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 9/30/2022)

Prime Security Services	2.41
USB Capital IX	2.30
JPMorgan Chase & Co	2.18
Ford Motor Credit Co LLC	1.88
VMware Inc	1.86
Netflix Inc	1.64
PulteGroup Inc	1.60
Tenet Healthcare Corp	1.58
Range Resources Corp	1.50
Coty Inc	1.24

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

Market Overview

In 1975, REO Speedwagon released an album titled: *This Time We Mean It*. Those words appear to be an apt description of the Fed's messaging to the market during the third quarter regarding its resolve to tame rampant inflation.

While the Federal Reserve (Fed) adopted a more hawkish stance throughout the earlier part of the year and backed up their rhetoric with the fastest rate hikes since the summer of 1980, up until this quarter there appeared to be a lack of market belief in the Fed's conviction to fully commit to bringing inflation under control if it meant causing elevated market volatility. The Fed has *talked tough*, but during the first half of this year, the market seemed to be continually expecting a *pivot* in policy, back to a more accommodative stance.

The last fifteen years of Fed policy are analogous to a long car trip with temperamental children in the back seat. To make the ride smoother and more tolerable you give the kids a bit of sugar, and for a while they're all happy and well behaved. Eventually, however, the sugar rush wears off. As a parent, in the back of your mind you know that the right thing to do is cut off the sugar and deal with the consequences; but it's been such a lovely ride, you wonder what's the harm in keeping the rush going? The problem is that the longer you prolong the inevitable *normalization* the higher the behavioral volatility will likely be.

The Fed made a change to its messaging during the quarter. It effectively told the markets that it is not supplying any more *sugar*. Not unlike the antics of temperamental children, we saw a dramatic sell-off in equites and bonds. Both the S&P 500 and the Bloomberg U.S. Aggregate Index declined by nearly 5% during the third quarter.

Earlier in the year the Fed's message was focused on guiding the economy to a soft landing, which evolved into a "softish landing", and then to more recent rhetoric that there will likely be some economic pain in the efforts to bring down inflation. The Fed has a dual mandate to maintain price stability and full employment. Chair Powell indicated that the Fed's priority is now keenly focused on price stability.

The open question as we enter the fourth quarter is whether the Fed will stick to its newfound conviction. It's relatively easy to *talk tough* when the unemployment rate is the lowest in nearly 50 years. It's another thing to stay on track if the economy starts shedding jobs or heads into a recession.

The silver lining around the rapid rise in fixed income yields however, is that overall yields are at levels last reached over a decade ago. It seems like a novel idea – tongue firmly in cheek – but by the end of the third quarter, and for the first time in a long time, fixed income securities actually provided an income component.

Fund Performance

In the third quarter, the Brandes Core Plus Fixed Income Fund (Class I Shares) declined -2.60%, outperforming its benchmark, the Bloomberg U.S. Aggregate Bond Index, which returned -4.75%.

Year-to-date, the Fund delivered -12.00%, outperforming the benchmark which fell -14.61% for the nine months ending September 30, 2022.

The underweight in agency mortgage-backed securities (MBS) aided performance during the quarter. During September, agency MBS experienced their worst monthly performance on record versus U.S. Treasury securities. We had previously expressed caution about MBS given our belief that agency MBS valuations have largely been supported by Fed purchase activity since 2008. The Fed finally ended its 15-year outright agency MBS purchase plan that saw its agency MBS holdings grow from zero in 2008 to $2.7 trillion at quarter-end. While the Fed is now allowing up to $35 billion in agency MBS to roll-off its balance sheet each month, we have yet to see that balance sheet contract as higher interest rates have caused mortgage prepayments to shrink to almost nothing. Agency MBS yield spreads have moved wider, and we have yet to see any real decrease in Fed holdings. Returning to our previous analogy of dealing with fractious kids on a road trip: “no, we aren’t there yet!”

At some point, if the Fed is truly serious about reducing exposure to agency MBS, outright sales will have to be considered. While agency MBS yield spreads look more attractive than we’ve seen for some time, there remain strong technical headwinds facing the sector.

