Brandes International Equity Fund

FUND INFORMATION

Class I:	BIIEX
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 6/30/2022)

Takeda Pharmaceutical Co Ltd	4.24
GSK PLC	3.57
Alibaba Group Holding Ltd	3.01
Grifols SA	2.80
Novartis AG	2.62
Sanofi	2.58
Fibra Uno Administracion SA de CV	2.54
UBS Group AG	2.42
Henkel AG & Co KGaA	2.38
Orange SA	2.27

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

The Brandes International Equity Fund declined 9.80% (Class I Shares), outperforming its benchmark, the MSCI EAFE Index, which dropped 14.51% in the second quarter, and the MSCI EAFE Value Index, which fell 12.41%.

Positive Contributors

Amid the strong relative performance for value stocks, holdings across a variety of sectors held up well in the declining market, led by those in energy (e.g., **Repsol**, **BP**, **TotalEnergies**) and health care (e.g., **Takeda Pharmaceutical**, **Sanofi**, **Grifols**, **GSK**). Both Sanofi and GSK have been increasing their focus on their core pharmaceutical businesses, with Sanofi spinning off its ingredients business in the quarter and GSK planning to do the same with its consumer health division next quarter.

Other contributors included Chinese internet company **Alibaba**, which benefited from lessening government regulation, and several of our France-based holdings, notably food products manufacturer **Danone** and telecom firm **Orange**.

Performance Detractors

A number of concerns contributed to the market decline in the quarter, including geopolitical risks and inflation, as well as worries about economic growth. As a result, within the index many cyclically oriented companies performed poorly, as did technology-related companies, which continued to see their valuations compress with rising interest rates.

Ad agencies **WPP** and **Publicis**, both cyclically oriented holdings, saw their shares decline on uncertainty around future advertising spending. Financial firm **Credit Suisse** and emerging markets holdings **Cemex** and **Embraer** also weighed on returns. After performing strongly in the first half of last year, Cemex's share price retreated due to concerns about inflationary cost pressures and an appreciating U.S. dollar.

Select Activity in the Quarter

Portfolio activity picked up toward the end of the quarter as the broad market continued its year-to-date decline. The investment committee initiated positions in several companies, including Germany-based software company **SAP**, Dutch health care equipment company **Philips**, Austria-domiciled bank **Erste Group**, and U.K.-based industrial company **Rolls-Royce**. Other major activity included the full sales of Spain-based oil firm Repsol and U.K. household products company **Reckitt Benckiser**. Both holdings appreciated to our estimates of intrinsic value, and we decided to reallocate the capital to what we consider better investment opportunities.

SAP is a leader in enterprise resource planning (ERP) software, which includes applications for payroll, procurement, finance, manufacturing, and operations. We believe enterprise software is an attractive industry with high switching cost, low capital intensity and robust returns on equity. SAP has historically traded at a premium relative to the broad market, largely due to its dominant position in an appealing growth industry, and the scarcity of technology-related investment opportunities in Europe relative to the United States. However, because SAP's ERP software was heavily customized and difficult to upgrade, its growth rate lagged that of many of its peers, leading the company to turn to acquisitions for growth.

SAP has delivered disappointing earnings as it tried to balance integrating its acquisitions with moving its applications to the cloud, both of which have proven challenging for the company. As a result, its share price recently dropped near a five-year low, making the company more attractive to us.

Although SAP may continue to deliver subdued financial results in the short term, we believe its business strategy, combined with its recent record of execution, positions it well for the long term, which is the investment horizon for us. Its strong focus on cloud migration corresponds well with enterprise customers' urgent need to improve the flexibility and agility of their enterprise application software as they grappled with the pandemic-triggered disruptions and uncertainties over the past two years. SAP's effort to offer a fully integrated technology solution should serve well as the foundation for both its organically developed software and its acquired software. This, in turn, should enable SAP to revive its organic growth rate as it will be easier for customers to buy and implement additional software modules, which was the not the case with on-premise software. Even though its short-term financial results may be depressed due to frontloaded expenses associated with both efforts (integration and cloud migration), we believe these projects will help SAP achieve organic growth that should benefit its operating leverage and profitability over the longer term. We have seen this happen with other enterprise software firms that have gone through similar multi-year transitional period. As such, at its current valuation, SAP represents a compelling long-term risk/reward tradeoff to us.

Rolls-Royce is a U.K.-based conglomerate with a focus on the aerospace and defense industry. The company primarily designs, manufactures and services engines and turbines used in aircraft, ships, and power generators.

Rolls-Royce has struggled for several years, despite what has been a robust civilian aviation market pre-pandemic. The company appears to have made a strategic misstep in exiting the narrow-body engine market in 2012, a market that proved to be more stable and better growing than the wide-body market it strategically focused on. Additionally, Rolls-Royce's newly designed Trent 1000 engine experienced premature wear, forcing the company to spend significant capital to fix the issue in 2017.

Rolls-Royce seemed to have overcome these challenges in 2019 when its revenue and profitability improved. However, the impact of COVID-19 the following year severely hit Rolls-Royce's business. Lower utilization of aircraft weighed on demand and uncharacteristically caused a steep fall in the company's maintenance business, which tended to be more profitable than its manufacturing business. Cash-flow burn in 2020 forced Rolls-Royce to issue over $2 billion in equity and divest some non-core businesses. More recently, lingering pandemic concerns, high fuel prices and the risk of a recession in major economies have further hurt investor sentiment. The combination of strategic missteps, the unfortunate timing of a pandemic-triggered moratorium on travel and a potentially weak economic environment led Rolls-Royce's share price to drop to less than one-tenth of its 2019-high.

