Brandes Core Plus Fixed Income Fund

FUND INFORMATION

Class I:	BCPIX
Class A:	BCPAX

STRATEGY

The Fund seeks to maximize long-term total return, consisting of both current income and capital appreciation.

TEN LARGEST CORPORATE ISSUERS

(% of assets as of 3/31/2023)

United States Treasury Note	54.50
Fannie Mae Pool	3.08
Prime Security Services	2.58
USB Capital IX	2.31
Bank of America Corp	1.99
VMware Inc	1.92
Citigroup Inc	1.73
Netflix Inc	1.71
Tenet Healthcare Corp	1.66
PulteGroup Inc	1.62

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

Market Overview

The fixed income market experienced considerable volatility in interest rates during the first quarter. Economic reports largely confirmed the continued resilience of the U.S. economy, while inflation figures were hotter than expected. Continued hawkish central bank commentary early in the quarter lifted the 10-year U.S. Treasury bond yield from a January low of 3.50% to a high of 4.06% later that month. Market sentiment changed again in early March with the failure of Silicon Valley Bank (SVB). This led to a mini crisis of confidence in other regional banks, as well as in Credit Suisse and the broader financial system causing U.S. Treasury yields to decline meaningfully into the end of the quarter.

At quarter-end, the market expectation was for the Fed (Federal Reserve Bank) to lower the fed funds rate by nearly 75 basis points by year-end. However, not a single Fed governor has projected a lower fed funds rate this year, suggesting that the bar for easing policy remains high in the minds of Fed officials. After experiencing two months at the start of the quarter when the market seemed finally to have bought into the Fed's guidance, we find ourselves once again with a meaningful disconnect between the market's expectations for Fed policy and the Fed's formal guidance for the balance of the year.

The interest rate market seems to assume that slowing growth and a potential recession will be sufficient for the Fed to win the fight against inflation, bringing it down to its stated target of 2%, from its latest measurement of around 6%. However, inflation in the important services sector has shown scant evidence of slowing.

Looking back to the 1970s the U.S. economy experienced "stagflation": a period of recession and elevated inflation. One school of thought holds that it was the Fed's expansionary monetary policy at the time that was to blame. If that lesson has been learned, then it may be premature to expect that an imminent recessionary environment would or should trigger a Fed pivot to an accommodative stance.

Outside of the impacted financial sectors, credit markets (and indeed equities overall) seemed to take the interest rate gyrations in their stride. Credit yield spreads were modestly wider, while the broad equity indices posted positive performance. Overall, financial markets appear to want to experience all the pleasure of a Fed pivot to policy easing while ignoring the root causes of potential economic pain that would justify that more accommodative stance.

Fund Performance

In the first quarter, the Brandes Core Plus Fixed Income Fund (Class I Shares) returned 3.46% and outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, which returned 2.96%.

Performance during the period was led by corporate bond holdings in information technology (**MicroStrategy**), telecom (**Telecom Italia**) and leisure (**Carnival Corp** and **Travel + Leisure Co**.). The fund's underweight to agency mortgage-backed securities (MBS) and commercial mortgage-backed securities (CMBS) aided returns as both sectors posted negative returns relative to U.S. Treasury securities.

Holdings in banking and finance (**US Bank, Charles Schwab**, and **Goldman Sachs**) were the primary detractors of return as the stress in U.S. regional banks was felt throughout the sector. Term-structure positioning was a modest negative factor during the quarter as the U.S. Treasury curve experienced a sharp drop in yields during the month of March.

Activity was modest during the quarter. Late in February as the 10-year U.S. Treasury yield was near its short-term high of around 4.0%, we used the opportunity to adjust the duration of the fund upwards by approximately 5%, moving the duration relative to the benchmark from 80% to 85%. Towards the end of the quarter, amidst the volatility in bank credit spreads the fund added to existing holdings in **Bank of America Corp** (4.45% coupon, maturing 3/3/26, rated Baa1/BBB+), and **Citigroup** (4.40% coupon, maturing 6/10/25, rated Baa2/BBB).

Outlook

A key question for the market was whether the failure of SVB was an example of idiosyncratic risk or was it the tip of an iceberg, signaling more systemic risks.

Thankfully the broader banking system appears to be in better shape. The largest banks have more diversified deposit bases and bigger capital buffers. Households and businesses are in better shape than in the last banking crisis, and there does not appear to be a housing bubble like we experienced in 2008 - inflated back then by opaque, complex, and illiquid financial instruments.

Fed officials have sought to further calm markets by guaranteeing deposits at SVB and floating the idea of guaranteeing all deposits across the banking system. The potential unintended consequences from the Fed and the federal government throwing a lifeline to the financial system in times of crisis remains an issue for the market as we move forward. One thing that is evident over the past 15 years of easy money is that when the financial world feels safer, investors appear to get lulled into complacency and hence extend their risk tolerances.

We have emphasized in recent commentaries our belief that markets are transitioning back to an environment where fundamental research and individual security selection are at a premium. We are leaving behind an extended period where less emphasis was placed on credit specific fundamentals because the unprecedentedly accommodative macro policies overwhelmed fundamentals and largely ensured that everything worked.

We witnessed examples of this transition in the performance of several regional bank bonds, but nowhere was it more evident than the price action in Credit Suisse AT1 bonds. These Credit Suisse bonds had a little-known provision in the bond indenture that allowed them to be wiped out before common equity in the event of a corporate restructuring. This caught the market off guard since bonds typically only bear losses in a restructuring after common and preferred equity are wiped out. The practical impact was that the prices of this class of Credit Suisse bonds – with nearly $7.5 billion outstanding - declined by over 90% in March.

The takeaway in our view is that deep, measured, fundamental research is essential as we move forward in an environment where idiosyncratic risks appear to be on the rise.

