

# 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 3/31/2026)

Ingles Markets Inc	3.08
Elanco Animal Health Inc	2.79
Innovex International Inc	2.78
International Flavors & Fragrances Inc	2.66
DENTSPLY SIRONA Inc	2.44
Scholastic Corp	2.43
UniFirst Corp/MA	2.43
Amdocs Ltd	2.35
Kennametal Inc	2.31
IPG Photonics Corp	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 4.67%/4.40% (NAV/Market Price), outperforming its benchmark, the Russell 2500 Index, which was up 2.04%. The Russell 2500 Value Index rose by 4.77%.

## Positive Contributors

Notable contributors included specific holdings in the industrials sector, led by Moog and National Presto Industries. Both reported strong earnings and growing backlogs, reflecting accelerating demand in aerospace, defense and commercial aircraft markets.

Other companies that performed well included IPG Photonics, which had solid earnings; Scholastic Corp., which authorized a Dutch Auction tender offer representing approximately 25% of outstanding shares, and Edgewell Personal Care, which successfully sold off its feminine care business.

## Performance Detractors

The most material detractors were in health care, led by Fortrea. Fortrea declined after its earnings missed market expectations, and the company delivered weaker-than-expected full-year revenue guidance, reflecting softness in biotech funding.

In the information technology sector, several holdings fell as investor sentiment shifted sharply against traditional IT services. Concerns centered on the potential for generative AI to reduce demand for labor-intensive services. EPAM Systems and Amdocs were among the largest detractors: their shares weakened despite limited near-term changes in their fundamentals. While these businesses continue to benefit from entrenched customer relationships and high switching costs, market sentiment reflected heightened uncertainty relating to longer-term demand and competitive dynamics. We added to both holdings because we believe some of these concerns are likely overblown for companies with proven embedded technological and customer data expertise.

## Select Activity in the Quarter

We initiated several new positions, including Mohawk Industries, and sold the Fund's position in Seaboard Corp.

Mohawk Industries is the world's largest flooring manufacturer, with leading positions across ceramic tile, carpet, laminate, vinyl and stone products serving residential remodeling, new construction and commercial markets. Its global manufacturing and distribution footprint provides substantial scale advantages, broad product reach and cost efficiency across cycles.

The market is currently focused on near-term headwinds facing Mohawk, including slowing home-remodeling demand, elevated input costs and margin pressure after an unusually strong post-COVID rebound. While cycle risks are still elevated, the company benefits from a strong balance sheet and a free-cash-flow profile that stayed positive through the cycle. Additionally, management owns a meaningful equity stake and has shown a willingness to deploy capital opportunistically through share repurchases and acquisitions during times of industry stress.

In our view, Mohawk trades at a valuation that embeds a prolonged downturn scenario. Based on our assessment of normalized earnings power and balance sheet strength, we believe the shares offer an attractive margin of safety and favorable long-term return potential.

We exited the Fund's position in Seaboard Corp. The company is a diversified, family-controlled conglomerate with operations spanning pork production, commodity trading and milling, marine shipping, power generation, renewable fuels and sugar. When we made our initial investment, the company's earnings were depressed by weak pork industry conditions, which created an attractive risk-reward opportunity.

During our holding period, pork profitability rebounded sharply, supported by stronger export demand and improved margins; meanwhile, the marine business saw better volumes and utilization. At the same time, management complemented the operational recovery with thoughtful capital allocation, including share repurchases.

As these improvements became evident, the market re-rated Seaboard's stock. With the share price trading above our estimate of intrinsic value, we decided to exit the position and reallocate capital to opportunities where we see greater upside potential and a more attractive risk-reward profile.

## 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.

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 March 31, 2026

	3 Months	YTD	1 Year	3 Years	Since Inception 10/03/2023
NAV	4.67	4.67	23.96	—	17.23
Market Price	4.40	4.40	23.80	—	17.22
Russell 2500 Index	2.04	2.04	23.45	—	17.56
Russell 2500 Value Index	4.77	4.77	25.43	—	18.98

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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.

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