While we acknowledge the near-term future appears bleak for Rolls-Royce, we believe there are reasons for longer-term optimism. In our opinion, cash-flow characteristics in the next downturn should be better as the company can release working capital to cushion any slowdown in orders. We also think that the service business should continue to recover as pandemic restrictions ease and aircraft utilization increases. Even a recessionary level of activity in the service business would be an improvement over the past couple of years. When activity potentially picks up again, Rolls-Royce is poised, in our view, to resume its duopoly position in an industry with high barriers to entry and should benefit from the next aerospace cycle. Overall, Rolls-Royce's current market valuations are attractive enough for us to take the near-term cyclical risk and initiate a measured allocation to the company.

Year-to-Date Briefing

The Brandes International Equity Fund declined 13.11% (Class I Shares), outperforming its benchmark, the MSCI EAFE Index, which dropped 19.57% in the six months ended June 30, 2022, and underperforming the MSCI EAFE Value Index, which fell 12.12%.

As interest rates have risen, technology-related companies have been the worst performers within the benchmark, along with some cyclically oriented companies given the increasing concerns around economic growth. Meanwhile, defensive-oriented companies and commodity-related companies have performed relatively well.

Our strong relative performance can be attributed to our value exposure, as value stocks outperformed the broad market in the period. Our overweight to the energy sector, as well as our overweights and stock selections within health care and consumer staples aided returns, along with our underweight to technology-related companies. Meanwhile, significant detractors included our underweight to metals and mining, as well as our holdings in communication services.

At the stock level, contributors and detractors for the year largely lined up with those for the quarter as we discussed above. Additional contributors included **Telefonica Brasil**, while additional detractors included **Marks and Spencer**, **Telecom Italia**, and our two Russian holdings (**Mobile Telesystems** and **Surgutneftegas**).

Current Positioning

Value stocks (MSCI EAFE Value) outperformed the broader market (MSCI EAFE Index) noticeably for the year as rising inflation and interest rates caused the valuations of many high-flying growth companies to compress. Geopolitical developments have exacerbated inflationary trends and increased worries about a slowdown in growth, raising the potential for a “stagflationary” environment (low economic growth *and* elevated inflation).

In theory, weaker growth may be a headwind for value stocks, *all else being equal*. However, as we have mentioned in previous notes, two of the best periods for value versus growth occurred in stagflationary environments during the 1970s and early 2000s. The common factors that led these two periods to result in highly favorable value environments were: markets had been in a state of elevated valuations *and* the spread between value and growth had been at historically wide levels. The tailwinds for value that were driving relative returns earlier this year still appear evident to us. While valuation spreads between value and growth have started to narrow from the historically wide gap at the start of the year, they remain among the widest quintile in history, and we therefore continue to feel optimistic about the potential returns for value stocks.

As of June 30, 2022, the Brandes International Equity Fund continued to have overweight positions in France and emerging markets, and underweight positions in Australia and Japan. From a sector perspective, the Fund held its key overweights to communication services, health care, and consumer staples, while maintaining significantly lower allocations to technology and industrials than the benchmark. While we remain overweight energy stocks, we have pared our exposure amid the strong performance of several holdings. In contrast, the benchmark ended the quarter with a higher allocation to energy than the beginning of the year. Our allocation to technology stocks has increased with the purchase of SAP, while the benchmark allocation has declined amid the sector’s weak performance. The decline in market valuations globally has helped grow our opportunity set as some companies within the technology sector or other cyclically oriented areas have started to look more attractive to us.

Looking ahead for the remainder of this year and beyond, we remain excited about the Fund’s potential and the current valuation discounts of value stocks, which has historically boded well for future returns.

Thank you for the trust you have placed in us.

Average Annual Total Returns (%) as of June 30, 2022							
Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 1/2/1997
Class I	-9.80	-13.11	-14.87	1.29	1.10	4.93	6.70
Class A	-9.88	-13.22	-15.13	1.00	0.85	4.69	6.46
Class C	-10.07	-13.61	-15.78	0.32	0.15	4.08	--
Class R6	-9.78	-13.08	-14.82	1.38	1.21	5.04	6.78
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 1/2/1997[1]
Class A	-15.06	-18.19	-20.02	-0.98	-0.34	4.07	6.22
Class C	-10.95	-14.45	-16.60	0.32	0.15	4.08	--
MSCI EAFE Index	-14.51	-19.57	-17.77	1.07	2.20	5.40	4.27
MSCI EAFE Value Index	-12.41	-12.12	-11.95	0.18	0.52	4.25	--
Operating Expenses: Class I: 0.91% (gross), 0.85% (net) Class A: 1.11% (gross), 1.11% (net) Class C: 1.86% (gross), 1.86% (net) Class R6: 0.86% (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, 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.

Cash Flow: The amount of cash generated minus the amount of cash used by a company in a given period.
Return on Equity: Net income divided by shareholder's equity.
Working Capital: Current assets minus current liabilities; a measure of a company's efficiency and short-term financial health.

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.

MSCI has not approved, reviewed or produced this report, makes no express or implied warranties or representations and is not liable whatsoever for any data in the report. You may not redistribute the MSCI data or use it as a basis for other indices or investment products.

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. Diversification does not assure a profit or protect against a loss in a declining market. It is not possible to invest directly in an index.

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.

The Brandes International Equity Fund is distributed by ALPS Distributors, Inc.

BII001444 10/31/22