

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 3/31/2024)

Rolls-Royce Holdings PLC	3.59
Takeda Pharmaceutical Co Ltd	3.00
Embraer SA	2.83
Sanofi SA	2.56
Alibaba Group Holding Ltd	2.50
Heidelberg Materials AG	2.50
Heineken Holding NV	2.50
UBS Group AG	2.35
SAP SE	2.28
Intesa Sanpaolo SpA	2.22

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

The Brandes International Equity Fund rose 5.05% (Class I Shares), underperforming its benchmark, the MSCI EAFE Index, which increased 5.78% in the quarter, and outperforming the MSCI EAFE Value Index, which appreciated 4.48%.

Positive Contributors

The primary drivers of performance were holdings in industrials and materials. Aerospace and defense companies Rolls-Royce and Embraer, as well as construction materials firm Heidelberg Materials, stood out as leading contributors.

Rolls-Royce and Embraer continued to benefit from the ongoing recovery in passenger air travel that has led to solid revenue growth, expanding profit margins, healthier cash-flow generation, and healed balance sheets. These positive fundamental developments helped confirm our long-term thesis around franchise quality, balance sheet durability, and end-market recovery potential for these holdings. Moreover, record backlogs highlighted—in our view—the appealing long-term secular growth outlook for global passenger air travel in an industry that has historically allowed incumbents to generate attractive returns on capital. Consequently, we revised our intrinsic value estimates for these companies upward, and believe they continue to offer an attractive risk/reward tradeoff at current valuation levels.

Select technology holdings also delivered solid performance. Notably, Taiwan Semiconductor Manufacturing Company (TSMC) appreciated as the proliferation of artificial intelligence (AI) applications fueled rising demand for semiconductor content. Besides TSMC, German software firm SAP also contributed positively to returns.

Performance Detractors

Significant detractors included several health care holdings such as Spanish Grifols, Netherlands-based Koninklijke Philips, and Germany's Fresenius.

Biotechnology firm Grifols grappled with multiple declines in its share price following a short seller's report that questioned the company's debt and corporate governance practices. In our opinion, the risks highlighted in the report had been largely known, and we maintained our position in the company despite the volatility—albeit now at a lower weighting due to the share-price decline. While we have long been concerned with the company's balance sheet, there is a potential near-term catalyst for its improvement as Grifols is expected to complete the sale of its ownership stake in Shanghai RAAS in the first half of this year and use the proceeds to pay down a significant portion of its debt.

We continue to believe there is potentially meaningful upside in the stock. Grifols' plasma business weathered considerable challenges amid the COVID-19 pandemic, including decreased blood donations and higher costs associated with compensating donors. The company had also made substantial investments to expand capacity for future growth, which further weighed on its profitability. While the recovery has been slower than anticipated, we believe that the expected completion of the Shanghai RAAS transaction is a key positive and that Grifols is attractively valued, trading at a single-digit multiple of pre-COVID earnings. Additionally, we appreciate Grifols' competitive position in a consolidated industry with appealing potential growth.

Outside of health care, other detractors included holdings in consumer discretionary, led by Alibaba and luxury goods companies Swatch and Kering.

Select Activity in the Quarter

The investment committee divested holdings in insurers MS&AD Holdings (Japan) and Aegon (Netherlands), as well as Japan-based communication services company Softbank.

Softbank is a holding company with large investment stakes in various entities, including Softbank Corp (top three telecom carrier in Japan), ARM (a semiconductor design firm), T-Mobile, and Vision Fund 1 and 2 (venture capital-like funds). Softbank also used to own a sizeable stake in Alibaba, and our initial investment thesis was based on our view that this stake would be a key value driver over the long term.

Since we added the company to the portfolio in early 2022, there have been two major changes at Softbank, one negative and one positive to our estimate of its intrinsic value. The negative aspect was the sale of its stake in Alibaba at a price we deemed significantly below its true worth. On the positive note, the recent IPO (initial public offering) of ARM, which we had conservatively priced at its 2016 acquisition cost of U.S.\$32bn, brought in U.S.\$4.8bn in cash, with Softbank retaining nearly a 90% stake after the IPO. The largest impact on the holding's margin of safety, though, came from ARM's current market valuation, which stands at approximately U.S.\$128bn.

