies.

A mutual fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectuses contain this and other important information about the investment company, and may be obtained by calling 1.800.395.3807 or visiting www.brandesfunds.com. Read carefully before investing.

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