

Brandes International Small Cap Equity Fund

FUND INFORMATION

Class I:	BISMX
Class A:	BISAX
Class C:	BINCX
Class R6:	BISRX

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 6/30/2023)

Embraer SA	5.65
Rolls-Royce Holdings PLC	3.32
Enel Chile SA	2.97
PAX Global Technology Ltd	2.84
J Sainsbury PLC	2.78
C&C Group PLC	2.74
Draegerwerk AG & Co KGaA	2.56
AIB Group PLC	2.43
Fibra Uno Administracion SA de CV	2.41
Banco Latinoamericano de Comercio Exterior SA	2.38

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

The Brandes International Small Cap Equity Fund returned 4.72% (Class I Shares), outperforming its benchmark, the S&P Developed ex-U.S. SmallCap Index, which gained 0.07% in the quarter, and the S&P Developed ex-U.S. SmallCap Value Index, which was up 0.47%.

Positive Contributors

The strongest performers included holdings in utilities, specifically **Enel Chile** and **Neoenergia**.

Neoenergia reported robust results and announced the sale of a 50% stake in eight of its operational transmission lines for R\$1.2bn (Brazilian real) equity value, which was well received by the market. Meanwhile, Enel Chile continued its rebound in the quarter, driven by top-line growth in its generation business and increased gas sales.

Select health care companies also garnered solid returns, notably Israel-based **Taro Pharmaceutical**, Spanish biotechnology company **Grifols**, and Ireland-domiciled **Avadel Pharmaceuticals**.

In late May, Sun Pharmaceutical Industries, Taro Pharmaceutical's majority shareholder, delivered a non-binding indication of interest to acquire the remaining shares for \$38 each. The offer, which reflected a 41.5% premium to the average closing price over the previous 60 trading days, boosted Taro's shares.

Grifols saw its earnings improve as plasma collections have exceeded pre-COVID levels and inflationary pressure on donor fees has softened. The company also announced that it was enhancing its cost-saving plans and divesting some non-core assets to improve its balance sheet. Meanwhile, Avadel advanced after announcing the long-awaited FDA approval of narcolepsy medication LUMRYZ along with a seven-year exclusivity for the drug.

Geographically, our positions in the United Kingdom, Canada, and emerging markets aided returns, led by U.K.-based facilities management company **MITIE Group** and retailer **Marks and Spencer**, Mexican cement company **Cemex**, and Canadian aerospace firm **Heroux-Devtek**.

Performance Detractors

Several holdings in Japan detracted from returns, including **Kaken Pharmaceutical** and **Taisho Pharmaceutical**, as well as printing equipment manufacturer **Komori**.

Other poor performers included Latin American telecom **Millicom International Cellular**, Irish beverage company **C&C Group**, Spanish insurer **Linea Directa Aseguradora**, and Brazilian regional jet manufacturer **Embraer**.

Earlier this year, Millicom disclosed it was in talks with Apollo Global Management and Claire Group about a potential private equity buyout. However, the company confirmed in June that the discussion about the sale had been terminated, while also issuing weaker-than-expected earnings guidance, causing the shares to drop.

Relative to the benchmark, our underweight and sole holding (**PAX Global Technology**) in the information technology sector weighed on performance.

Select Activity in the Quarter

The small-cap investment committee initiated positions in France-based pharmaceutical firm **Euroapi**, Canadian food products company **Lassonde Industries**, and Japanese health care services business **H.U. Group**.

Euroapi is an active pharmaceutical ingredient (API; a key component in drugs) provider and a contract development and manufacturing organization (CDMO) that was carved out of Sanofi and publicly listed in May 2022. CDMOs offer services that range from drug development to drug manufacturing for other pharmaceutical companies. Sanofi retains 30% ownership of Euroapi, while 58% was distributed to Sanofi's then-existing shareholders and the remaining was sold to the French government. Accounting for over 50% of total sales, Sanofi continues to be Euroapi's largest customer, although the firm intends to diversify its client base and reduce dependency on Sanofi to 30% of revenues by 2025. Euroapi's other customers include large and specialty pharmaceuticals, biotechnology firms, generic manufacturers, animal health product companies, and consumer health businesses.

The creation of Euroapi was consistent with a recent industry trend in which larger pharmaceutical firms have spun off various assets with common themes for value creation being: 1) cost reduction through disciplined management, 2) increased top-line growth through focused resources and expansion of the customer base, and 3) increased capital expenditures (capex) to improve productivity and efficiency.

We believe Euroapi's core businesses, API and CDMO, have strong secular tailwinds in a highly fragmented market, the assets are solid, and that there is significant room for growth and profitability improvement. A main concern is that the company is unlikely to be the most efficient or the lowest-cost provider given the French government ownership and its mission of being a "made in Europe" API and CDMO company targeting repatriation demand and high value-added services. Nevertheless, we believe this has been more than reflected in Euroapi's share price. We appreciate that the company has a strong balance sheet post-spinoff and that it operates in an industry with high barriers to entry due to the significant capex and scale requirements, as well as the need for a good track record of quality manufacturing.

Besides the new purchases above, other major portfolio activity included the full sales of Malaysia-based **Genting Berhad** and U.K. money printing company **De La Rue**.

Year-to-Date Briefing

The Brandes International Small Cap Equity Fund was up 18.96% (Class I Shares), outperforming its benchmark, the S&P Developed ex-U.S. SmallCap Index, which returned 6.51% in the six months ended June 30, 2023, as well as the S&P Developed ex-U.S. SmallCap Value Index, which was up 6.59%.

