

Brandes Small Cap Value Fund

FUND INFORMATION

Class I:	BSCMX
Class A:	BSCAX
Class R6:	BSCRX

STRATEGY

The Fund seeks long-term capital appreciation by investing predominantly in U.S. equity securities of small-capitalization companies that the Fund's investment team believes are undervalued relative to their financial strength and upside potential.

TOP TEN HOLDINGS

(% of assets as of 3/31/2023)

Graham Corp	4.60
Embraer SA	4.44
NETGEAR Inc	4.05
Moog Inc	4.03
Park Aerospace Corp	4.03
Dril-Quip Inc	4.02
Edgewell Personal Care Co	3.96
National Western Life Group Inc	3.47
Flowserve Corp	3.10
Equity Commonwealth	3.05

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

The Brandes Small Cap Value Fund returned 8.94% (Class I Shares), outperforming its benchmark, the Russell 2000 Index, which was up 2.74% in the first quarter, and the Russell 2000 Value Index, which declined 0.66%.

Positive Contributors

Holdings in industrials drove returns, led by aerospace and defense companies **Embraer**, **Moog**, and **Park Aerospace**, as well as machinery firm **Graham Corporation** and commercial furnishing business **Kimball International**.

Embraer posted solid results for the fourth quarter of 2022, with revenue and free cash flow ahead of consensus and operating margin improving sequentially across segments. The company provided increased guidance for aircraft deliveries in 2023 in both the commercial and executive divisions. Moreover, one of its competitors announced it had officially shut down its next-generation commercial regional jet program, which could leave Embraer to be the primary supplier in this market.

In early March, Kimball International agreed to be acquired by office furnishing company HNI in a transaction valued at \$485 million. Kimball's share price increased over 80% on the news and we divested our position.

Other notable performers included insurer **Crawford & Company** and surveillance and security company **Arlo Technologies**. Arlo Technologies rallied on fourth quarter 2022 results and a revenue forecast for the first quarter of 2023 that exceeded sell-side estimates.

From a relative standpoint, our underweight to companies in the financials sector was a meaningful contributor to performance.

Performance Detractors

The failure of two crypto-related banks and the heavily venture-concentrated Silicon Valley Bank (SVB) triggered concerns about deposit outflows and longer-duration investments held at other small and regional banks. As such, it likely isn't a surprise that financial companies made up the worst-performing sector within the benchmark.

While our relative underweight to financials was a contributor to performance, some of the largest portfolio detractors were from the sector, namely banks **National Bankshares**, **ACNB Corporation** and **Eagle Bancorp Montana**, as well as insurer **National Western Life Group**.

Amid the concern and negativity in the broad financials sector, our research team and investment committee met frequently as they monitored ongoing developments, updated our valuation estimates, and evaluated risk exposures of our current holdings as well as potential opportunities. As a result of our analysis, we decided to sell our position in ACNB Corporation given the shift in its risk profile.

Other detractors were holdings in the consumer discretionary sector, specifically **Hanesbrands** and **Dorel Industries**.

Dorel Industries declined on disappointing results for the fourth quarter of 2022 due to lower sales in its juvenile products and home furnishing divisions. The company has started implementing measures to cut costs and reduce inventories, which should help earnings going forward.

Select Activity in the Quarter

The small cap investment committee initiated a position in **Elanco Animal Health** and Eagle Bancorp Montana. Meanwhile, divested positions included holdings in machinery firm **Miller Industries** as well as the aforementioned Kimball International and ACNB Corporation.

Elanco Animal Health was spun out of Eli Lilly in September 2018 and originally focused on the food animal segment. Through a series of acquisitions, most recently Bayer Animal Health in 2020, Elanco has become a global animal health business with a diversified product portfolio that includes medicinal feed, parasiticides (flea and tick products), vaccines, and other therapeutic drugs. The firm is now the world's second-largest animal health care company by sales and has a 55/45 revenue split between the U.S. and international markets.