Holdings in banking (**JPMorgan** and **U.S. Bank**), services (**ADT Inc.** and **Iron Mountain**), healthcare (**Tenet Healthcare Corp.)**, and consumer products (**Coty Inc**.) aided returns.

Our bond holdings in JPMorgan and U.S. Bank are floating rate notes with a quarterly coupon reset. The rapid rise in interest rates at the front-end of the yield curve has led to the coupons on these bonds resetting higher.

A few select holdings in energy (**Range Resources),** and telecom (**T-Mobile**) modestly detracted from returns.

Term-structure positioning was a positive factor in performance as interest rates continued their march higher. The Fund was positioned near the bottom of their duration-controlled band during the quarter, helping to mitigate the impact of rising rates on a relative basis.

The Fund added new positions in **Expedia Group** (3.80% coupon, maturing 2/15/28, rated Baa3/BBB-), and **Methanex Corp.** (5.25% coupon, maturing 12/15/29, rated Ba1/BB).

The Fund added to existing holdings in **Hess Midstream, Bank of America Corp**, and **Travel + Leisure Corp**.

Overall, while we are starting to see more value come into the corporate bond market, credit yield spreads have not been as volatile as they were in previous episodes of market instability such as 2002 (Enron and WorldCom bankruptcies), 2008 (Global Financial Crisis), and 2020 (COVID pandemic). Most of the widening in corporate bonds yields has been attributable to the rise in U.S Treasury rates rather than outright weakness in corporate bonds. This reinforces our view that the most prudent approach is to continue to seek value in a measured and deliberate manner.

Outlook

Markets now appear to be exiting a period where valuations were largely artificially propped up by huge injections of liquidity and easy policy by the Fed - not to mention extraordinary stimulus from the federal government. This transition has been painful for virtually every financial asset class over the short-term. In our view, over the last several years fundamentals like cash flow generation, margins, and balance sheet positioning have taken a back seat to technical factors like momentum and investor enthusiasm.

As the market continues to adapt to what appears to be a post-pandemic financial reckoning, we’ve started to see signs of a rise in idiosyncratic risk. For example, one of the first casualties has been a telecommunications company named Avaya. As recently as June, Avaya was able to raise new debt, despite being highly leveraged. The price of those bonds has fallen nearly 40% since issuance after Avaya cut earnings forecasts and disclosed “substantial doubt” about its ability to keep operating. (We did not invest in these bonds).

As we move forward, we believe that understanding how inflation and higher interest rates affect individual companies’ revenue, costs, and ability to refinance has taken on much more importance than it did in a *zero-rate world*. There are an increasing number of bonds that we believe offer attractive yields, but there are also companies facing margin pressures that may have trouble refinancing at higher rates.

Interest rates are higher and yields on bonds are more attractive than they have been in quite some time. We believe, however, that careful security selection rooted in fundamental value principles is the key to successfully guiding the Fund through this uncertain and volatile landscape.

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. The Fund continues to favor shorter-maturity corporate bonds and those that we believe exhibit strong, tangible asset coverage. We are 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.

During the quarter we found a few new bonds that we believe meet our criteria as attractive value opportunities and market volatility provided chances to add to a number of securities that we currently own.

We remain underweight agency MBS.

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.

Average Annual Total Returns (%) as of September 30, 2022							
Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007
Class I	-2.60	-12.00	-12.25	-2.08	-0.10	1.25	2.61
Class A	-2.68	-12.25	-12.55	-2.31	-0.35	0.92	2.30
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007
Class A	-6.31	-15.53	-15.80	-3.56	-1.11	0.54	2.04
Bloomberg U.S. Aggregate Bond Index	-4.75	-14.61	-14.60	-3.26	-0.27	0.89	2.60

Operating Expenses: Class I: 0.63% (gross), 0.30% (net) Class A: 0.83% (gross), 0.50% (net) Class R6: 0.58% (gross), 0.30% (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, 2023. 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%.
Cash Flow: The amount of cash generated minus the amount of cash used by a company in a given period.
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.
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 S&P 500 Index with gross dividends measures equity performance of 500 of the top companies in leading industries of the U.S. economy.
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.

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. It is not possible to invest directly in an index.

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.

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.brandesfunds.com. 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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