# **Brandes Core Plus Fixed Income Fund**

#### **FUND INFORMATION**

Class I:	BCPIX
Class A:	BCPAX
Class R6:	BCPRX

#### **STRATEGY**

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

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.

### TEN LARGEST CORPORATE ISSUERS

(% of assets as of 9/30/2025)

United States Treasury Note	59.86
Univision Communications Inc	2.93
Fannie Mae Pool	2.23
Freddie Mac Pool	2.12
Bank of America Corp	1.93
Ford Motor Credit Co LLC	1.80
Prime Security Services	1.46
Organon & Co	1.42
USB Capital IX	1.40
Goldman Sachs Group Inc	1.40

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

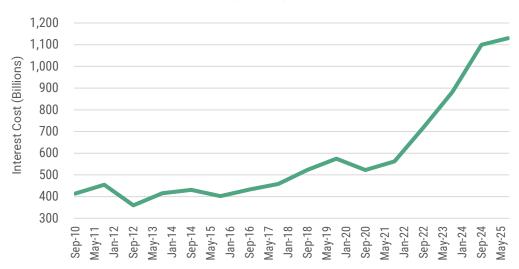
The Brandes Core Plus Fixed Income Fund rose 1.69% (Class I Shares), but underperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, which was up 2.03% in the quarter.

All eyes in the markets were on the Fed (Federal Reserve) this quarter as the external pressure to deliver a rate cut rose to fever pitch. The Fed acceded to the wishes of the current administration and many market participants and cut the fed funds rate by 25 basis points in September. The question for us is whether this cut was justified by economic data or was it largely a transparent political move?

The Trump administration appointed a new Fed governor shortly before the meeting that delivered the rate cut. As we have previously discussed, two sitting governors appear to be openly angling for the job as the next Fed chairperson when Jerome Powell's term expires in May, leading to what appears to be a decidedly more dovish tilt to the Fed Board.

Annual U.S. Government interest expense has approximately doubled since the outbreak of COVID in early 2020. Federal debt and federal spending continue to set peacetime records. If there was any mystery as to why the administration has been putting a full court press on the Federal Reserve to lower interest rates, the exhibit below should clarify their motivation. The U.S. fiscal situation remains a hot mess, yet markets surprisingly appear to remain largely unconcerned.

Exhibit 1. There's No Mystery Why the Administration Would Like Lower Interest Rates Annual U.S. Government Interest Expense (\$ billions)



Source: U.S. Treasury Department. Interest Expense is the interest the government pays on its outstanding loans (Treasury securities).

In its Summary of Economic Projections, the Fed upgraded its GDP estimate, maintained its employment projections, and predicted that inflation will remain above target – yet still opted for a rate cut. So much for "data dependent" Fed policy. Chair Powell referred to the rate cut as a "risk management" cut, with his post-meeting comments largely focused on the slowing labor market as justification.

Labor dynamics, however, appear to be shifting due to near-zero net immigration growth, which has lowered the baseline for job creation. This may explain slower hiring without a corresponding rise in unemployment. While job creation is slowing, the labor market

appears to be in stasis, with relatively balanced labor supply and demand. The Fed's focus on labor may be misplaced, as we believe inflation poses longer-term risks.

After a period of moderation into the spring, inflation appears to be trending upward once again. During the third quarter, we examined how many times over the past forty years the Fed has lowered the fed funds rate when core CPI was at least 3%. We found that it has happened only five times. Three instances were during market crises - the implosion of hedge fund Long-Term Capital Management in 1998, the bursting of the tech bubble in 2001, and the Global Financial Crisis in 2007. Excluding those market crises, the only occurrences were in 1995, and in the current rate cutting cycle (September 2024 when the Fed lowered rates by 50 basis points). In other words, absent a market crisis, it has been rare historically to see the Fed cutting rates when core inflation is at or above 3%. The market is now forecasting two additional rate cuts before year-end and expecting the fed funds rate to settle at 3% by the end of 2026.

Yield spreads on most taxable fixed income sectors tightened during the quarter and currently stand at or near their tightest levels for several decades.

# **Fund Performance**

In the third quarter, the Brandes Core Plus Fixed Income Fund delivered a positive return but underperformed versus its benchmark, the Bloomberg U.S. Aggregate Bond Index.

The Fund's underweight to agency mortgage-backed securities (MBS) modestly detracted from returns as the MBS sector saw yield spreads tighten to multi-year low levels.

