

Brandes U.S. Small-Mid Cap Value ETF

FUND INFORMATION

Ticker	BSMC
CUSIP	900934100
NAV Symbol	BSMC.NV
Primary Exchange	CBOE
Dividend Frequency	Quarterly
Expense Ratio	0.70%

STRATEGY

BSMC is an actively managed ETF that seeks long-term capital appreciation by investing primarily in equity securities of small- and mid-capitalization U.S. companies.

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 (866) 307-0477.

TOP TEN HOLDINGS

(% of assets as of 12/31/2024)

NETGEAR Inc	3.67
Amdocs Ltd	3.09
Premier Inc	2.72
Embraer SA	2.71
National Presto Industries Inc	2.54
Edgewell Personal Care Co	2.38
Molson Coors Beverage Co	2.13
Innovex International Inc	2.10
IPG Photonics Corp	2.10
Citizens Financial Group Inc	2.08

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

The Brandes U.S. Small-Mid Cap Value ETF declined 2.86%/2.67% (NAV/Market Price), underperforming its benchmark, the Russell 2500 Index, which was up 0.62% in the quarter. The Russell 2500 Value Index fell 0.26%.

Positive Contributors

Notable contributors included holdings in the financials sector, led by insurers Mercury General and White Mountains Insurance, as well as SEI Investments. With Mercury General appreciating to our estimate of its intrinsic value, we divested our position.

Communications equipment companies F5 and NETGEAR continued to appreciate after being two of the best performers in the third quarter, while National Presto Industries and oil and gas company Expand Energy also produced solid results.

From a relative standpoint, the Fund's underweight to the real estate sector was also an alpha generator.

Performance Detractors

Detractors were in the health care, consumer staples and materials sectors, specifically chemical companies International Flavors & Fragrances and Scotts Miracle-Gro, grocer Ingles Markets, and health care equipment and supplies business Dentsply Sirona and Koninklijke Philips.

Ingles Markets' stock declined primarily due to the financial impact of Hurricane Helene. The hurricane caused \$34.9 million in impairment losses from inventory and property damage. We added to our position on the share-price weakness, viewing these as temporary setbacks.

Other poor performers included semiconductor business Qorvo and global staffing company Kelly Services.

Select Activity in the Quarter

There was more portfolio activity in the quarter than usual. The investment committee initiated positions in machinery businesses The Timken Company and AGCO, while selling holdings in flooring company Mohawk Industries, software business Verint Systems, Taro Pharmaceutical Industries and insurer Mercury General.

The Timken Company produces engineered ball bearings and power transmission products for a wide variety of end-industries. It is one of the "big six" bearings players and typically holds a top three market share in most of its product categories. The company has been on a significant transformation journey that has decreased its exposure to more commoditized and cyclical end-markets (e.g., automotive). Simultaneously, Timken has expanded its exposure to secular growth themes like renewables and automation and has increased its proportion of higher-margin after-market volumes. Timken's recent expansion, mostly via acquisition, has focused on the smaller but faster growing Industrial Motion business, which sells various power transmission and motion control products that can be packaged with bearings, allowing them to be a comprehensive powertrain solutions provider instead of just a parts supplier.

Timken's stock trailed the broader market in the second half of 2024 on sluggish industrial activity and subsequent sales declines led by particularly weak demand from the Chinese wind industry, creating a buying opportunity.

Timken exhibits attractive business characteristics, including historical returns on invested capital in excess of its cost of capital, stable free-cash-flow generation and a high proportion of after-market, higher-margin sales. While the business is cyclical and tracks broad industrial production, exposure to any single end-market or customer is minimal. The company has also consistently paid out cash to shareholders and has returned approximately \$2.4 billion during the past decade. Its ongoing streak of 410 consecutive quarterly dividends is one of the longest on the New York Stock Exchange and its shares outstanding have been reduced by ~25% since 2013.

We are also in the process of exiting our position in real estate investment trust Equity Commonwealth as the company is unwinding its operations, with an initial liquidating distribution of \$19 per common share. We expect the final payment to arrive in the first half of 2025.

