

# Brandes U.S. Small-Mid Cap Value ETF

## FUND INFORMATION

Ticker	BSMC
CUSIP	900934100
NAV Symbol	BSMC.NV
Primary Exchange	CBOE
Dividend Frequency	Quarterly
Expense Ratio	0.70%

## STRATEGY

BSMC is an actively managed ETF that seeks long-term capital appreciation by investing primarily in equity securities of small- and mid-capitalization U.S. companies.

*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 (866) 307-0477.*

## TOP TEN HOLDINGS

(% of assets as of 6/30/2025)

Premier Inc	3.29
Amdocs Ltd	3.16
NETGEAR Inc	3.05
IPG Photonics Corp	2.85
Embraer SA	2.68
National Presto Industries Inc	2.40
Edgewell Personal Care Co	2.29
Ingles Markets Inc	2.26
Innovex International Inc	2.23
Elanco Animal Health Inc	2.09

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

The Brandes U.S. Small-Mid Cap Value ETF rose 6.76%/7.05% (NAV/Market Price), underperforming its benchmark, the Russell 2500 Index, which was up 8.59%. The Russell 2500 Value Index rose 7.29%.

## Positive Contributors

Leading contributors included holdings in the industrials sector, led by Healthcare Services Group and Embraer.

Healthcare Services Group announced its Q1 2025 results and beat earnings expectations. The company has seen an increase in demand for its services and also raised its full-year cash guidance.

Other strong performers included wireless surveillance company Arlo Technologies, NETGEAR, and Elanco Animal Health.

From a relative standpoint, the Fund’s lack of exposure to the real estate sector was an alpha generator.

## Performance Detractors

Detractors included holdings in consumer staples and health care. In consumer staples, detractors included Molson Coors Beverage Company and Edgewell Personal Care. Within health care, detractors included contract research organization Fortrea Holdings, health care equipment manufacturer Zimmer Biomet Holdings, and pharmaceutical company Organon.

## Select Activity in the Quarter

The small-mid cap investment committee initiated positions in energy equipment company Halliburton and information technology (IT) services company EPAM Systems (EPAM), while divesting positions in footwear company Skechers, supermarket Weis Markets, construction materials company Buzzi, and chemicals company Sensient Technologies.

EPAM is a fast-growing IT company that helps corporate customers with digital transformation. It provides complex solutions at lower costs compared to major competitors, including consulting, product development and design, automation, and optimization. Since its initial public offering in 2012, EPAM has been a rapidly growing company with exceptional cash conversion (FCF/Net income) and high returns on invested capital.

That run of success was broken in 2023, when EPAM’s revenues fell 3% (underperforming the broader IT services growth rate). The company faced idiosyncratic headwinds stemming from Russia’s invasion of Ukraine in 2022 and a cyclically depressed spending environment in 2023. The stock is down about 75% since the February 2022 Ukraine Invasion.

We believe the sell-off has created a buying opportunity. EPAM has been aggressively diversifying its delivery model away from exposure to the war-affected countries by ramping up its hiring in India and Latin America (Mexico, Colombia, Brazil, Argentina, Chile). Additionally, we believe that discretionary spending appears to have bottomed and pent-up demand is building. We find the investment opportunity compelling at its current valuation.

## Year-to-Date Briefing

The Brandes U.S. Small-Mid Cap Value ETF rose 4.25%/4.29% (NAV/Market Price), outperforming its benchmark, Russell 2500 Index, which was up 0.44%, and the Russell 2500 Value Index, which rose 1.03% in the six months ended June 30, 2025.

Stock selection across multiple sectors drove the Fund's outperformance relative to the benchmark. Leading contributors included holdings in industrials, led by Embraer, Healthcare Services Group and international infrastructure group Balfour Beatty. The Fund also benefited from holdings in information technology and energy.

Detractors were similar to those in the quarter, including contract research organization Fortrea Holdings, pharmaceutical company Organon, and Edgewell Personal Care.

## Current Positioning

Health care continues to be one of the largest sector weights in the Fund and the largest relative overweight compared to the benchmark. The Fund also has overweights to information technology and consumer staples relative to the benchmark.

The Fund's most significant underweights are in consumer discretionary, financials, and real estate, which is consistent with how its portfolio began 2025.

In our opinion, the differences between the Brandes U.S. Small-Mid Cap Value Fund and the broader U.S. small-mid cap market continue to make the Fund an attractive complement to other small-cap and small-mid offerings. The Fund exhibits lower valuations than the Russell 2500 Index, while offering exposure to companies that have what we consider strong balance sheets, compelling growth prospects, and a history of durable free cash flow.

We are optimistic about the potential of value stocks in general and believe the Brandes U.S. Small-Mid Cap Value ETF remains well positioned from a long-term risk/reward perspective.

Performance (%) as of June 30, 2025

	3 Months	YTD	1 Year	3 Years	Since Inception 10/03/2023
NAV	6.76	4.25	10.93	—	15.23
Market Price	7.05	4.29	11.53	—	15.48
Russell 2500 Index	8.59	0.44	9.91	—	17.10
Russell 2500 Value Index	7.29	1.03	10.47	—	17.24

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 (866) 307-0477.

Term definitions: <https://www.brandes.com/termdefinitions>.

The Russell 2500 Index with gross dividends measures the performance of the small- to mid-cap segment of the U.S. equity universe.

The Russell 2500 Value Index with gross dividends measures the performance of the small- to mid-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.

It is not possible to invest directly in an index.

**Investing involves risk, including potential loss of principal. An investment in the Fund may be subject to risks associated with investing in equity securities, including foreign and value securities risks, issuer risk, and focused investing risk. The Fund may, from time to time, invest a substantial portion of the total value of its assets in securities of issuers located in a particular industry, sector, country or geographic region. During such periods, the Fund may be more susceptible to risks associated with that industry, sector, country, or region. The Fund is an exchange-traded fund and, as a result of this structure, it is exposed to additional trading and transactional risks, limited participant risk, and risks associated with buying and selling shares. The Fund is a recently organized investment company with limited operating history. Please see the prospectus for a discussion of risks. Securities of mid-capitalization and small-capitalization companies may have comparatively greater price volatility and less liquidity than the securities of companies that have larger market capitalizations and/or that are traded on major stock exchanges. The Fund invests in value securities, which are securities the Advisor believes are undervalued for various reasons, including but not limited to as a result of adverse business, industry or other developments, or are subject to special risks, or limited market understanding of the issuer's business, that have caused the securities to be out of favor. The value style of investing utilized by the Advisor may cause the Fund's performance to deviate from the performance of broad market benchmarks and other managers for substantial periods of time. It may take longer than expected for the prices of value securities to increase to the anticipated value, or they may never increase to that value or may decline.**

ETFs are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a premium or discount to its net asset value, an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact an ETF's ability to sell its shares. Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the ETF. Brokerage commissions will reduce returns.

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus or summary prospectus with this and other information about the Fund, please call (866) 307-0477 or visit <http://www.brandes.com/etfs>. Read the prospectus or summary prospectus carefully before investing.

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.

Distributed by Foreside Fund Services, LLC.