

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 12/31/2023)

| | |
|------------------------------------|------|
| Embraer SA | 5.08 |
| C&C Group PLC | 3.06 |
| PAX Global Technology Ltd | 2.98 |
| Rolls-Royce Holdings PLC | 2.94 |
| Draegerwerk AG & Co KGaA | 2.81 |
| Yellow Cake PLC | 2.64 |
| Millicom International Cellular SA | 2.38 |
| J Sainsbury PLC | 2.34 |
| Grifols SA | 2.34 |
| Linea Directa Aseguradora SA | 2.25 |

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

The Brandes International Small Cap Equity Fund returned 13.33% (Class I Shares), outperforming its benchmark, the S&P Developed ex-U.S. SmallCap Index, which gained 10.74% in the quarter, and the S&P Developed ex-U.S. SmallCap Value Index, which was up 9.47%.

Positive Contributors

Top contributors included holdings in the aerospace and defense industry, led by **Rolls-Royce**, **Embraer**, and **Montana Aerospace**. All three companies continued to see a resurgence in their end markets.

Ireland- and U.K.-based consumer staples holdings also aided returns, notably grocer **J Sainsbury**, contract caterer **Greencore Group**, and beverage company **C&C Group**.

Other standout performers included German medical device company **Draegerwerk**, China-based **Weiqiao Textile**, Japan's **Taisho Pharmaceutical**, and Slovenian bank **Nova Ljubljanska Banka**.

Taisho Pharmaceutical appreciated 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 share price surpassed the management buyout offer price. Similarly, Weiqiao's shares jumped after its parent company announced a proposal to take the company private. The proposed price represented an over 100% premium to Weiqiao's previous closing price. Meanwhile, Draegerwerk reported another increase in its sales and margin guidance, triggered by stronger-than-expected sales of high-margin products.

Performance Detractors

Notable detractors included France-based active pharmaceutical ingredient company **Euroapi** and China-based light-duty engine manufacturer **China Yuchai**.

Euroapi issued another profit warning in October, revising down its EBITDA (earnings before interest, taxes, depreciation, and amortization) and sales growth guidance for the 2023 fiscal year, while also suspending its medium-term targets to 2026. Euroapi was carved out of global pharmaceutical firm Sanofi in May 2022, and it was expected that the company could face initial operational challenges as a standalone entity. Despite these short-term issues, we maintain a positive long-term outlook for Euroapi and have taken advantage of the share-price decline to add to our position.

Other poor performers included **Fuji Media** in Japan, bank **AIB Group** in Ireland, and footwear manufacturer **Yue Yuen Industrial** in Hong Kong. Additionally, our underweight to the information technology and real estate sectors weighed on returns relative to the benchmark.

Select Activity in the Quarter

The small-cap investment committee initiated positions in Montana Aerospace and bank **Valiant Holding**, both based in Switzerland, and U.K. investment management company **St. James Place**.

Montana Aerospace (AERO) is a vertically integrated manufacturer of metallic systems and components (aluminum, titanium) for the commercial aerospace, electric vehicle, and renewable energy end-markets. AERO, which went public in 2021 following its spin-off from parent company Montana Tech Components (MTC), has a relatively

short operating history as a publicly traded company. However, its legacy assets date back to the 1990s when the business served as a U.S.-based casting company for Boeing. In 2006, the assets were acquired by MTC. Over time, MTC eventually recognized the opportunity to streamline the highly inefficient commercial aerospace supply chain, which is burdened by strict regulatory certifications that result in the industry's high fragmentation, high-cost labor footprint, and high transportation expenses.

Fast forward several years, AERO now boasts a vertically integrated industrial base, expanding manufacturing scale, and low-cost industrial footprint that is intelligently located near customers. These capabilities position AERO as a cost-effective, one-stop-shop solution for aircraft OEMs (original equipment manufacturers) and Tier 1 suppliers (i.e., those that work the most closely with OEMs) looking to rationalize their highly complex and inefficient supply chains. To provide perspective, a typical commercial aircraft is made up of five million parts, and if one part is missing, the OEM can't finish assembling the plane.