While the integration of Bayer Animal Health has been going well, we believe its overhang, coupled with slower revenue growth in recent years, has created the opportunity to invest in Elanco. Key factors that underlie our investment thesis include:

- Mid-single digit potential growth throughout the industry stemming from a global increase in protein consumption and pet ownership;
- Stable sales due to the strong brand name, diverse portfolio, and lack of patent cliffs;
- Likelihood of profit margin expansion from streamlining manufacturing, research and development (R&D), and procurement;
- Less expensive and shorter-duration R&D with a higher a probability of success compared to human pharmaceuticals;
- Potential for continued financial deleveraging.

At its current valuations, we believe the stock represents an appealing risk/reward tradeoff.

Current Positioning

As of March 31, the Fund's largest sector allocations were in industrials and health care. Our most significant underweights were in financials, consumer discretionary and information technology. Given concerns about inflation and a weakening economic environment, we have remained careful about our exposure to companies that could be hurt by continued inflation or those with significant balance sheet leverage.

A variety of headwinds face stocks today, for example, elevated inflation and/or potentially increasing interest rates, slowing economic growth and recession concerns, energy risk, and political and regulatory risks, to name a

few. We believe that at today's valuations, value stocks—and the Fund's portfolio in particular—offer an attractive long-term opportunity. It's important to remember that our overall positioning is driven from the bottom up, on a company-by-company basis, with a focus on the long term. We take into account many of the economic concerns noted above when we are evaluating a potential investment, estimating the impact they may have on each investment's intrinsic value.

We believe the differences between the Brandes Small Cap Value Fund and the broader U.S. small cap market continue to make the Fund an attractive complement to more index-like or growth-oriented alternatives, and we remain excited about the Fund's future potential.

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

Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 10/1/1997
Class I	8.94	8.94	0.35	26.19	10.01	10.28	7.68
Class A	8.86	8.86	0.14	25.85	9.71	9.98	7.40
Class R6	8.99	8.99	0.47	26.62	8.70	9.66	7.44
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 10/1/1997 ¹
Class A	2.59	2.59	-5.60	23.40	8.42	9.33	7.15
Russell 2000 Index	2.74	2.74	-11.61	17.51	4.71	8.03	6.95
Russell 2000 Value Index	-0.66	-0.66	-12.96	21.01	4.54	7.21	7.58

Operating Expenses: Class I: 4.26% (gross), 0.91% (net) Class A: 4.67% (gross), 1.16% (net) Class R6: 3.59% (gross), 0.73% (net)

¹ The performance information shown for periods before January 2, 2018 is that of a private investment fund managed by the Advisor (the "Predecessor Fund") prior to the commencement of the Small Cap Fund's operations with policies, guidelines and restrictions that were, in all material respects, equivalent to those of the Small Cap Fund. The Small Cap Fund acquired the assets and assumed the liabilities of the Predecessor Fund on January 2, 2018, and investors in the Predecessor Fund received Class I shares of the Small Cap Fund as part of the reorganization. With respect to Class I and Class R6 shares, the performance information shown reflects the gross expenses of the Predecessor Fund. Class A shares reflect the gross expenses of the Predecessor Fund restated to reflect the Class A sales load and Rule 12b 1 fees.

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 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.

Cash Flow: The amount of cash generated minus the amount of cash used by a company in a given period.

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

Operating Margin: Operating income divided by net sales; used to measure a company's operating efficiency.

Profit Margin: Net income divided by revenues.

The Russell 2000 Index with gross dividends measures the performance of the small cap segment of the U.S. equity universe.

The Russell 2000 Value Index with gross dividends measures performance of the small cap value segment of the U.S. equity universe. Securities are categorized as growth or value based on their relative book-to-price ratios, historical sales growth, and expected earnings growth.

Diversification does not assure a profit or protect against a loss in a declining market.

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. Stocks of small-sized and mid-sized companies tend to have limited liquidity and usually experience greater price volatility than stocks of larger 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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