

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 12/31/2025)	
United States Treasury Note	60.37
Univision Communications Inc	3.39
Fannie Mae Pool	2.53
Freddie Mac Pool	2.43
Bank of America Corp	2.22
Organon & Co	1.64
Goldman Sachs Group Inc	1.61
Ford Motor Credit Co LLC	1.57
USB Capital IX	1.51
Fibercop SpA	1.51

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

The Brandes Core Plus Fixed Income Fund rose 0.92% (Class I Shares), but slightly underperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, which was up 1.10% in the quarter.

The Fed (Federal Reserve Bank) granted the market's holiday season wishes with a third consecutive fed funds rate reduction in December. The Fed has now cut policy rates by 1.75% since September 2024. Chair Powell cited growing concern about the labor market during his post-meeting press conference as justification for the move. Despite their concerns, Fed officials also lowered their estimate of the unemployment rate and increased their estimate of economic growth for the coming year.

Additionally, in their Summary of Economic Projections, the Fed communicated that it does not expect inflation to reach its target until 2028—begging the question of whether recent rate cuts are grounded in economic fundamentals or are acquiescing to political pressures.

Speaking of inflation, the Consumer Price Index (CPI) is approximately 25% higher since the COVID pandemic, the highest rise in nearly forty years. Affordability has been a buzzword lately, and with good reason. Not only has cumulative inflation increased rapidly, but it has also outpaced the growth in wages, as shown in the Exhibits below.

Exhibit 1a. Cumulative Rise in Inflation Relative to Wages, 2021-2025

Post-COVID: Inflation has outpaced wage growth

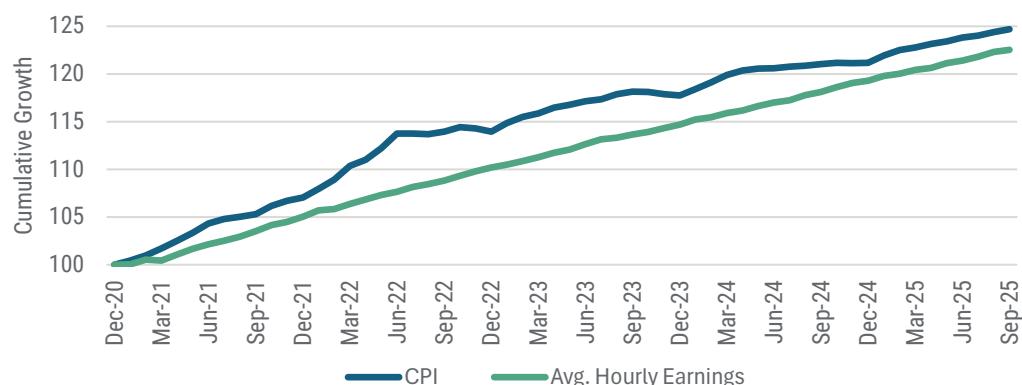
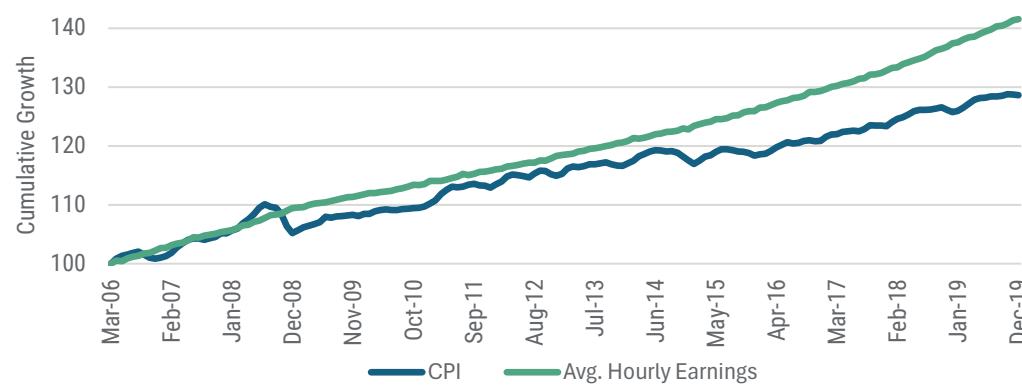


Exhibit 1b. Cumulative Rise in Inflation Relative to Wages, 2006-2019

Pre-Covid: Wages grew faster than inflation



Source for Exhibits 1a and 1b: Bloomberg, Bureau of Labor Statistics. The CPI shown is Urban Consumer NSA which tracks price changes for goods & services bought by urban families. NSA (Not Seasonally Adjusted) means it reflects raw monthly data, including normal seasonal shifts (like holiday spikes). It covers about 90% of the population segment, encompassing nearly all people except those in rural areas, the institutionalized & military personnel and measures inflation in daily living costs like food, housing, and transport. The Average Hourly Earnings of All Employees is a measure of the average hourly earnings of all private employees on a "gross" basis, including premium pay for overtime and late-shift work.

We likely need to see inflation below 2% for a period to allow wages to catch up before *affordability* is no longer perceived as an issue with the American public. With the economy on solid footing and the Fed providing a *sugar high* to the markets in terms of rate cuts, it appears likely to us that inflation will trend higher rather than moving lower towards the Fed's stated target during the coming year.

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

It appears to us that complacency has set in within the public corporate bond market. There have been a few early warning signs of credit stress in the private credit markets yet yield spreads on public corporate bonds are near historically low levels with volatility very subdued.

Last quarter, we highlighted the collapse of two subprime issuers, auto lender Tricolor Holdings and auto parts maker First Brands Group. This quarter, a private debt issue from home improvement company Renovo Home Partners was worth 100 cents on the dollar one month and then marked down to zero the next month¹. Furthermore, a report by Goldman Sachs indicated that about 15% of private credit borrowers are not generating enough operating profit to cover their interest costs².