We have been monitoring AERO since it went public in 2021, but at that time, we felt the elevated project execution risk and cycle recovery timing uncertainty, combined with its leveraged balance sheet and other company-specific issues, were too great to overcome. Today, we see a more visible recovery path—air traffic has resumed, aircraft production has been ramping up, capital expenditures have been declining, and new factories have become operational. With the various risks fading and the stock price closer to trough levels, we believe the market provided an opportune time to invest in a company with an attractive long-term risk/reward tradeoff.

Besides the new purchases above, other major portfolio activity included the full sales of Japan-based Fuji Media and the aforementioned Taisho Pharmaceutical, as well as Mexican cement company **Cemex** and real estate investment trust (REIT) **Fibra Macquarie Mexico**.

Year-to-Date Briefing

The Brandes International Small Cap Equity Fund was up 39.26% (Class I Shares), outperforming its benchmark, the S&P Developed ex-U.S. SmallCap Index, which returned 13.47% in 2023, as well as the S&P Developed ex-U.S. SmallCap Value Index, which was up 14.64%.

Standout performers included holdings in the U.K. (e.g., Rolls Royce, retailers **Marks and Spencer** and J Sainsbury), Mexico (e.g., REIT **Fibra Uno**), and Brazil (e.g., Embraer). Additional contributors included electric utility **Enel Chile**, Spanish REIT **Lar Espana Real Estate**, and Hungary-based **Magyar Telekom**. From a sector standpoint, the Fund

benefited from holdings in industrials, real estate, and consumer staples.

Notable detractors included holdings in the commercial services and supplies industry, specifically U.K.-based currency printer **De La Rue**. France-based Euroapi, Spanish insurer **Linea Directa Aseguradora**, and Hong Kong's Yue Yuen Industrial also hurt performance, as did Japan-based **Kaken Pharmaceutical**. Furthermore, our underweight to information technology detracted from relative returns.

Current Positioning

The Fund maintains large allocations to industrials, consumer staples, and financials, while holding underweights in technology, materials, and consumer discretionary. Over the course of the year, exposure to the health care sector has increased with the additions of companies such as Euroapi and drug distributor **Medipal Holdings**.

Geographically, the Fund continues to have significant exposure to companies in Japan (although underweight relative to the benchmark), the U.K., Ireland, Hong Kong, and emerging markets. It remains underweight Canada, Australia, and Switzerland relative to the benchmark. We believe the differences between the Fund's portfolio and the S&P Developed ex-U.S. SmallCap Index make it an appealing complement to index-tracking or passively managed strategies.

While value leadership (S&P Developed ex-U.S. SmallCap Value vs. S&P Developed ex-U.S. SmallCap) did provide a tailwind for the Fund in 2023, it was our stock selection across sectors and countries that primarily drove outperformance for the year. Going forward, we remain optimistic about the Fund's holdings composition and the risk/reward tradeoff it offers.

Average Annual Total Returns (%) as of December 31, 2023

| Without Load | 3 Months | YTD | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception 8/20/1996 |
|--|----------|-------|--------|---------|---------|----------|------------------------------|
| Class I | 13.33 | 39.26 | 39.26 | 14.77 | 11.18 | 5.63 | 9.09 |
| Class A | 13.26 | 39.02 | 39.02 | 14.56 | 10.93 | 5.40 | 8.84 |
| Class C | 13.03 | 37.97 | 37.97 | 13.93 | 10.24 | 4.84 | -- |
| Class R6 | 13.33 | 39.47 | 39.47 | 14.94 | 11.31 | 5.73 | 9.17 |
| With Load | 3 Months | YTD | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception 8/20/1996 |
| Class A | 6.75 | 31.03 | 31.03 | 12.32 | 9.62 | 4.78 | 8.60 |
| Class C | 12.03 | 36.97 | 36.97 | 13.93 | 10.24 | 4.84 | -- |
| S&P Developed Ex-US SmallCap Index | 10.74 | 13.47 | 13.47 | -1.06 | 6.46 | 4.40 | 6.13 |
| S&P Developed Ex-US SmallCap Value Index | 9.47 | 14.64 | 14.64 | 2.40 | 6.71 | 4.22 | 6.80 |

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, 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 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.

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.

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