

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 3/31/2025)

Amdocs Ltd	3.43
NETGEAR Inc	3.33
Premier Inc	3.10
Embraer SA	2.98
Innovex International Inc	2.79
Edgewell Personal Care Co	2.50
National Presto Industries Inc	2.34
Molson Coors Beverage Co	2.33
Expand Energy Corp	2.26
UniFirst Corp/MA	2.06

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 2.35%/2.58 (NAV/Market Price), outperforming its benchmark, the Russell 2500 Index, which was down 7.50%. The Russell 2500 Value Index fell 5.83%.

Positive Contributors

Regional jet manufacturer Embraer continued to appreciate after being one of the best performers last year. Embraer has maintained its impressive streak, announcing several new wins against competitors in its defense business. This, coupled with an expanding order backlog for regional jets, has further boosted market confidence in the company's prospects.

Energy and services business Innovex International and IT services company Amdocs also produced solid results.

From a relative standpoint, the Fund's overweight to consumer staples sector was an alpha generator.

Performance Detractors

Specific health care holdings declined, including contract research organization Fortrea Holdings, dental equipment manufacturer Dentsply Sirona, and pharmaceutical company Elanco Animal Health.

After Fortrea announced its Q4 2024 results, its shares dropped 30%. Additionally, Fortrea's management lowered its future guidance as the company continues to suffer from restructuring costs following its separation from LabCorp. We viewed these as temporary setbacks and added to the Fund's position to take advantage of the share-price weakness.

Other poor performers included communication equipment company NETGEAR and electronic equipment company IPG Photonics.

On a relative basis, the Fund's lack of exposure to the utilities sector, the best-performing sector in the index, hurt relative returns.

Select Activity in the Quarter

The small-mid cap investment committee initiated a position in health care equipment company Hologic.

Hologic has leading market shares in diagnostics, breast imaging systems, and surgical products focused on women's health. It operates on a "razor blade" business model that generates recurring revenue through sales of proprietary test kits/consumables that run on its instruments. A combination of its tests is often ordered by an OB-GYN or primary care physician during women's wellness exams. About 75% of revenues are generated in the U.S.

The COVID-19 pandemic provided substantial windfalls for health-focused companies, such as Hologic, which offered molecular diagnostic testing platforms. The company benefited from a significant increase in placements of its instruments and COVID test volumes. However, this short-term boost did not last, and sales and earnings have returned to more normalized levels.

Hologic is aiming to increase use of its now larger installed base by expanding its non-COVID test menu and getting customers to continue running other molecular tests on its platforms. The company recently reported disappointing Q1 earnings, cut its full year guidance for 2025, and the share price fell on this news. Despite these known challenges, we believe the investment opportunity is compelling at its current valuation. Hologic is a high-quality company with a strong balance sheet and recurring revenue streams related to its consumables business.

Current Positioning

The health care sector continues to be one of the largest sector weights in the Fund along with industrials and information technology.

The Fund's most significant underweights are in consumer discretionary, financials, and real estate, which is consistent with how the Fund 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 are 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 March 31, 2025					
	3 Months	YTD	1 Year	3 Years	Since Inception 10/03/2023
NAV	-2.35	-2.35	0.22	—	12.93
Market Price	-2.58	-2.58	0.04	—	13.01
Russell 2500 Index	-7.50	-7.50	-3.11	—	13.77
Russell 2500 Value Index	-5.83	-5.83	-1.47	—	14.85

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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.

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.

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