

Brandes U.S. Value ETF

FUND INFORMATION

Ticker	BUSA
CUSIP	900934308
NAV Symbol	BUSA.NV
Primary Exchange	CBOE
Dividend Frequency	Quarterly
Expense Ratio	0.60%

STRATEGY

BUSA is an actively managed ETF that seeks long-term capital appreciation by investing primarily in equity securities of U.S. companies with market capitalizations greater than \$5 billion.

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)

Chevron Corp	3.14
Wells Fargo & Co	2.86
Bank of America Corp	2.79
Fiserv Inc	2.77
Merck & Co Inc	2.69
Alphabet Inc	2.64
McKesson Corp	2.64
Citigroup Inc	2.52
Willis Towers Watson PLC	2.52
Amdocs Ltd	2.48

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

The Brandes U.S. Value ETF declined 0.17%/0.16% (NAV/Market Price) in the quarter, outperforming its benchmark, the Russell 1000 Value Index, which fell 1.98%.

Positive Contributors

Despite the benchmark's overall decline, the financials sector appreciated in the quarter, and our overweight and stock selection aided relative performance. The Fund's positions in large money center banks, notably Wells Fargo and Citigroup, benefited from robust earnings results and market anticipation of a slowdown in rate cuts by the Federal Reserve. Additionally, financial technology firm Fiserv lifted returns.

Holdings in industrials also contributed positively to performance, led by Emerson Electric and machinery firm Gates Industrial.

Other contributors included technology-related holdings Flex and Alphabet, as well as pharmaceutical distributor McKesson. All three companies reported earnings that exceeded consensus estimates, with Alphabet receiving an additional boost from the unveiling of its new quantum computing chip.

Performance Detractors

Health care was one of the worst-performing sectors in the benchmark. Consequently, our overweight hurt relative returns, although our holdings overall held up better than those in the index.

HCA Healthcare, Cigna, Sanofi, and CVS all declined amid market concerns for potential regulatory changes, including one that involves how health insurers recognize profits in their pharmacy benefit manager (PMB) businesses. While we're monitoring the evolving environment, we'd like to note that both Cigna and CVS have already taken actions over the past couple of years to improve transparency and move increasingly toward a more simplified fee-for-service model. In our experience, the market tends to overreact to the uncertainty related to potential health care reform, which often becomes a focal point around elections. This can create appealing investment opportunities. With both Cigna and CVS trading at less than 10x forward earnings, we feel the market concerns have been more than priced in the shares.

Outside health care, detractors included our semiconductor holdings Micron and Qorvo.

Despite its positive earnings results, Qorvo declined after revising its earnings guidance lower, primarily because its smartphone end-market remains cyclically depressed as demand has normalized from its elevated levels during the pandemic. The company also cited a shift in consumer preference—especially in the Chinese market—toward lower-end smartphones as a potential demand headwind for its semiconductors, given that Qorvo focuses more on the higher-end smartphone market. At its current valuation based on below mid-cycle earnings, we believe Qorvo continues to offer an attractive margin of safety (the discount of market price to our estimate of intrinsic value). However, due to the increased risks from the market shift, we have maintained the position at a smaller allocation.

Meanwhile, Micron tumbled on the weakness in the semiconductor market. We trimmed our position in Micron earlier in the year when the market was excited about memory semiconductors' role in the artificial intelligence (AI) buildout, but we then purchased more shares toward the end of the quarter after the stock declined on smartphone and PC (personal computer) weakness. Micron should remain quite

cyclical in the consolidated memory industry, but we feel it is well positioned to improve its share in high-bandwidth memory needed for AI.

Select Activity in the Quarter

The investment committee initiated positions in utility firm Evergy, food service company Sysco, and aerospace material company Hexcel.

Formed through the merger of Westar Energy and Great Plains Energy in 2018, Evergy serves approximately 1.7 million customers in Kansas and Missouri. Evergy generates the majority of its power from its own renewable and nuclear generating capacity, with the remainder coming from coal, natural gas, and renewable power purchase agreements. Evergy has historically traded at a discount relative to other utilities in the U.S. due to its lower growth outlook and challenging regulatory environment. However, we believe there is good potential for improvement.

Firstly, the growing need for power from data centers in Evergy's service region should help accelerate growth, along with the transition to electric vehicles. Evergy is in advanced stages of negotiations with several potential customers, including data centers and electric vehicle battery plants. Although Evergy's share price rose in 2024, we think the market still underestimates the company's long-term growth potential since many of its projects will not be reflected in its financials for several years.

