

# 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. Performance would have been lower without limitations in effect.*

## TEN LARGEST CORPORATE ISSUERS

(% of assets as of 3/31/2026)

United States Treasury Note	53.21
Fannie Mae Pool	5.71
Univision Communications Inc	3.56
Goldman Sachs Group Inc	2.80
Freddie Mac Pool	2.56
Organon & Co	2.08
Ford Motor Credit Co LLC	1.70
USB Capital IX	1.67
Fibercop SpA	1.63
Pitney Bowes Inc	1.56

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

The Brandes Core Plus Fixed Income Fund rose 0.08% (Class I Shares), and outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, which declined -0.05% in the quarter.

The year got off to a relatively benign start. Interest rates drifted downwards as the market was anticipating that the Fed (Federal Reserve Bank) would continue to move the fed funds rate lower. Yield spreads began the year near the tightest levels in several decades but continued to move lower. Economic data was largely positive, and equity markets generally moved sideways.

However, as Ron Burgundy famously said<sup>1</sup>, "that escalated quickly" as markets were forced to digest the joint United States and Israeli military invasion of Iran on February 28. Energy prices skyrocketed, interest rates moved sharply higher, and equities moved lower. Nevertheless, while there was certainly an uptick in corporate bond market volatility, investment-grade yield spreads only moved modestly wider.

The Iran conflict and the subsequent rise in energy prices served to stoke fears of inflation. Historically, energy price disruptions have tended to be short-lived; and thus, have not meaningfully affected inflation. While this may still be the case, the conflict has led to significant energy infrastructure damage in the Middle East. Assuming the conflict is resolved soon, as seems possible, and energy prices decline, they will likely decline to a higher baseline than before this conflict began. Additionally, inflation has been above target for over five years running, making it more difficult to assume that the public will continue to shrug off shocks as *one-off* events.

The other big story of the first quarter was rising concern about stress in the private credit market. First there were stories of valuation concerns as several high-profile private credit managers slashed the value of some loans from near par value to zero during the quarter. Next, the stories shifted to redemption requests by jittery investors that far exceeded the quarterly thresholds set by their managers.

Whether the stress being experienced in the private credit market bleeds into the public corporate bond market in which we operate remains to be seen, but the concerns around private credit should not be a surprise. An enormous amount of money has flooded into the sector in the past few years, which has led to relaxed underwriting standards and capital extended to companies that in our view, probably did not deserve it. The lack of liquidity and transparency in this market only serves to increase investor anxiety. The fact that there are *gates* to prevent a larger exodus is a feature and not a bug and could serve to mitigate the stress from becoming a systemic issue.

## Fund Performance

In the first quarter, the Brandes Core Plus Fixed Income Fund delivered positive returns and outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index.

Security selection contributed to performance from an overall perspective. Select holdings in corporate bonds provided a positive contribution to returns during the quarter, led by holdings in technology (Sabre Global, Iron Mountain, and Alphabet), banking (US Bank, Goldman Sachs, and Bank of America), and pharmaceuticals (Organon). Select holdings in communications (Univision & Gray Media) and retail (Kohl's Corp.) modestly detracted from returns.

Term structure positioning was modestly positive. We moved portfolio duration from 91% of the benchmark at the beginning of the period to 94% toward the end of the quarter. Interest rates moved upward after the Iran conflict began, and the market's outlook shifted from an expectation of two

Fed rate cuts in 2026 to a steady fed funds rate throughout the year, as inflation concerns moved back to the forefront.

The Fund's underweight to agency mortgage-backed securities (MBS) detracted from returns as agency MBS was among the best-performing taxable fixed income asset classes during the period.

With an uptick in market volatility from mid-February through to the end of the quarter, we were able to add what we believe are several high-quality corporate bonds at attractive levels. The Fund added new positions in Alphabet Inc. (4.10% coupon, maturing 2/15/31, rated Aa2/AA-), Goldman Sachs (5.049% coupon, maturing 7/23/30, rated A2/BBB+), JPMorgan (5.14% coupon, maturing 1/24/31, rated A1/A), Bank of America (5.162% coupon, maturing 1/24/31, rated A1/A-), and PNC Financial (4.075% coupon, maturing 1/26/29, rated A3/A-).

