

Brandes U.S. Value ETF

FUND INFORMATION

Ticker	BUSA
CUSIP	900934308
NAV Symbol	BUSA.NV
Primary Exchange	CBOE
Dividend Frequency	Quarterly
Expense Ratio	0.60%

STRATEGY

BUSA is an actively managed ETF that seeks long-term capital appreciation by investing primarily in equity securities of U.S. companies with market capitalizations greater than \$5 billion.

TOP TEN HOLDINGS

(% of assets as of 3/31/2024)

Chevron Corp	3.50
Wells Fargo & Co	3.00
Halliburton Co	2.88
Bank of America Corp	2.83
Fiserv Inc	2.77
Merck & Co Inc	2.77
Comcast Corp	2.68
The Cigna Group	2.46
McKesson Corp	2.46
Textron Inc	2.42

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

The Brandes U.S. Value ETF rose 12.05%/11.96% (NAV/Market Price) in the quarter, outperforming its benchmark, the Russell 1000 Value Index, which increased 8.99% and the Russell 1000 Index which gained 10.30%.

Positive Contributors

Stock selection across sectors drove outperformance, led by holdings in financials and health care.

Our bank holdings continued their solid run from the fourth quarter of 2023, representing one of the best performers from an industry standpoint. During the quarter, large money center banks appreciated more than regional banks overall as concerns regarding the latter's heightened exposure to commercial real estate dampened investor sentiment. Accordingly, our overweight and allocation to money center banks, such as Citigroup and Wells Fargo, contributed positively to returns.

Within health care, top performers included distributors McKesson and Cardinal Health, as well as health care services providers HCA Healthcare and Cigna. Although the sector underperformed the overall benchmark, the solid performance of several of our health care holdings more than offset the negative impact from our overweight allocation.

Several technology holdings were also strong contributors, notably semiconductor-related companies such as Applied Materials and Micron Technology. Apart from the start of a recovery in the semiconductor market, these holdings benefited from investor optimism surrounding the growing structural demand for semiconductor content, fueled by the proliferation of artificial intelligence (AI) applications. In addition to Applied Materials and Micron, technology manufacturing firm Flex rose on the back of the spinoff of its solar equipment business, Nextracker, as well as the ongoing improvements in its operating results.

Performance Detractors

With no holdings experiencing significant share-price declines, detractors were primarily companies that remained relatively flat or did not do as well as the overall benchmark. These included several positions in health care, which represented one of the weaker performers within the Russell 1000 Value Index. Notable detractors were Lab Corp, Sanofi, and Pfizer.

Technology firms Cognizant and OpenText also weighed on performance, along with communication services company Comcast.

Within the benchmark, energy (especially the oil and gas industry) was among the best-performing sectors in the quarter. Although our three holdings (i.e., Chevron, Halliburton, World Kinect) appreciated, our underweight to the sector hurt relative performance. Our underweight was mainly due to our lack of holding in ExxonMobil, which accounted for over 2% of the benchmark at quarter end.

Select Activity in the Quarter

The investment committee took advantage of the continued optimism in the technology sector by divesting its holding in Applied Materials after it reached our estimate of its intrinsic value.

Shares of Applied Materials surged as the market increasingly favored semiconductor-related companies amid prospects of rising demand driven by AI. Consequently, we opted to divest our position as we no longer consider the stock materially discounted.

Current Positioning

The ETF maintains overweight positions in financials, health care, and communication services, while retaining key underweights in utilities and real estate, with no holdings in these sectors. Additionally, it remains significantly underweight in consumer staples, with only one holding in the sector (food product company Ingredion), compared to the benchmark's nearly 8% allocation.

Value stocks underperformed growth stocks this quarter (Russell 1000 Value vs. Russell 1000 Growth), mainly due to the strong run of the technology sector. Despite value underperformance, however, the ETF did better than the broader Russell 1000 Index, driven primarily by the notable performance of our financials and health care holdings, as discussed earlier.

Given the widening valuation gap between value and growth stocks over the past year, we are increasingly optimistic about the return potential for value stocks. Following the performance of the growth index (MSCI USA Growth), which was largely fueled by a select few tech-related names, value stocks (MSCI USA Value) are now trading at the largest decile discount relative to growth stocks since the inception of the style indices. This valuation disparity is evident across various metrics, such as price/earnings, price/cash flow, and enterprise value/sales. Historically, such valuation differentials have often signaled compelling subsequent returns for value stocks over longer-term horizons. Notably, the Brandes U.S. Value Equity Strategy, guided by our value philosophy and process, has tended to outperform the benchmark when value stocks outperform the Russell 1000.

Looking ahead, we remain optimistic about the prospects of our holdings. As of March 31, 2024, the Brandes U.S. Value ETF trades at more appealing valuation levels than the benchmark, in our opinion, while also offering more attractive long-term growth characteristics.

Performance (%) as of March 31, 2024

	3 Months	YTD	1 Year	3 Years	Since Inception 10/03/2023
NAV	12.05	24.17	—	—	24.17
Market Price	11.96	24.24	—	—	24.24
Russell 1000 Value Index	8.99	21.98	—	—	21.98
Russell 1000 Index	10.30	25.40	—	—	25.40

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 1000 Index with gross dividends measures performance of the large cap segment of the U.S. equity universe.

The Russell 1000 Value Index with gross dividends measures performance of the large cap value 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.

The Russell 1000 Growth Index with gross dividends measures performance of the large cap growth 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.

The MSCI USA Value Index captures large and mid cap U.S. securities exhibiting overall value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.

The MSCI USA Growth Index captures large and mid cap U.S. securities exhibiting overall 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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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.

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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