The question the corporate market will have to wrestle with as we enter the new year is whether these are one-off credit events or the sign of potentially more trouble ahead. Either way, we believe that security selection will be an important driver of returns going forward.

Fund Performance

In the fourth 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 was underweight agency mortgage-backed securities (MBS) and this detracted from returns as agency MBS was the best performing taxable fixed income asset class during the period. The overweight in U.S. Treasury securities also detracted from Fund performance as most taxable fixed income asset classes posted positive returns versus U.S. Treasuries during the period.

Term structure positioning was a modest positive. The overall portfolio duration was maintained at 90% of the benchmark throughout the quarter. Within this, there were two offsetting impacts on performance. On the plus side, the Fund was underweight the 30-year portion of the yield curve and this was additive to performance as most of the yield curve experienced a decline in yields, while the 30-year sector experienced a rise in yields. Offsetting part of that, overall duration positioning modestly detracted from performance.

Security selection positively contributed to performance. Select holdings in corporate bonds provided a positive contribution to returns during the quarter, led by holdings in media (Univision & Gray Media), consumer cyclical (Kohl's Corp), and pharmaceuticals (Organon). Select holdings in technology (Sabre Global) and banking (US Bank) detracted from returns.

The Fund added to existing positions 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).

The Fund experienced a maturity in Ford Motor Credit and a call of positions in Consolidated Communications, Coty, ADT, and Spirit Aerosystems.

Outlook

Three years ago, in this commentary I shared a story of my wife's interaction with a client of hers. Since we are in "forecast and prediction season" I thought it would be appropriate to circle back and revisit:

My wife works in residential real estate. Recently she was working with a client who is an executive at a well-respected Wall Street firm. After meeting with this client, my wife came home very concerned about the economy. She said her client was so full of doom and gloom that she wanted to get her house on the market because her firm's economists expect the U.S. economy to enter into a deep recession until at least 2025. The client finished by stating that her firm has the "best" economists in the industry.

My wife asked me, "Why haven't you told me about this, why aren't we doing something about this - aren't you a bond guy?" After acknowledging that – yes for the past 30 years I've been a bond guy - My response was simply, they are almost certainly wrong.

Since this interaction three years ago, the S&P500 Index cumulative return has been approximately 86%.

It's not that we necessarily have any better insight, it's simply an observation that most forecasts are wrong, many comically so - especially those looking out three years into the future.

Legendary economist John Kenneth Galbraith once said: "We have two classes of forecasters: those that don't know and those who don't know they don't know."

Fortunately, we are in the business of "managing portfolios" not "forecasting economies". As such, we focus on identifying value and understanding risk.

As we embark on 2026, we don't have any predictions to share, but we do have several observations and beliefs that will guide our thinking and investment decisions:

- Overall fixed income yields are attractive, but corporate and mortgage-backed bonds are not cheap. The rise in yields over the past few years has largely been driven by the rise in underlying Treasury rates. Yield spreads (the extra compensation investors receive over U.S. Treasuries) are lower. The corporate bond market is largely priced to perfection now – placing a premium on security selection in our view.
- The market may be underestimating the ultimate neutral fed funds rate. Most economic markers are still positive, and financial conditions are easier than when the Fed began raising rates in March 2022. This suggests to us that the ultimate neutral fed funds rate may be higher than expected. Additionally, the last 18 years of unconventional monetary policy may have skewed investors' perception of what a *normal* fed funds rate is.
- Inflation could continue to prove to be *sticky*. While headline inflation continues to march downward towards the Fed's target of 2%, the movement has largely been driven by a steep decline in goods inflation. The change in goods prices was negative each month for the 15 months from January 2024 to March 2025 but now goods prices have been moving consistently higher since March. Whether it is because of tariffs or shifting supply changes, it appears unlikely that goods inflation will assist in bringing inflation towards the Fed's 2% target in the near term.
- The U.S. fiscal situation is a *hot mess*. It is unlikely to get better anytime soon. The markets do not seem to care, however, but at some point, the long dormant *bond vigilantes* may awake from their slumber and seek to impose some discipline on the fiscal situation.

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, 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

¹ Bloomberg, Blackrock Eyes 100% Loss on Private Loan Amid Debate Over Marks, November 10, 2025

² Bloomberg, Private Credit Hysteria Will Get Very Real Soon, December 1, 2025

Average Annual Total Returns (%) as of December 31, 2025							
Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007
Class I	0.92	6.69	6.69	5.43	0.99	2.56	3.14
Class A	0.87	6.50	6.50	5.23	0.77	2.31	2.85
Class R6	0.92	6.82	6.82	5.46	1.45	3.07	3.45
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007
Class A	-2.94	2.50	2.50	3.91	0.00	1.92	2.64
Bloomberg U.S. Aggregate Bond Index	1.10	7.30	7.30	4.66	-0.36	2.01	3.01

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.

For term definitions, please refer to: <https://www.brandes.com/termdefinitions>.

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

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. "BLOOMBERG®" and the Bloomberg indices listed herein (the "Indices") are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the Indices (collectively, "Bloomberg") and have been licensed for use for certain purposes by the distributor hereof (the "Licensee"). Bloomberg is not affiliated with Licensee, and Bloomberg does not approve, endorse, review, or recommend the financial products named herein (the "Products"). Bloomberg does not guarantee the timeliness, accuracy, or completeness of any data or information relating to the Products.

The neutral fed funds rate is the theoretical federal funds rate at which the stance of Federal Reserve monetary policy is neither accommodative nor restrictive. It is the short-term interest rate consistent with the economy maintaining full employment with associated price stability.

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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