Quarterly Commentary

BRANDES INTERNATIONAL EQUITY FUND

MARCH 31, 2019

FUND INFORMATION

Class I:	BIIEX
Class A:	BIEAX
Class C:	BIECX
Class R6:	BIERX

STRATEGY

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

TOP TEN HOLDINGS

(% of assets as of 3/31/2019)

GlaxoSmithKline PLC	3.68
Sanofi	3.67
Fibra Uno Administracion SA de CV	2.61
Carrefour SA	2.48
Telecom Italia SpA	2.31
Engie SA	2.29
Eni SpA	2.27
WPP PLC	2.27
UBS Group AG	2.11
Credit Suisse Group AG	2.10

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

The Brandes International Equity Fund rose 6.48% (Class I Shares), underperforming its benchmark, the MSCI EAFE Index, which appreciated 9.98% in the first quarter.

Positive Contributors

In a strongly performing market, several of our investments appreciated significantly. Key contributors included a number of U.K.-based holdings such as multiline retailer **Marks & Spencer** and grocer **Tesco**.

Tesco's shares rose more than 20% as the company remained on track in its turnaround plan and announced better-than-expected holiday results.

Other notable performers included Mexican real estate investment trust **Fibra Uno** and Italy-based **Telecom Italia**.

Fibra Uno lifted returns as it benefited from the U.S. Federal Reserve's hints that there may be no further interest rate hikes in 2019. Meanwhile, Telecom Italia made significant gains amid an ongoing strategic battle between two of its largest shareholders, Vivendi and Elliott Management.

Performance Detractors

The most significant detractor was Brazil-based jet manufacturer **Embraer**.

Embraer has received sign-off for its deal with Boeing from most of the required stakeholders, including the Brazilian government and shareholders. The deal is expected to close by the end of this year, assuming anti-trust regulators approve it. In the quarter, Embraer's shares declined as the company missed revenue and net income forecasts. Nevertheless, our valuation thesis remains positive. As we have shared in the past, we view the deal favorably. It crystalizes the value of Embraer's commercial segment ahead of any need for regional jet volume recovery, partially mitigating the risks related to the capital expenditure cycle of airlines (Embraer's customers). The deal also offsets the competitive threat from Airbus/Bombardier and provides a closer relationship with Boeing, which we believe creates a positive outlook for both Embraer's defense and business jet segments. The shares continue to look deeply undervalued to us at current valuation levels.

Other detractors included U.K. grocer **J Sainsbury**, Japanese pharmaceutical firm **Mitsubishi Tanabe Pharma**, and French consumer products company **Societe BIC** and ad agency **Publicis Groupe**.

Sainsbury's shares fell amid investor worry that its planned merger with Asda may not go through due to regulatory concerns. In an effort to assuage these concerns, Sainsbury announced further price-cut commitments in late March. We are supportive of the merger and believe it would benefit the company and the entire U.K. food retail market, thus increasing our estimate of the company's intrinsic value. Even if the merger does not materialize, we believe Sainsbury offers an attractive risk/reward tradeoff given its restructuring program and the upside potential from food price inflation. We took advantage of what we viewed as a market overreaction to the merger update by increasing our position in the quarter.

Select Activity in the First Quarter

International markets enjoyed a strong rebound after declining in the fourth quarter of 2018. Our overall portfolio activity was light: We made no new purchases, and exited positions in Swiss pharmaceutical firm **Roche** and Russian integrated oil & gas company **Lukoil**. Both holdings appreciated to our estimates of their intrinsic values in the quarter.

We purchased Roche's shares last year as the upcoming patent expiration of its three main oncology medications cast a doubt on the company's growth prospects. While we too were concerned about heightened competition in the oncology market, especially post patent expiration, we believed the share-price decline more than offset that threat, warranting an investment in Roche (see our discussion in the commentary for 2Q18). Biologic drugs (the category to which Roche's drugs belong) are difficult to replace with generic versions (called biosimilars) for a variety of reasons, including doctor/patient resistance and the complexity of developing biosimilars.

We also believed the company had the potential to improve its cost structure. While we typically have a longer ownership period, we sold our stake in Roche when the shares reached our estimate of intrinsic value in under a year.