Year-to-Date Briefing

The Brandes U.S. Small-Mid Cap Value ETF rose 10.21%/10.21% (NAV/Market Price), underperforming its benchmark, the Russell 2500 Index, which appreciated 12.00% in 2024, and the Russell 2500 Value Index, which was up 10.98%.

Investments in the industrials, financials, and consumer discretionary sectors drove returns. Leading performers included regional jet manufacturer Embraer, communications equipment companies NETGEAR and F5, insurer Mercury General, grocer Sprouts Farmers Market, and Phibro Animal Health.

Health care and information technology sector companies were leading detractors, specifically Dentsply Sirona, Fortrea Holdings, and Grifols in health care, and Qorvo and IPG Photonics in technology. Other detractors include energy equipment and services business Innovex International, media company Scholastic, and Kelly Services.

Current Positioning

With the addition of AGCO and the Timken Company, the allocation to companies in the industrials sector increased; it continues to be one of the largest sector weights in the portfolio along with health care and information technology. The Fund's most significant underweights are in consumer discretionary, financials, and real estate, which is consistent with how the portfolio began 2024. Compared with the Russell 2500 Value Index, we have significantly less exposure to financials and real estate.

In our opinion, the differences between the Brandes U.S. Small-Mid Cap Value ETF and the broader U.S. small-mid

cap market continue to make the Fund an attractive complement to other small-cap and small-mid offerings. The Fund exhibits lower valuations than the Russell 2500 Index, while offering exposure to companies that have what we consider strong balance sheets, compelling growth prospects and a history of durable free cash flow.

We are optimistic about the potential of value stocks in general and believe the Brandes U.S. Small-Mid Cap Value ETF remains well positioned from a long-term risk/reward perspective.

Performance (%) as of December 31, 2024

	3 Months	YTD	1 Year	3 Years	Since Inception 10/03/2023
NAV	-2.86	10.21	10.21	—	17.95
Market Price	-2.67	10.21	10.21	—	18.28
Russell 2500 Index	0.62	12.00	12.00	—	24.24
Russell 2500 Value Index	-0.26	10.98	10.98	—	23.87

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 (866) 307-0477.

Term definitions: <https://www.brandes.com/termdefinitions>.

The Russell 2500 Index with gross dividends measures the performance of the small- to mid-cap segment of the U.S. equity universe.

The Russell 2500 Value Index with gross dividends measures the performance of the small- to mid-cap 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.

The MSCI Emerging Markets Index captures large and mid cap representation of emerging market countries.

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.

It is not possible to invest directly in an index.

Investing involves risk, including potential loss of principal. An investment in the Fund may be subject to risks associated with investing in equity securities, including foreign and value securities risks, issuer risk, and focused investing risk. The Fund may, from time to time, invest a substantial portion of the total value of its assets in securities of issuers located in a particular industry, sector, country or geographic region. During such periods, the Fund may be more susceptible to risks associated with that industry, sector, country, or region. The Fund is an exchange-traded fund and, as a result of this structure, it is exposed to additional trading and transactional risks, limited participant risk, and risks associated with buying and selling shares. The Fund is a recently organized investment company with limited operating history. Please see the prospectus for a discussion of risks. Securities of mid-capitalization and small-capitalization companies may have comparatively greater price volatility and less liquidity than the securities of companies that have larger market capitalizations and/or that are traded on major stock exchanges. The Fund invests in value securities, which are securities the Advisor believes are undervalued for various reasons, including but not limited to as a result of adverse business, industry or other developments, or are subject to special risks, or limited market understanding of the issuer's business, that have caused the securities to be out of favor. The value style of investing utilized by the Advisor may cause the Fund's performance to deviate from the performance of broad market benchmarks and other managers for substantial periods of time. It may take longer than expected for the prices of value securities to increase to the anticipated value, or they may never increase to that value or may decline.

ETFs are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a premium or discount to its net asset value, an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact an ETF's ability to sell its shares. Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the ETF. Brokerage commissions will reduce returns.

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus or summary prospectus with this and other information about the Fund, please call (866) 307-0477 or visit <http://www.brandes.com/etfs>. Read the prospectus or summary prospectus 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.

Distributed by Foreside Fund Services, LLC.