

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	0.71%

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 12/31/2025)

Elanco Animal Health Inc	2.83
Innovex International Inc	2.67
IPG Photonics Corp	2.62
International Flavors & Fragrances Inc	2.60
DENTSPLY SIRONA Inc	2.53
Amdocs Ltd	2.50
Ingles Markets Inc	2.46
Edgewell Personal Care Co	2.37
Pediatrix Medical Group Inc	2.29
NETGEAR Inc	2.25

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 increased by 4.32%/4.44% (NAV/Market Price), outperforming its benchmark, the Russell 2500 Index, which was up 2.22% in the quarter. The Russell 2500 Value Index rose by 3.15%.

Positive Contributors

Notable contributors included select holdings in the health care sector, led by Fortrea Holdings and Pediatrix Medical Group. Fortrea Holdings experienced a lift after raising its full-year revenue guidance and completing a debt tender offer during the quarter. Pediatrix Group also performed well after delivering better-than-expected quarterly results.

Industrial companies Kennametal, Knight-Swift Transportation, and Healthcare Services Group delivered solid results, as did energy equipment companies Innovex International and Halliburton.

Performance Detractors

Holdings in technology detracted from performance, most notably communications equipment company Netgear, and electronic equipment companies IPG Photonics, and Arlo Technologies. Select consumer staples holdings also weighed on returns, led by Edgewell Personal Care. Edgewell declined after announcing revenue and earnings guidance below expectations.

Other weak performers included pharmaceutical Organon and health care equipment company Dentsply Sirona. Organon's share price fell after the company reduced its full-year sales guidance. We viewed the share-price decline as an investment opportunity and added to our investment.

Select Activity in the Quarter

The investment committee initiated a new position in software company NICE, while selling its holding in Phibro Animal Health.

NICE Ltd. is an Israeli-based Contact Center-as-a-Service (CCaaS) provider. NICE maintains dual headquarters in Israel and the United States, with a customer base that is predominantly in the U.S.

NICE has evolved alongside changing technology and customer requirements. Historically, the company provided software and services to help enterprises manage on-premise customer contact centers. In this role, NICE was one of several software and hardware vendors offering tools to staff, manage, measure and evaluate call center operations. The company was particularly strong in workforce engagement management (WEM) software, a critical component for effective contact center operations.

In recent years, CCaaS offerings have been increasingly adopted because they lower total cost of ownership, better integrate customer service channels and leverage automation, including AI. All of this enables superior customer experience that can be utilized across other areas of the business. NICE responded to this shift by acquiring a leading CCaaS provider, inContact, in 2016. This acquisition gave NICE a nearly complete CCaaS solution, and as cloud-based offerings grew at the expense of on-premise systems, NICE benefited from higher revenue per licensed seat. The market rewarded this industry-leading position with strong valuation multiples.

However, in 2025 rapid advances in AI capability and adoption began to cloud NICE's outlook. On one hand, improving AI functionality has accelerated the shift toward CCaaS solutions and away from on-premise deployments. On the other, the pace of change has intensified competition among CCaaS providers and has driven increased investment to incorporate advanced AI features. NICE has indicated that this heightened investment, including the approximately \$1-billion acquisition of Cognigy, will put pressure on its earnings over the next year. This uncertainty contributed to a sharp correction in the share price, pushing it to multi-year lows and compressing valuation multiples to near all-time lows.

While it is impossible to predict definitive winners and losers in the AI arms race, NICE remains favorably positioned as an established incumbent in the CCaaS market with a well-capitalized balance sheet. AI-enhanced contact center functionality could meaningfully expand the overall market size over time. We will continue to monitor the competitive landscape for evidence of NICE's success, or failure, in navigating this transition. For the patient, long-term investor, the current opportunity in NICE appears attractive.

In November, the Fund's position in Premier Inc. was acquired by private equity firm Patient Square Capital for \$28.25 per share. We added Premier, one of the largest group purchasing organizations (GPOs) in the U.S. health care sector, to client portfolios in 2020. Before its initial public offering in 2013, Premier was owned by its health care provider members. Over time, those members gradually converted their ownership into publicly traded shares and reduced their stakes in the company. This process culminated in 2020, when Premier converted all remaining member-owned shares into a single publicly traded share class.

On our initial investment, the committee viewed Premier as a low-growth business with a strong balance sheet and a stable, recurring revenue model. However, several factors clouded the company's long-term outlook. These included the ongoing divestment by client members, rising customer concentration as industry consolidation accelerated, and an uncertain operating environment for health care providers after the pandemic. As a result, the investment committee took only a relatively small initial position.

In the following years, Premier undertook a restructuring that included selling off non-core and unrelated businesses. During this period, revenue also contracted as pandemic-era sales of personal protective equipment (PPE) normalized. The share price drifted lower as restructuring efforts extended and revenue only recovered modestly. In 2024, the investment committee increased our allocation to Premier and continued to average down the position. By late 2024 and into early 2025, conditions appeared to stabilize. Premier had sold most of its non-core assets,

resumed returning capital to shareholders through dividends and share repurchases, and its core GPO business stabilized.

Additionally, a health care-focused software offering showed promising growth potential, and the company's share price began to recover. When Patient Square Capital tendered its acquisition bid for Premier, the investment committee viewed the price as fair and voted in favor of the transaction.

Year-to-Date Briefing

The Brandes U.S. Small-Mid Cap Value ETF rose 15.65%/15.52% (NAV/Market Price), outperforming its benchmark, the Russell 2500 Index, which appreciated 11.91% in 2025, and the Russell 2500 Value Index, which was up 12.73%.

Investments in the industrials, health care, and financials sectors drove returns, specifically aerospace company Embraer, Healthcare Services Group and infrastructure developer Balfour Beatty in industrials; Elanco Animal Health, Premier and Phibro Animal Health in health care, and Citizens Financial Group and OneMain Holdings in financials.

Consumer staples sector companies were leading detractors, specifically Edgewell Personal Care and Campbell's Company. Others included dental supply company Dentsply Sirona, pharmaceutical Organon, and appliance manufacturer Whirlpool Corp.

Current Positioning

Health care and consumer staples continue to be the two largest overweights compared to the benchmark.

The Fund's most significant underweights are in consumer discretionary, financials and real estate, which is consistent with what the Fund held at the start of 2025.

In our opinion, the differences between the Brandes U.S. Small-Mid Cap Value ETF and the broader U.S. small-mid cap market continue to make the Fund an attractive complement to other small-cap and small-mid cap 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 December 31, 2025

	3 Months	YTD	1 Year	3 Years	Since Inception 10/03/2023
NAV	4.32	15.65	15.65	—	16.92
Market Price	4.44	15.52	15.52	—	17.04
Russell 2500 Index	2.22	11.91	11.91	—	18.59
Russell 2500 Value Index	3.15	12.73	12.73	—	18.78

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.

For index definitions, please refer to <https://www.brandes.com/termdefinitions>.

For index definitions, please refer to <https://www.brandes.com/benchmark-definitions>.

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.