Lukoil is Russia's largest independent integrated oil & gas company. We initiated our position several years ago as we believed the shares offered an appealing value opportunity, even after accounting for the risks associated with investing in a Russia-based oil company. At the time, Lukoil traded at a significant valuation discount to its international peers. It also exhibited some of the lowest enterprise multiples relative to proven oil reserves among oil & gas companies globally.

Throughout our holding period, Lukoil faced a variety of concerns—some were specific to the oil & gas industry, while others were contributed by Russia's deteriorating global relations and the imposition of sanctions. Despite the oil price and exchange rate decline, Lukoil was a notable performer during our investment period, especially on a total-return basis (the company has increased its capital return to shareholders more recently). The shares appreciated significantly over the last 18 months amid improved operating results, prompting our decision to exit the position.

Current Positioning

As of March 31, the Fund's largest overweight positions were in emerging markets, France, the United Kingdom and Italy. From a sector/industry standpoint, it held above-benchmark weightings in oil, gas & consumable fuels, pharmaceuticals, food retailing and the communication services sector. We remained underweight companies based in Germany, Japan and Australia, as well as in materials and industrials.

Despite the strong absolute performance of the overall international market (as represented by the MSCI EAFE Index), several sectors continued to lag, including financials and communication services. For years, European financial companies, in particular banks, have represented a notable underweight for the Fund and have discernibly underperformed the broader international market. As their valuations continue to compress, we are reviewing some potential opportunities. However, we remain wary about the capital levels at many of the banks priced at the largest discounts. On the other hand, we continued to hold a meaningful overweight in communication services. We believe select companies in this sector offer compelling risk/reward tradeoff that tends to be overlooked amid the market's short-term orientation.

Within the MSCI EAFE Index, German companies rose overall but lagged the broader index. The recent underperformance has encouraged us to evaluate potential investment candidates. Although we did not find many new opportunities, we initiated a small position in a German company late last year.

There remains significant uncertainty in the global investing environment, whether it stems from trade disputes, path of interest rates, political concerns, or most recently the lack of clarity with the ongoing Brexit decision. We claim no crystal ball to know exactly when and how some of these uncertainties will resolve themselves, but we do believe that in a free market, businesses have the ability to adapt. As an active value manager, Brandes views market uncertainty positively as it often helps create attractive long-term investment opportunities due to short-term market overreaction.

We remain committed to building and 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 March 31, 2019							
Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 1/2/1997
Class I	6.48	6.48	-6.14	5.77	1.83	7.69	7.55
Class A	6.45	6.45	-6.31	5.56	1.65	7.50	7.32
Class C	6.24	6.24	-7.04	4.77	0.88	6.66	6.50
Class R6	6.53	6.53	-5.97	5.96	1.96	7.79	7.63
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 1/2/1997
Class A	0.31	0.31	-11.68	3.50	0.45	6.87	7.04
Class C	5.24	5.24	-7.95	4.77	0.88	6.66	6.50
MSCI EAFE Index	9.98	9.98	-3.71	7.27	2.33	8.96	4.58

Operating Expenses: Class I: 0.96% (gross), 0.96% (net) Class A: 1.16% (gross), 1.16% (net) Class C: 1.91% (gross), 1.91% (net) Class R6:0.91% (gross), 0.82% (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 Fund commenced operations in 1997. Prior to October 6, 2008, the Fund had only one class of shares (currently designated as Class I shares). Class A shares commenced operations on January 31, 2011, but 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.) Performance shown prior to January 31, 2011 for Class A shares reflects the performance of Class I shares restated to reflect Class A shares loads and expenses. Class C shares commenced operations on January 31, 2013. Performance shown prior to the inception of Class C shares reflects the performance of Class I shares restated to reflect Class C expenses. Performance of Class R6 shares shown prior to the inception of Class R6 shares on February 1, 2016, reflects the performance of Class I shares.

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.

Enterprise Multiple to Proven Oil Reserves: Company net debt and market capitalization divided by proven oil reserves.

The MSCI EAFE Index with net dividends captures large and mid cap representation of developed market countries excluding the U.S. and Canada.

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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.

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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