

Brandes International Equity Fund

FUND INFORMATION

Class I:	BIEX
Class A:	BIEAX
Class C:	BIECX
Class R6:	BIERX

STRATEGY

The Fund seeks long-term capital appreciation by investing in equity securities of non-U.S. issuers it believes are undervalued relative to their financial strength and upside potential.

TOP TEN HOLDINGS

(% of assets as of 12/31/2023)

Takeda Pharmaceutical Co Ltd	3.32
Rolls-Royce Holdings PLC	3.01
Heineken Holding NV	2.56
Alibaba Group Holding Ltd	2.54
UBS Group AG	2.52
Sanofi SA	2.52
SAP SE	2.29
Heidelberg Materials AG	2.28
Embraer SA	2.27
GSK PLC	2.14

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

The Brandes International Equity Fund rose 10.86% (Class I Shares), performing roughly in line with its benchmark, the MSCI EAFE Index, which gained 10.42% in the fourth quarter, and outperforming the MSCI EAFE Value Index, which appreciated 8.22%.

Positive Contributors

Top performers included holdings in industrials, led by aerospace firms **Rolls Royce** and **Embraer**, and in consumer staples, notably U.K. grocers **J Sainsbury** and **Tesco**. Both Rolls Royce and Embraer continued to benefit from a resurgence in demand within their commercial aerospace end-markets.

Other standout contributors included technology companies **Taiwan Semiconductor Manufacturing Co.** and **Samsung Electronics**, both of which climbed amid growing expectations of a rebound in the semiconductor industry.

Furthermore, Switzerland-based wealth management firm **UBS** appreciated as it progressed with its integration of Credit Suisse. Meanwhile, Japanese health care company **Taisho Pharmaceutical** rose following a management buyout announcement. The offer reflected a 50% premium to Taisho's six-month average trading price, and we divested our position as the shares surpassed the management buyout offer price.

Performance Detractors

Detractors included pharmaceutical companies **Takeda Pharmaceutical**, **Sanofi**, and **Astellas Pharma**.

Sanofi saw its share price decline after announcing a significant increase in research and development investment in its late-stage drug pipeline, which is expected to impact its near-term financial results. Taking a long-term view, however, we believe the share-price drop was overdone. The shares now trade at a low double-digit multiple of what we believe will likely be trough-level earnings, offering an appealing long-term risk/reward tradeoff, in our opinion.

From a sector perspective, holdings in consumer discretionary weighed on returns. Japanese automakers **Nissan** and **Honda Motor** performed poorly, along with Chinese internet retailer **Alibaba**, whose shares fell after it decided to abandon plans to spin off its cloud business. While Alibaba's announcement was disappointing as it removed a potential catalyst for unlocking the significant value that we see in one of its businesses, we continue to believe the company is well positioned. Following the decline, Alibaba now trades at what we consider an attractive valuation of 8x forward earnings.

Select Activity in the Quarter

There were a couple new purchases in the quarter – U.K. health care equipment firm **Smith & Nephew** and consumer goods company **Unilever**.

Smith & Nephew, a global leader in medical devices, specializes in orthopedics (including knee and hip replacements), sports medicine, ENT (ear, nose, and throat), and wound care. Over the past three years, the company's shares have been under pressure as many elective but crucial medical procedures, such as knee and hip replacement surgeries, were delayed due to the COVID-19 pandemic. More recently, Smith & Nephew has also faced inflation challenges in its supply chain, which will likely impact its near-term margins.

Nevertheless, we see the company as an appealing investment opportunity. We believe it is well positioned for a recovery in demand for elective procedures. Moreover, long-term trends, such as an aging population and rising obesity rates, are expected to increase the need for orthopedic procedures. Orthopedic devices and sports medicine technology have relatively high switching costs due to the surgeons' learning curve with these devices, helping manufacturers such as Smith & Nephew retain their market shares. We also appreciate Smith & Nephew's growing presence in emerging markets. Furthermore, our analysis shows that the company has a solid balance sheet and history of generating free cash flow to support its dividend and share repurchases, which could provide downside protection in a weaker economic environment.

One of the world's largest fast moving consumer goods companies, Unilever derives over half of its sales from emerging markets. Its shares recently slipped on concerns about slowing growth and margin pressures. Following several earnings downgrades, Unilever now trades at a discount to its European consumer staples peers. In our opinion, the share-price decline has offered an appealing opportunity to invest in a well-positioned company at a discounted valuation.

Other major portfolio activity included the divestments of Taisho Pharmaceutical, as discussed above, and leading global reinsurer **Swiss Re**. Improved industry pricing and rising interest rates have benefited Swiss Re, driving its share price to reach our estimate of its intrinsic value.

Year-to-Date Briefing

The Brandes International Equity Fund rose 30.37% (Class I Shares), outperforming its benchmark, the MSCI EAFE Index, which appreciated 18.24% for the year ended December 31, 2023, and the MSCI EAFE Value Index, which rose 18.95%.

The primary driver of outperformance was our stock selection across multiple sectors, especially materials, industrials, and consumer staples. Noteworthy contributors included aerospace firm Rolls-Royce, oil company **Petrobras**, and steelmaker **POSCO**. Several cyclically oriented holdings, such as construction materials companies **Cemex** and **Heidelberg Materials**, as well as U.K.-based retailer **Marks and Spencer**, also helped returns as the global economy held up better than expected amid a rising interest rate environment.

