

Brandes Emerging Markets Value Fund

FUND INFORMATION

Class I:	BEMIX
Class A:	BEMAX
Class C:	BEMCX
Class R6:	BEMRX

STRATEGY

The Fund seeks long-term capital appreciation by investing in equity securities of issuers in developing markets it believes are undervalued relative to their financial strength and upside potential.

TOP TEN HOLDINGS

(% of assets as of 3/31/2021)

Alibaba Group Holding Ltd	4.96
Taiwan Semiconductor Manufacturing Co Ltd	3.52
POSCO	3.38
Samsung Electronics Co Ltd	3.32
Fibra Uno Administracion SA de CV	2.73
KT&G Corp	2.55
Embraer SA	2.53
Sberbank of Russia PJSC	2.46
Wiwynn Corp	2.28
Cemex SAB de CV	2.28

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

The Brandes Emerging Markets Value Fund returned 3.72% (Class I Shares), outperforming its benchmark, the MSCI Emerging Markets Index, which was up 2.29% in the first quarter. The MSCI Emerging Markets Value Index was up 4.11% for the period.

Positive Contributors

The Fund continued to benefit from cyclically oriented and economically sensitive holdings, such as Brazil-based regional jet manufacturer **Embraer**, Mexican cement company **Cemex**, Taiwan's computer hardware firm **Asustek Computer** and Thailand-based **Siam Commercial Bank**. The positive performance of these companies was mainly driven by their strong free-cash-flow generation and improved business outlook.

Embraer saw its business stabilize amid increased customer aircraft deliveries, resulting in positive cash flow and improving margins. Asustek announced better-than-estimated fourth-quarter results and higher cash dividends, while Cemex experienced its strongest period in many years and announced double-digit profit growth guidance for 2021.

Performance Detractors

Several holdings in China and Brazil declined in the quarter, although our allocations to the countries did better overall than the benchmark's Chinese and Brazilian constituents. Notable detractors included higher education companies **Cogna Educacao** and recent purchase **China Education Group**, as well as oil and gas firm **Petrobras**.

Tension over fuel price hikes at Petrobras came to a head when President Bolsonaro announced the nomination of a retired army general to replace the firm's current chief executive officer. The move, which raised investor concerns about government interference, came after management seemed unwilling to reverse recent fuel price increases despite mounting pressure. Brazil depends on imports to meet its domestic demand for refined oil products. As essentially the sole importer for such products, Petrobras has faced similar issues in the past. The oil price was up over 50% in Brazilian real terms since November, subsequently driving up fuel pricing. Even with recent hikes, the fuel prices set by Petrobras are still below import parity. We believe that the market reaction has been larger than the likely economic impact and that the company fundamentals remain appealing as Petrobras offers strong free cash flows underpinned by attractive production growth from a low-cost resource base.

Beyond holdings in China and Brazil, other detractors included Indonesian mobile operator **XL Axiata** and India-based **Zee Entertainment Enterprises**.

Select Activity in the Quarter

New additions to the Fund's portfolio included China Education Group and **Indofood**.

China Education Group (CEG) is the largest publicly traded private higher education operator in China by student enrollment. The strong demand for higher education in China necessitates active participation by the private sector and makes the segment a lucrative and growing market, in our view. Unlike in the K-12 segment, where profitability is restricted due to government concerns about unequal access to basic education, China's regulations allow higher educational institutions to be for-profit entities.

We believe CEG offers an attractive business growth potential that is not fully appreciated by the market. The company plans to expand its schools and convert its independent colleges into full private universities, which should increase its appeal among potential students and allow the company to enhance its margins. Additionally, CEG has strong management, provides transparent and good corporate access to investors, and has shown the ability to add value through merger and acquisitions activities. We believe these attributes combine to make CEG a compelling value opportunity for us.

Other activity included the divestments of Russia-based diamond company **Alrosa** and Taiwanese Asustek Computer, as well as China-based **Baidu** and China Mobile. We sold Alrosa, Asustek and Baidu as the shares appreciated to our estimates of their intrinsic values. Meanwhile, we exited our position in China Mobile due to a change in its non-investment related risk profile. In January, the New York Stock Exchange delisted China Mobile to comply with an executive order by then President Donald Trump barring U.S. investments in Chinese companies with links to the military.

Current Positioning

At quarter end, the Brandes Emerging Markets Value Fund held its largest sector weightings in financials and consumer discretionary, and maintained key underweights to technology and materials. From a country perspective, even though Chinese companies made up our largest allocation, we were still significantly underweight the country. Additionally, we had lower weighting to Taiwanese companies than the benchmark. While our investment decisions are based on company-by-company analysis and not dependent on any index's compositions, the differences between our value-oriented portfolio and the benchmark make the Fund a potential complement to index-tracking and growth-oriented alternatives.