Following a review of Softbank's various investment stakes and a long discussion regarding the potential intrinsic value of ARM, we decided to exit the position. Our sell rationale stemmed from the belief that ARM's current valuation may be closer to its peak than its trough. We acknowledge that we could be underestimating the value of ARM, given its valuable technology and tremendous growth prospects. However, ultimately, we could not come to the conclusion that ARM or Softbank was materially undervalued. Additionally, with ARM becoming a material cash source for a company with a somewhat constrained balance sheet, the risk of capital deployment into unknown assets, such as the Vision Funds, has become higher. Consequently, the investment committee determined that redeploying the capital into other opportunities would be better for the portfolio over the long term.

New buys in the quarter included China-based battery maker Contemporary Amperex Technology Co. (CATL) and Mexico-based telecommunications services provider America Movil.

CATL is the world's largest producer of lithium-ion batteries for electric vehicles and energy storage systems, with an estimated global market share of approximately 35% in each segment. Known for its technological and cost leadership, CATL offers products for both premium and mass-market electric vehicles. The company derives most of its sales domestically in China but has diversified its global presence in recent years.

At the time of our purchase, CATL's stock traded near its 52-week low, marking a decline of over 50% from its all-time high. There are several factors contributing to this share-price pressure: a subdued industry outlook overseas, general wariness toward Chinese equities, and the risk of battery manufacturing overcapacity in China. Potential restrictions in the U.S. market have also weighed CATL's shares, although it should be noted that the U.S. electric vehicle market currently represents a small portion of CATL's revenue, and our intrinsic value estimate and investment thesis are not predicated on CATL being able to grow or even maintain its U.S. market presence.

We appreciate that CATL competes in end-markets that offer compelling long-term growth potential—even if that growth trajectory may not be linear. Moreover, CATL stands out as a high-quality player in the global battery supply chain, excelling in technology, cost efficiency, cash-flow generation, and balance-sheet strength. At its current valuations, we believe the stock represents an attractive opportunity to invest in an industry leader amid a weak point in the industry cycle while keeping in mind the long-term trend of increasing levels of vehicle electrification.

Current Positioning

The portfolio 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 industrials, technology, and financials. We believe the Brandes International Equity Fund is an excellent complement and diversifier to passive and growth-oriented strategies.

At quarter end, value stocks continue to trade in the least expensive decile 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 benchmark.

Looking ahead, we remain optimistic about the prospects of the Fund's holdings. As of March 31, 2024, the Brandes International Equity Fund trades at more compelling valuation levels, in our opinion, while offering more attractive long-term growth characteristics relative to the benchmark and the MSCI EAFE Value Index.

Average Annual Total Returns (%) as of March 31, 2024

Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 1/2/1997
Class I	5.05	5.05	23.39	9.24	8.36	5.04	7.70
Class A	5.00	5.00	23.09	8.96	8.06	4.80	7.46
Class C	4.80	4.80	22.10	8.23	7.31	4.20	--
Class R6	5.11	5.11	23.54	9.36	8.46	5.16	7.78
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 1/2/1997 ¹
Class A	-1.04	-1.04	15.99	6.82	6.79	4.19	7.22
Class C	3.80	3.80	21.10	8.23	7.31	4.20	--
MSCI EAFE Index	5.78	5.78	15.32	4.78	7.32	4.79	5.08
MSCI EAFE Value Index	4.48	4.48	17.32	6.58	6.38	3.49	--

Operating Expenses: Class I: 0.93% (gross), 0.85% (net) Class A: 1.13% (gross), 1.13% (net) Class C: 1.89% (gross), 1.89% (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 margin of safety for any security is the discount of market price to our estimate of intrinsic value.

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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