For a considerable period now, we have attempted to tilt the Brandes Core Plus Fixed Income Fund into what we believe is a defensive posture in order to mitigate some of the potential detrimental impact of rising interest rates and widening yield spreads. We believe that this remains a risk. Accordingly, the fund continues to favor shorter-maturity corporate bonds and those that we believe exhibit strong, tangible asset coverage. While we made a modest extension to duration in the quarter, we are still managing duration toward the shorter end of our duration-controlled range. We have a meaningful allocation to U.S. Treasuries and if recent market uncertainty and volatility continue to cause credit fundamentals to become mispriced relative to our estimates of intrinsic value, then we will look to redeploy some of those Treasury holdings thoughtfully and effectively to take advantage of opportunities. We remain underweight agency mortgage-backed securities.

As we move forward, we believe prudence dictates that we continue our search for value in a measured and deliberate manner while continuing to tilt the portfolios to what we believe is a relatively defensive posture.

Average Annual Total Returns (%) as of March 31, 2023							
Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007
Class I	3.46	3.46	-2.38	-1.05	1.17	1.55	2.87
Class A	3.44	3.44	-2.63	-1.28	0.93	1.27	2.57
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007
Class A	-0.39	-0.39	-6.27	-2.53	0.16	0.89	2.32
Bloomberg U.S. Aggregate Bond Index	2.96	2.96	-4.78	-2.77	0.90	1.36	2.87

Operating Expenses: Class I: 0.66% (gross), 0.30% (net) Class A: 0.86% (gross), 0.50% (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 of A Shares without load does not reflect maximum sales charge of 3.75%. If reflected, the load would reduce the performance quoted.

Class I shares commenced operation on December 28, 2007. Class S shares never commenced operations. They were re-designated as Class A shares and commenced operations on January 31, 2013. Performance shown prior to the inception of Class A shares on January 31, 2013, reflects the performance of Class I shares, restated to reflect Class A sales loads and expenses.

The Advisor has contractually agreed to limit the operating expenses through January 28, 2024. 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.

Agency mortgage-backed securities (MBS): An MBS issued by one of three quasi-governmental agencies: The Government National Mortgage Association (GNMA or Ginnie Mae), the Federal National Mortgage Association (FNMA or Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac). A MBS is an investment similar to a bond that is made up of a bundle of home loans bought from the banks that issued them.
Asset Coverage: Measures how well a company can repay its debts by selling or liquidating its assets.
Basis Point (BPS): 1/100 of 1%.
Consumer Price Index (CPI): Measures the average change in prices over time that consumers pay for a basket of goods and services.
Coupon: The annual interest rate paid on a bond, expressed as a percentage of the face value and paid from issue date until maturity.
Credit Spread: The difference in yield between two bonds of similar maturity but different credit quality.
Duration: The weighted maturity of a fixed-income investment's cash flows, used in the estimation of the price sensitivity of fixed-income securities for a given change in interest rates.
Federal Funds Rate: The interest rate at which a depository institution lends funds maintained at the Federal Reserve to another depository institution overnight.
Floating Rate: A debt instrument that does not have a fixed rate of interest over the life of the instrument.
Idiosyncratic Risk: The risk that is endemic to a particular asset and not a whole investment portfolio.
Systemic Risk: The risk Inherent to the entire market or market segment.
Term Structure of Interest Rates: A graph that plots different yields offered by bonds of different maturities.
Yield: Annual income from the investment (dividend, interest, etc.) divided by the current market price of the investment.
Yield Curve: A graphical comparison of the relationship between interest rates for loans of various maturities with similar credit quality. A typical yield curve slopes upward to reflect higher interest rates for longer maturities.
Yield Spread: The net difference between two interest-bearing instruments of varying maturities, credit ratings, issuer or risk level.
The Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. This index is a total return index which reflects the price changes and interest of each bond in the index.
Bond ratings are grades given to bonds that indicate their credit quality as determined by a private independent rating service such as Standard & Poor's. The firm evaluates a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'D', which is the lowest grade. In limited situations when the rating agency has not issued a formal rating, the Advisor will classify the security as nonrated.

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. As with most fixed income funds, the income on and value of your shares in the Fund will fluctuate along with interest rates. When interest rates rise, the market prices of the debt securities the Fund owns usually decline. When interest rates fall, the prices of these securities usually increase. Generally, the longer the Fund's average portfolio maturity and the lower the average quality of its portfolio, the greater the price fluctuation. The price of any security owned by the Fund may also fall in response to events affecting the issuer of the security, such as its ability to continue to make principal and interest payments or its credit rating. Below investment grade debt securities are speculative and involve a greater risk of default and price change due to changes in the issuer's creditworthiness. The market prices of these debt securities may fluctuate more than the market prices of investment grade debt securities and may decline significantly in periods of general economic difficulty. The Fund may hold illiquid securities which may reduce the return of the Fund because it may be unable to sell such illiquid securities at an advantageous time or price. Illiquid securities may also be difficult to value. The Fund is actively managed, and may frequently buy and sell securities. Frequent trading increases a Fund's portfolio turnover rate and may increase transaction costs, such as brokerage commissions and taxes, which in turn could detract from the Fund's performance.

Investing in foreign securities poses additional risks. The performance of foreign securities can be adversely affected by the different political, regulatory 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 may experience substantial fluctuations or steady devaluation relative to the U.S. dollar. Mortgage-related securities are subject to certain additional risks. Rising interest rates tend to extend the duration of mortgage-related securities, making them more sensitive to changes in interest rates. As a result, when holding mortgage-related securities in a period of rising interest rates, a Fund may exhibit additional volatility. In addition, mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of a Fund because it will have to reinvest that money at the lower prevailing interest rates.

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.brandes.com/funds. Read carefully before investing.

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