Significant detractors from performance included **Credit Suisse**, which we divested in the first quarter, as well as holdings that have material exposure to Chinese consumer demand, such as Alibaba, and luxury goods company **Kering**. Advertising agency **WPP** and watchmaker **Swatch** also hurt returns, along with Japanese Takeda Pharmaceutical.

Current Positioning

The Brandes International Equity Fund has overweight positions in the United Kingdom, France, and emerging markets, and underweight positions in Australia and Japan. From a sector perspective, it holds key overweights to communication services, health care, and consumer staples, while maintaining meaningful underweights to technology and industrials. Although we have significant exposure to financials, the Fund's allocation to the sector is less than the MSCI EAFE Index and even more so when compared to the MSCI EAFE Value Index.

Within the benchmark there was a wide divergence in sector performance this year. Technology-related companies—both in the technology and industrials sectors—notably outperformed the MSCI EAFE Index, while more defensive areas such as consumer staples and health care materially underperformed the index. As such, it is not surprising that we have largely found new value opportunities within consumer staples and health care, thereby increasing our relative weights to the sectors. Meanwhile, we pared some of our technology holdings following their appreciation. Given the sector performance and the subsequent allocation increase within the benchmark, our relative underweight to the sector has expanded this year.

Even with their outperformance over the past three years, value stocks continue to trade in the least expensive quintile relative to growth (MSCI EAFE Value vs. MSCI EAFE Growth) since the inception of the style indices. This is evident across various valuation measures, including price/earnings, price/cash flow, and enterprise value/sales. Historically, such discount levels often signaled attractive subsequent returns for value stocks. This is encouraging for us as the Fund, guided by our value philosophy and process, has had the tendency to outperform the value index when it outperformed the broad index. We believe the Brandes International Equity Fund is an excellent complement and diversifier to passive and growth-oriented strategies.

Looking ahead, we remain optimistic about the long-term prospects of the Fund's holdings. As of December 31, 2023, the Fund trades at more compelling valuation levels, while offering more attractive long-term growth characteristics than the benchmark and the MSCI EAFE Value Index.

Average Annual Total Returns (%) as of December 31, 2023							
Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 1/2/1997
Class I	10.86	30.37	30.37	10.45	8.65	4.79	7.58
Class A	10.73	29.93	29.93	10.14	8.36	4.55	7.33
Class C	10.53	28.93	28.93	9.40	7.60	3.96	--
Class R6	10.89	30.43	30.43	10.55	8.76	4.91	7.65
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 1/2/1997 ¹
Class A	4.35	22.48	22.48	7.98	7.07	3.94	7.10
Class C	9.53	27.93	27.93	9.40	7.60	3.96	--
MSCI EAFE Index	10.42	18.24	18.24	4.02	8.16	4.28	4.91
MSCI EAFE Value Index	8.22	18.95	18.95	7.59	7.08	3.16	5.02
Operating Expenses: Class I: 0.93% (gross), 0.85% (net) Class A: 1.13% (gross), 1.13% (net) Class C: 1.88% (gross), 1.88% (net) Class R6: 0.88% (gross), 0.75% (net)							

¹ Fund inception predates MSCI EAFE Value Index inception.

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 data shown with load reflects the Class A maximum sales charge of 5.75%. Performance shown without load does not reflect the deduction of the sales load. If reflected, the load would reduce the performance quoted.

The Fund commenced operations in 1997. Prior to October 6, 2008, the Fund had only one class of shares (currently designated as Class I shares). Class A shares commenced operations on January 31, 2011, but prior to January 31, 2013, Class A shares were known as Class S shares. (Class A shares have the same operating expenses as Class S shares.) Performance shown prior to January 31, 2011 for Class A shares reflects the performance of Class I shares restated to reflect Class A shares loads and expenses. Class C shares commenced operations on January 31, 2013. Performance shown prior to the inception of Class C shares reflects the performance of Class I shares restated to reflect Class C expenses. The Class C shares' average annual total return for the 10-year period assumes that Class C shares automatically converted to Class A shares 8 years after the start of the period. The Class C shares' average annual total return for the since inception period cannot be calculated as the Class A shares had not been launched as of 1/2/2005, 8 years after the inception date of the Brandes International Equity Fund. Performance of Class R6 shares shown prior to the inception of Class R6 shares on February 1, 2016, reflects the performance of Class I shares.

The Advisor has contractually agreed to limit the operating expenses through January 28, 2025. 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.

For term definitions: <https://www.brandes.com/termdefinitions>

The MSCI EAFE Index with net dividends captures large and mid cap representation of developed market countries excluding the U.S. and Canada.

The MSCI EAFE Value Index with gross dividends captures large and mid cap securities across developed market countries, excluding the United States and Canada, exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.

The MSCI EAFE Growth Index with gross dividends captures large and mid cap securities across developed market countries, excluding the United States and Canada, exhibiting growth style characteristics, defined using long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, and long-term historical sales per share growth trend.

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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. In addition, the performance of foreign securities depends on the political 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 have experienced, and may experience in the future, substantial fluctuations or a steady devaluation relative to the U.S. dollar. Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales.

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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