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 6/30/2023)

United States Treasury Note	57.85
Fannie Mae Pool	2.76
Prime Security Services	2.40
USB Capital IX	2.15
Bank of America Corp	1.85
VMware Inc	1.78
Citigroup Inc	1.62
Netflix Inc	1.58
MicroStrategy Inc	1.57
Tenet Healthcare Corp	1.55

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

Market Overview

The fixed income market was relatively placid during the second quarter. The market appeared to put its concerns about regional bank contagion in the rearview mirror. There was some uneasiness as the deadline approached for the raise in the U.S. debt ceiling, but this dissipated once this was resolved. Nevertheless, interest rates then moved steadily higher for the rest of the quarter, while credit spreads tightened modestly. The Fed's (Federal Reserve Bank) *hawkish pause* in mid-June was well telegraphed. Accordingly, it was largely taken in stride by the market.

What was interesting about June's Fed meeting is that while there was a pause in rate hikes, the underlying message remained quite hawkish. The closely watched dot plot forecast saw the median fed funds rate shift upwards to 5.625%. This surprised and disappointed many investors who had hoped that a pause at the June meeting meant the end of monetary tightening and a pivot to rate cuts before year-end. The Fed also slashed this year's unemployment forecast from 4.5% to 4.1% while hiking their core inflation projection from 3.6% to 3.9%.

The hawkish changes in Fed forecasts appeared to more than justify a hike at the June meeting. As we have seen in the past, however, this Fed does not like to surprise the markets. That doesn't seem to us to be a responsible way to conduct policy, but it is completely in character for this current roster of Fed's governors.

Complicating the Fed's ability to put a lid on rate increases, is economic data that's not only continued strong, but also has been surprising the market to the upside. Consumer confidence is at a nearly two-year high, wages continue to trend higher, and employment reports remain strong.

Since the Fed's rate hikes broke through 2% last summer, and despite the subsequent increases, there has been a consistent string of economic reports surprising the market to the upside (other than a brief blip earlier this year). This indicates that the Fed likely has more work to do to lower inflationary pressures in the remainder of this year.

Fund Performance

In the second quarter, the Brandes Core Plus Fixed Income Fund (Class I Shares) returned -0.44% and outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, which returned -0.84%.

Performance during the period was led by corporate bond holdings in information technology (**MicroStrategy** and **Meta**), services (**ADT**) and homebuilding (**Pulte Group** and **Toll Brothers**).

The fund's underweight to agency mortgage-backed securities (MBS) detracted from returns as that sector posted positive returns versus U.S. Treasuries.

Select holdings in banking (**US Bank** and **Goldman Sachs**) and telecom (**Telecom Italia**) were the primary detractors from performance.

Term-structure positioning was a positive factor during the quarter. After the sharp drop in yields in March related to stress in the regional banking system and concerns over debt ceiling negotiations, U.S. Treasury yields continued their march higher as those specific concerns faded. We moved the duration of the fund from 80% of the benchmark's duration to 85% towards the end of February and the fund remained at 85% of the benchmark's duration throughout the second quarter.

Activity was modest during the quarter. The fund added one new position in **Meta Platforms Inc.** (4.95% coupon, maturing 5/15/33, rated A1/AA-). Meta entered the public bond markets for the first time in August 2022 and then came back to market in December and May to raise additional debt, primarily earmarked for share repurchases. Meta operates in a fast-moving and highly competitive landscape and faces additional pressures on the regulatory front. With that said, the company is the largest social networking company in the world, its balance sheet contains more cash than debt and its core businesses enjoy strong margins and generate robust cash flows. We believe the bond we purchased offered an attractive yield for what we view is a high-quality credit.

We also executed a swap from one issue in the **Pilgrim's Pride** bond complex into another. We sold Pilgrim's Pride (5.875% coupon, maturing 9/30/27, rated Ba3/BBB-) and purchased Pilgrim's Pride (4.25% coupon, maturing 4/15/31, rated Ba3/BBB-). The bond that we purchased is a Sustainability Bond. The bond's coupon steps up if Pilgrim's Pride does not hit specific environmental sustainability targets by year-end 2025. In this specific case the targets can be considered a "*poop tax*" related to waterway pollution from their chicken farms. The bond we purchased offered a higher yield and lower dollar price than the bond we sold – effectively giving the step-up optionality for free in our view.

Finally, we sold our full position in **Carnival Corp**. (9.875% coupon, maturing 8/1/27, rated B1/BB-) as the bond's credit spread traded through our estimate of its fair value.

Outlook

As we head into the second half of the year, yields in the fixed income market are at levels that we have not seen since mid-2009 – nearly 14 years. The caveat, however, is that the excess yield spread that investors receive for owning corporate bonds or mortgage-backed securities implies a market that is priced close to perfection in our view.

Illustrating that "perfection pricing", we note that by the end of the quarter we have more credits in the fund (or actively monitored) that we view as closer to their sell targets than we have credits that are close to our internal buy targets. The credit spreads of the investment grade universe show that the rise in yield on investment grade corporate bonds is largely attributable to the increase in Treasury yields rather than a cheapening of overall credit spreads.

For the first time in a long time there appears to be a palpable excitement about fixed income among investors. We share much of this optimism as overall yields in the core plus portfolios are the highest they have been since 2009. Our main caution, however, is that we believe it is important to remain disciplined in what one buys. Higher yields are welcome for long-term savers and investors, but a potential burden for companies that have lived and survived for the better part of the past 15 years on near zero rates.

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. We believe it's critical to be patient in adding to a portfolio: not just know what you own but why you own it.

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 portfolios continue 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 first 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 market uncertainty and volatility continue 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 June 30, 2023							
Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007
Class I	-0.44	3.00	2.19	-2.02	1.03	1.73	2.80
Class A	-0.51	2.91	1.97	-2.26	0.78	1.45	2.50
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007
Class A	-4.21	-0.90	-1.83	-3.50	0.01	1.06	2.25
Bloomberg U.S. Aggregate Bond Index	-0.84	2.09	-0.94	-3.96	0.77	1.52	2.76

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.
Commercial mortgage-backed securities (CMBS): Fixed-income investment products that are backed by mortgages on commercial properties rather than residential real estate.
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.
Dot Plot: Data points that are plotted on a graph and is used by the Federal Reserve to show its projected interest-rate outlook.
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.
Idiosyncratic Risk: The risk that is endemic to a particular asset and not a whole investment portfolio.
Sustainability Bonds are issues where proceeds are used to finance or re-finance a combination of green and social projects or activities.
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 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.
The Bloomberg U.S. Credit Index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes non-US agencies, sovereigns, supranationals and local authorities.
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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BII001559 10/31/23