As the pandemic has created significant uncertainty for businesses, we have applied conservative assumptions in estimating the intrinsic values of our holdings. We believe the Fund is well positioned to benefit from potential post-Covid economic recoveries in emerging markets (EM) outside China, Taiwan, and South Korea (three countries that have a "near Covid-free" status). Additionally, the Fund maintains a diversified exposure to what we consider attractively priced value opportunities, including companies with underappreciated growth potential, high dividend yields or those that are undergoing temporary setbacks. Before the positive news regarding Covid-19 vaccines broke in November, our analysts saw good operating results from our holdings which were *not* followed by major price movements for these securities. The Fund's performance could get a lift with continued improvement in the

fundamentals of our holdings and a re-rating of the companies' multiples. Additionally, the potential strengthening of EM currencies against the U.S. dollar is another potential catalyst for the Fund's future returns.

After another strong quarter, value stocks (as represented by MSCI EM Value) remain attractive, in our opinion, for the long term given a variety of potential tailwinds, including:

- an increase in inflation and interest rates (see our most recent [Brandes Letter](#));
- pickup in economic growth as global economies begin to reopen and potentially benefit from government stimulus;
- the prospect of increased government regulation of technology companies, which make up a meaningful portion of growth indices (e.g., 25% of MSCI EM Growth vs. 17% of MSCI EM Value as of March 31).

More importantly, we believe the valuation discounts at which value stocks trade relative to growth stocks (MSCI EM Value vs. MSCI EM Growth, based on price/book, price/earnings and price/cash flow) continue to bode well for value stocks.

We remain excited about the prospects of the Brandes Emerging Markets Value Fund and thank you for your continued trust.

Average Annual Total Returns (%) as of March 31, 2021

Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 8/20/1996
Class I	3.72	3.72	47.66	-1.00	6.24	1.03	6.94
Class A	3.62	3.62	47.25	-1.23	5.99	0.77	6.70
Class C	3.53	3.53	46.25	-1.98	5.22	0.04	5.88
Class R6	3.82	3.82	47.79	-0.87	6.40	1.14	7.02
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 8/20/1996 ¹
Class A	-2.34	-2.34	38.78	-3.16	4.75	0.18	6.45
Class C	2.53	2.53	45.25	-1.98	5.22	0.04	5.88
MSCI Emerging Markets Index	2.29	2.29	58.39	6.48	12.07	3.65	6.71
MSCI Emerging Markets Value Index	4.11	4.11	52.53	2.60	8.42	1.03	N/A

Operating Expenses: Class I: 1.14% (gross), 1.12% (net) Class A: 1.34% (gross), 1.34% (net) Class C: 2.09% (gross), 2.09% (net) Class R6: 1.09% (gross), 0.97% (net)

¹ Fund inception predates MSCI Emerging Markets Value Index inception.

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.

Prior to January 31, 2011, the Fund was a private investment fund managed by the Advisor with policies, guidelines and restrictions that were, in all material respects, equivalent to those of the Fund. Class A and Class I shares commenced operations on January 31, 2011, while Class C shares commenced operations on January 31, 2013. Prior to January 31, 2013, Class A shares were known as Class S shares. (Class A shares have the same operating expenses as Class S shares.) The Class I performance information shown for periods prior to January 31, 2011 is that of the private investment fund managed by the Advisor that is the predecessor of the Fund not adjusted for Fund expenses. Performance shown prior to January 31, 2011, for Class A shares reflects the performance of the private investment fund restated to reflect Class A sales loads and expenses. Performance shown prior to the inception of Class C shares reflects the performance of the private investment fund for periods prior to January 31, 2011 and the performance of Class I shares for the period from February 1, 2011 to January 30, 2013 restated to reflect Class C expenses. Class R6 shares commenced operations on July 11, 2016. Performance shown prior to the inception of Class R6 shares reflects the performance of Class I shares. On May 1, 2021, the Advisor returned to the Fund the Class C's unused shareholder servicing fees not paid to third parties. This resulted in a one-time increase in Class C net asset value.

The Advisor has contractually agreed to limit the operating expenses through January 31, 2022. 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.

Free Cash Flow: Total cash flow from operations less capital expenditures.

Cash Flow: The amount of cash generated minus the amount of cash used by a company in a given period.

Dividend Yield: Dividends per share divided by price per share.

Price/Book: Price per share divided by book value per share.

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

Price/Cash Flow: Price per share divided by cash flow per share.

Net Cash: Total cash minus total debt.

Operating Margin: Operating income divided by net sales; used to measure a company's operating efficiency.

The MSCI Emerging Markets Index with net dividends captures large and mid cap representation of emerging market countries. Data prior to 2001 is gross dividend and linked to the net dividend returns.

The MSCI Emerging Markets Value Index with gross dividends captures large and mid cap securities exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.

The MSCI Emerging Markets Growth Index with gross dividends captures large and mid cap securities exhibiting 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.

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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. In addition, the performance of foreign securities depends on the political and economic environments and other overall economic conditions in the countries where the Fund invests. Emerging country markets involve greater risk and volatility than more developed markets. Some emerging markets countries may have fixed or managed currencies that are not free-floating against the U.S. dollar. Certain of these currencies have experienced, and may experience in the future, substantial fluctuations or a steady devaluation relative to the U.S. dollar. 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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