

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 6/30/2023)

Moog Inc	4.77
Park Aerospace Corp	4.56
Graham Corp	4.45
Dril-Quip Inc	4.10
Arlo Technologies Inc	4.05
NETGEAR Inc	3.94
Edgewell Personal Care Co	3.74
Embraer SA	3.71
National Western Life Group Inc	3.70
Equity Commonwealth	2.99

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

The Brandes Small Cap Value Fund returned 3.68% (Class I Shares), underperforming its benchmark, the Russell 2000 Index, which gained 5.21% in the quarter, but outperforming the Russell 2000 Value Index, which was up 3.18%.

Positive Contributors

Holdings in financials drove returns, led by insurers **National Western Life Group** and **Crawford & Company**. Relative to the benchmark, our underweight to the banking industry helped as well.

Beyond financials, return gains were mainly company specific. **Avadel Pharmaceuticals** advanced after announcing the long-awaited FDA approval of narcolepsy medication LUMRYZ along with seven-year exclusivity for the drug. Additionally, U.S.-based **Arlo Technologies** was up materially after reporting favorable earnings and growth. Its services revenue approached a \$200 million run rate and, despite difficulties in the consumer electronics industry, its operating profitability recovered quicker than anticipated.

Other solid performers included machinery company **L.B. Foster**, aerospace and defense business **Moog** and ophthalmic laser company **LENSAR**.

Performance Detractors

Several holdings in the health care sector performed poorly, including **Eagle Pharmaceuticals**, **Phibro Animal Health** and **Premier**. Eagle Pharmaceuticals was off after reporting weak earnings and higher-than-expected cash burn driven by the timing of working capital flows, which the company expects will reverse in future quarters.

Select industrials and energy holdings detracted as well, notably regional jet manufacturer **Embraer**, machinery business **Hurco Companies**, energy equipment company **Dril-Quip**, and oil and gas delivery services company **World Kinect**.

Other decliners were communications equipment companies **NETGEAR** and **Ribbon Communications**, as well as apparel business **Hanesbrands**.

Select Activity in the Quarter

The small-cap investment committee initiated positions in insurer **Mercury General** and trade uniform company **UniFirst** while divesting position in office furniture company **Steelcase**.

UniFirst is the third largest publicly traded uniform rental company in North America. Of the revenue it earns, 85% is for services rendered to customers, while the remainder is from direct merchandise sales (primarily uniforms). Despite having an international presence, 92% of UniFirst's revenue is denominated in U.S. dollars.

Although its revenues have exceeded pre-pandemic levels, UniFirst has seen its profit margins squeezed meaningfully over the past year. In 2022, the company earned its lowest profit margin in more than 20 years. Cost inflation squeezed profits as UniFirst lowered its earnings forecasts multiple times while also failing to meet reduced expectations. This performance stands in stark contrast to the largest company in the industry, Cintas, which has seen its margins expand along with revenue despite cost pressures.

We believe UniFirst's current weakness is short term in nature and its reduced near-term earnings visibility created an opportunity to invest. UniFirst has a long financial history of generating good returns on capital given the scale advantages inherent in the uniform rental market. It has a high client retention rate (above 90%) and has pricing power to pass along cost inflation to customers. The company has no financial leverage, and the industry should still have positive secular tailwinds, in our opinion.

Year-to-Date Briefing

The Brandes Small Cap Value Fund returned 12.95% (Class I Shares), outperforming its benchmark, the Russell 2000 Index, which was up 8.09% in the six months ended June 30, 2023, and the Russell 2000 Value Index, which gained 2.50%.

The strongest year-to-date contributors were similar to the best performers for the quarter, led by Arlo Technologies, insurers National Western Life Group and Crawford & Company, and Avadel Pharmaceuticals. Other solid performers were in aerospace and defense, namely Embraer, Moog, and **Park Aerospace**, as well as machinery, led by **Graham Corporation**, L.B. Foster, and **Flowserve**. Commercial services and supplies companies **Kimball International**, **Healthcare Services Group** and Steelcase also performed well. From a sector standpoint, holdings in industrials and financials drove returns.

Notable detractors were primarily in the energy, health care, and consumer discretionary sectors, including Eagle Pharmaceuticals, World Kinect, Hanesbrands, and Dril-Quip. Other poor performers included NETGEAR, **National Bankshares**, and Hurco Companies.

Current Positioning

As of June 30, 2023, the Fund held its largest weights in industrials and health care, while maintaining underweights to consumer discretionary and financials. Our allocation to health care increased this year with the addition of **Elanco Animal Health** (purchased in 1Q23) as well as averaging down on share-price weakness of select positions.

A variety of concerns have continued to affect stocks around the world, including elevated inflation, worries about slowing economic growth or recession, and political as well as regulatory uncertainties. Despite these challenges, the U.S. small-cap equity asset class (Russell 2000) posted encouraging returns over the past nine months, highlighting our belief that often when the market is the most negative, it can be a great time to invest.

In our opinion, the differences between the Brandes Small Cap Value Fund and the broader market continue to make the Fund an attractive complement to other small-cap

offerings. Generally, our holdings have strong balance sheets, compelling growth prospects and have been able to generate durable free cash flow. Compared with the Russell 2000 Value Index, we have significantly less exposure to financials and real estate.

We are optimistic about the potential of value stocks in general and believe the Brandes Small Cap Value 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 10/1/1997
Class I	3.68	12.95	16.47	19.56	9.67	10.60	7.75
Class A	3.63	12.81	16.13	19.28	9.35	10.30	7.48
Class R6	3.76	13.09	16.75	19.94	8.35	9.99	7.52
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 10/1/1997 ¹
Class A	-2.36	6.31	9.45	16.96	8.07	9.65	7.23
Russell 2000 Index	5.21	8.09	12.31	10.82	4.21	8.25	7.09
Russell 2000 Value Index	3.18	2.50	6.01	15.43	3.54	7.29	7.64

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)

¹The 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 Profit: Earnings before interests and taxes.

Profit Margin: Net income divided by revenues.

Return on Capital: Net income minus dividends divided by total capital; used to assess a company's efficiency at allocating the capital under its control to profitable investments.

Working Capital: Current assets minus current liabilities; a measure of a company's efficiency and short-term financial health.

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.

The foregoing reflects the thoughts and opinions of Brandes Investment Partners® exclusively and is subject to change without notice.

Brandes Investment Partners® is a registered trademark of Brandes Investment Partners, L.P. in the United States and Canada.

The Brandes Small Cap Value Fund is distributed by ALPS Distributors, Inc.

BII001564 10/31/23