Term structure positioning was a modest negative. The overall portfolio duration was maintained at 90% of the benchmark throughout the quarter. This duration positioning detracted from performance as interest rates declined during the period. The impact was somewhat muted as interest rates at the short end of the yield curve declined more than longer-maturity securities. The Fund has been favoring shorter maturity securities – particularly in corporate bonds.

Select holdings in corporate bonds provided a positive contribution to returns during the quarter, led by holdings in communications (Univision & Fibercop), consumer cyclical (Kohl's Corp), and energy (Transocean).

The Fund added a new position in a secured bond from Sabre Global (11.125% coupon, maturing 7/15/30, rated B3/B-) and a second lien security from Gray Media (9.625% coupon, maturing 7/15/32, rated B3/CCC).

Sabre is a global software and technology provider to the global travel industry. Sabre's business model is a transaction-based one that ties revenues to a travel supplier's transaction volumes. Sabre facilitates travel by connecting airlines with travel agents and other travel intermediaries. The company has been facing macro headwinds as the travel industry is in a recession. Sabre, however, has recently released a new technology platform that is gaining market share against its competitors. The company recently sold a division catering to the hospitality industry, with the proceeds earmarked for debt reduction. The core business is generating positive free cash flow. Essentially, Sabre is executing well: controlling what they can control. The company should be well positioned when the cyclical headwinds facing the industry begin to abate.

The Fund experienced a maturity in Charter Communications and a call of its position in Toll Brothers.

## Outlook

There are a variety of economic headwinds that in our view the market should be wary of: slowing labor markets, sticky inflation, tariff uncertainty, and the deteriorating fiscal situation. Yet the markets continue largely to chug along, continually setting new highs in equities, while corporate bond investors appear comfortable accepting less compensation in terms of yield spreads relative to U.S. Treasury securities.

While most market participants seem to be focused on letting the good times roll, there were two unexpected bankruptcies in the quarter: subprime auto lender Tricolor Holdings and auto parts company First Brands. In addition, a potential bankruptcy loomed late in the quarter for a large Brazilian petrochemical company, Braskem. These developments bear watching to assess whether each situation is unique or if these collectively might be an early signal of broader cracks forming in the credit markets.

Oaktree Capital Management's Co-Chairman Howard Marks recently said: "The worst loans are made at the best of times." We would agree. The takeaway in our view is that deep, measured, fundamental research is essential as we move forward in an environment where idiosyncratic risks may be on the rise, but investor compensation is largely not commensurate with the risks being taken. We believe it's critical to be patient in adding to a portfolio: not just know what you own but why you own it.

We continue to tilt the Brandes Core Plus Fixed Income Fund into what we believe is a defensive posture to mitigate some of the market uncertainty and potential for 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,

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tangible asset coverage. We are managing duration approximately 10% shorter than the Fund's benchmark. We have a meaningful allocation to U.S. Treasuries and if 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 Fund to what we believe is a relatively defensive posture.

We remain optimistic about the prospects for the Brandes Core Plus Fixed Income Fund.

Sincerely,

Timothy M. Doyle, CFA

Fixed Income Portfolio Manager

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<sup>&</sup>lt;sup>1</sup> Matt Wirz and Sam Goldfarb, "The Credit Market is Humming – and That Has Wall Street On Edge," Wall Street Journal, September 29, 2025

Average Annual Total Returns (%) as of September 30, 2025									
Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007		
Class I	1.69	5.72	2.96	5.75	0.92	2.25	3.13		
Class A	1.65	5.59	2.74	5.56	0.70	2.01	2.84		
Class R6	1.81	5.84	2.96	5.84	1.47	2.77	3.44		
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007		
Class A	-2.21	1.62	-1.09	4.23	-0.06	1.62	2.62		
Bloomberg U.S. Aggregate Bond Index	2.03	6.13	2.88	4.92	-0.45	1.84	2.99		

Operating Expenses: Class I: 0.55% (gross), 0.31% (net) Class A: 1.04% (gross), 0.51% (net) Class R6: 0.55% (gross), 0.31% (net)

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Class I shares commenced operations 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. Class R6 shares commenced operations on October 10, 2017. Performance shown prior to inception of Class R6 shares reflects the performance of Class I shares.

The Advisor has contractually agreed to limit the operating expenses through July 29, 2026. 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.

Term definitions: https://www.brandes.com/termdefinitions.

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

It is not possible to invest directly in an 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. The values of the Fund's investments fluctuate in response to the activities of individual companies and general stock market and economic conditions. 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.

The foregoing reflects the thoughts and opinions of Brandes Investment Partners® exclusively and is subject to change without notice.

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