Additionally, the Fund added new positions in two FNMA DUS (Fannie Mae's Delegated Underwriting and Servicing program) securities rated Aa1/AA+. FNMA DUS securities are backed by multifamily real estate (i.e. apartment complexes, senior living facilities, and student housing). The primary difference between a FNMA DUS security and an agency residential mortgage-backed security (agency MBS) is that the former has strict penalties for principal prepayments while the latter does not. As a result of greater prepayment certainty, FNMA DUS bonds have historically typically been offered at a lower yield spread than agency MBS. That is not currently the case; therefore, we were able to add two securities that offer exposure to the mortgage market with minimal credit risk and negligible prepayment risk.

Finally, we added to the Fund's existing holding in pharmaceutical company Organon's first-lien bond (4.125% coupon, maturing 4/30/28, rated Ba2/BB). Organon's most significant drug by revenue comes off patent in 2030, and as the window of patent protection shortens, that has been weighing on that company's whole bond complex. In our view, the security we own exhibits a distinctly different (i.e. better) credit profile than the other bonds in the company's capital structure. Our holding matures well before the company's *patent cliff*, is a secured bond, and is the nearest to maturity in the capital structure. Additionally, during the quarter, the company was subject to takeover rumors by a higher rated entity – in which event our holding would likely be called. The bond's call price is higher than our purchase price during the quarter. Therefore, a takeover would likely be a positive development for our position. The Fund experienced a maturity in Bank of America and a call of positions in T-Mobile, VMware Inc, and Sealed Air.

## Outlook

As we shift to the second quarter, while it is difficult to see through all the "noise" in the market, the underlying fundamentals of the investment landscape are reasonably

healthy. The U.S. economy is in decent shape: the labor market has seen some moderation, but the unemployment rate remains low, and while consumers are dealing with energy price shocks, it has not hit overall consumer spending yet. Public company balance sheets are sound, and more companies are beating earnings expectations than are missing them.

There has, however, been a rise in shocks to the system during the first quarter. We have already discussed the effect of the Iran conflict and the ongoing stress in the private credit market. The other looming issue that has been building since the blowout government spending at the start of the COVID pandemic is the U.S. government's fiscal situation.

As we have discussed in the past, both U.S. government spending and debt relative to GDP are near the highest levels since World War II and we see this issue getting worse. The population is aging - adding pressure to healthcare and Social Security entitlement costs. At the same time, the immigration crackdown and falling birth rates are causing the supply of labor to stagnate, compromising the funding needed for entitlement programs. The "One Big Beautiful Bill Act" reduced corporate and personal income taxes. The Supreme Court struck down the Trump administration tariffs, possibly leading to a need to refund the revenue that was raised. Finally, by some estimates, the Iran conflict is costing the U.S. about \$1 billion per day.

The market has paid scant attention to U.S. government spending and rising debt, but it remains a risk factor that we believe deserves attention.

In summary, we believe 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. Even with a modest rise in yield spreads over the past month, the corporate bond market remains largely priced to perfection today, placing a premium on security selection in our view.

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 continue to manage duration carefully, and this was approximately 6% shorter than the Fund's benchmark at quarter end. 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, we will look to redeploy some of those Treasury holdings thoughtfully and effectively, as we did in the early part of March to take advantage of opportunities at that time.

While we added two new securities during the period, we remain underweight agency mortgage-backed securities.

As we move forward, we remain optimistic about the prospects for the Brandes Core Plus Fixed Income Fund, although 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 view as a relatively defensive posture.

Sincerely,

A handwritten signature in black ink, appearing to read 'Timothy M. Doyle', written in a cursive style.

Timothy M. Doyle, CFA  
Fixed Income Portfolio Manager

<sup>1</sup> From the 2004 film "Anchorman: The Legend of Ron Burgundy"

Average Annual Total Returns (%) as of March 31, 2026

Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007
Class I	0.08	0.08	4.05	4.26	1.34	2.23	3.10
Class A	-0.10	-0.10	3.72	4.02	1.10	1.98	2.81
Class R6	-0.04	-0.04	3.93	4.24	1.71	2.74	3.40
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007
Class A	-3.88	-3.88	-0.12	2.71	0.33	1.58	2.59
Bloomberg U.S. Aggregate Bond Index	-0.05	-0.05	4.35	3.63	0.31	1.70	2.96

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](http://www.brandes.com/funds). Read carefully before investing.*

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