The strongest contributors were holdings in the U.K., Mexico, and Brazil, led by Brazilian regional jet manufacturer Embraer, U.K.-based industrial firm **Rolls-Royce**, grocer **J Sainsbury**, and retailer Marks and Spencer, as well as Mexican real estate investment trust (REIT) **Fibra Uno**. Enel Chile, Spanish REIT **Lar Espana Real Estate**, and Panamanian bank **Banco Latinoamericano de Comercio Exterior** also helped performance. From a sector standpoint, the Fund benefited from holdings in industrials, utilities, and materials.

Notable detractors included holdings in the commercial services and supplies industry, specifically De La Rue and South Korean security services provider **S-1 Corporation**. Ireland's C&C Group and Spanish Linea Directa Aseguradora also hurt performance, as did China-based PAX Global Technology. As was the case for the quarter, our underweight to the information technology sector detracted from relative returns.

Current Positioning

As of June 30, 2023, the Fund held its largest weights in industrials, consumer staples and financials. Our allocation to health care increased with the additions of Euroapi and H.U. Group, resulting in a meaningful overweight relative to the benchmark. Additionally, the Fund maintained underweights in technology, materials, and consumer discretionary. Geographically, it continued to have significant exposure to companies in Japan (although underweight relative to the benchmark), the U.K., and emerging markets, while having underweights to Canada, Australia, and Switzerland.

A variety of concerns continue to face international stocks, including elevated inflation, worries about slowing economic growth or recession, and political as well as regulatory uncertainties. Despite these challenges, the international small-cap equity asset class (MSCI EAFE Small Cap) posted positive returns over the last nine months, highlighting our belief that often when the market is the most negative, it can be a great time to invest.

While high-level valuations may not be as attractive as they were at the beginning of the year, international small-cap equities continue to represent, in our opinion, fertile ground for fundamentally solid businesses trading at a discount to their estimated intrinsic values. Within the asset class, value stocks (MSCI EAFE Small Cap Value) continue to trade in the highest decile of discount levels to the broader market (MSCI EAFE Small Cap) on a variety of valuation metrics, including forward price/earnings, price/cash flows, and enterprise value/sales. We are optimistic about the potential of value stocks in general and believe the Brandes International Small Cap Equity Fund remains well positioned from a long-term risk/reward perspective.

Average Annual Total Returns (%) as of June 30, 2023

Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 8/20/1996
Class I	4.72	18.96	32.99	18.75	4.72	5.77	8.63
Class A	4.72	18.87	32.71	18.52	4.50	5.53	8.38
Class C	4.50	18.41	31.72	17.90	3.85	4.97	--
Class R6	4.79	19.08	33.21	18.97	4.85	5.87	8.70
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 8/20/1996
Class A	-1.30	12.04	25.08	16.20	3.27	4.91	8.14
Class C	3.50	17.41	30.72	17.90	3.85	4.97	--
S&P Developed Ex-US SmallCap Index	0.07	6.51	10.50	5.85	1.30	5.74	6.00
S&P Developed Ex-US SmallCap Value Index	0.47	6.59	12.50	9.21	1.43	5.61	6.64

Operating Expenses: Class I: 1.16% (gross), 1.15% (net) Class A: 1.36% (gross), 1.36% (net) Class C: 2.11% (gross), 2.11% (net) Class R6: 1.10% (gross), 1.00% (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 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.

Prior to February 1, 2012, the Fund was a private investment fund managed by the Advisor with policies, guidelines and restrictions that were, in all material respects, equivalent to those of the Fund. Class A and Class I shares commenced operations on February 1, 2012, while Class C shares commenced operations on January 31, 2013. 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.) The Class I performance information shown for periods prior to February 1, 2012 for the Class A shares reflects the performance of the private investment fund shares adjusted to reflect Class A expenses. Performance shown prior to the inception of Class C shares reflects the performance of the private investment fund for periods prior to February 1, 2012 and the performance of Class I shares for the period from February 1, 2012 to January 30, 2013 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 8/19/2004, 8 years after the inception date of the Brandes International Small Cap Equity Fund. Class R6 shares commenced operations on June 27, 2016. Performance shown prior to the inception of Class R6 shares reflects the performance of Class I shares.

The Advisor has contractually agreed to limit the operating expenses through January 28, 2024. 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.

Enterprise Value: Market capitalization plus debt, minority interest and preferred shares, minus total cash and cash equivalents.

Enterprise Value/Sales: Compares the enterprise value of a company to its annual sales.

Forward Price/Earnings: Price per share divided by earnings per share expected over the next 12 months or next fiscal year.

Free Cash Flow: Total cash flow from operations less capital expenditures.

Price/Cash Flows: Price per share divided by cash flow per share.

The S&P Developed Ex U.S. SmallCap Index with net dividends measures the equity performance of small cap companies in developed markets excluding the United States. Data prior to 2001 is gross dividend and linked to the net dividend returns.

The S&P Developed Ex U.S. SmallCap Value Index with net dividends measures the equity performance of small cap companies in developed markets excluding the United States, which are classified as value stocks by book value-to-price, sales-to-price, cash flow-to-price, and dividend yield.

The MSCI EAFE Small Cap Index captures small cap representation across developed market countries, excluding the U.S. and Canada.

The MSCI EAFE Small Cap Value Index with gross dividends captures small 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.

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. Investments in small and medium capitalization companies tend to have limited liquidity and greater price volatility than large capitalization companies.

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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