Secondly, recent regulatory enhancements in Kansas and Missouri have improved capital investment recovery visibility. Going forward, Evergy should have more consistent earnings with strengthened cash flows, which will allow for faster capital deployment, reduced equity needs, and improved credit metrics. As a regulated utility, Evergy will be able to continue to invest in the energy transition (shifting its power generation from coal to renewables) and in the modernization of its transmission and distribution infrastructure, enabling it to earn a regulated and robust return on those investments.

Overall, we see Evergy as a compelling value opportunity due to its attractive valuation and financial metrics, coupled with its opportunity to grow through grid modernization and a potentially more supportive regulatory environment.

Founded in 1946, Hexcel (HXL) is a manufacturer of carbon fiber composite materials and composite engineered structures for commercial aerospace, defense, space, and industrial end-markets. HXL's composites are key inputs for a variety of applications, including aerostructures (wings, fuselage, engine casings), primary structures on spacecraft, and carbon ceramic brakes for high-performance cars. About 90% of its revenues comes from aerospace programs (commercial and defense), with HXL active on all modern Airbus and Boeing platforms, as well as over 100

defense programs.

Since the pandemic, HXL has faced industry-wide skilled-labor shortages, supply-chain bottlenecks, and input cost inflation. These challenges have slowed the production ramps on key commercial platforms and compressed HXL's margins as the company operates under fixed-price contracts. Additionally, HXL had increased capacity ahead of these production ramps and thus has been operating at suboptimal efficiency on a substantial fixed-cost base. While these headwinds have started to ease and HXL's fundamentals have moved closer to pre-pandemic levels, lingering supply-chain issues slowed production on commercial aerospace platforms at Airbus and Boeing, prompting questions about the pace of normalization. The outlook has been further dampened by regulatory hurdles and the Boeing labor strike, though it should be noted that HXL's commercial exposure is primarily to Airbus.

Despite the supply-chain issues starting to alleviate, the market seems to extrapolate HXL's prospects from its short-term challenges, resulting in the decline of its share price. However, we expect the environment to gradually normalize and HXL to resume its recovery to pre-pandemic levels. Among aerospace composite manufacturers, HXL holds a leading market share and is the most vertically integrated player, with strong capabilities throughout the value chain. There is also potential for secular growth from new aircraft designs that will incorporate more carbon fiber content as the industry seeks to reduce emissions. This should bode well for demand for HXL's products in the long term. Furthermore, we appreciate HXL's attractive financial characteristics, including a solid balance sheet, healthy free-cash-flow generation, and an operating culture focused on return on invested capital metrics. We purchased shares during the quarter as we felt the company's financial characteristics and leadership position were clouded by current headwinds impacting the stock price.

Year-to-Date Briefing

The Brandes U.S. Value ETF rose 16.00%/15.76% (NAV/Market Price) in 2024, outperforming its benchmark, the Russell 1000 Value Index, which increased 14.37%.

Value stocks underperformed the overall market (Russell 1000 Value vs. Russell 1000) as the solid performance of large technology companies boosted the broader index. In fact, just three companies (Nvidia, Broadcom, and Meta) drove the majority of the outperformance of the Russell 1000 Index relative to the Russell 1000 Value Index for the year.

For the Fund, outperformance was primarily driven by stock selection across most sectors. Financials was the best-performing sector in the value benchmark, up over 30%. Our overweight and stock selection in the sector benefited relative performance. Leading contributors included Fiserv,

Wells Fargo, Bank of New York Mellon, and Citigroup. Other contributors included technology-related holdings such as Flex and Alphabet, as well as recent purchase Entergy.

Health care was one of the worst-performing sectors, roughly flat on the year, and our overweight hurt relative performance. At the holding level, notable detractors included Fortrea, CVS, and Merck. Additionally, energy firm Halliburton weighed on returns, as did semiconductor company Qorvo.

Current Positioning

The Brandes U.S. Value ETF continues to hold meaningful allocations to the economically sensitive financials sector and the more defensive health care sector, while maintaining underweights in real estate. We also remain underweight in consumer staples and utilities, although the gaps have narrowed as we have identified more value opportunities in these sectors over the past few quarters. Additionally, we have found more opportunities in industrials. In contrast, we have pared some of the Fund's holdings in the health care, financials, and technology sectors, even though they remain areas of overweight for the Fund.

Following the outperformance of growth stocks these past two years, value stocks are now trading near the largest discount relative to growth stocks since the inception of the style indices (Russell 1000 Growth vs. Russell 1000 Value). This valuation disparity is evident across various metrics, such as price/earnings, price/cash flow, and enterprise value/sales. Historically, such valuation differentials have often signaled attractive future returns for value stocks over longer-term horizons. This is encouraging for us, as the Brandes U.S. Value Equity Strategy, guided by our value philosophy and process, has had the tendency to outperform the benchmark when value stocks outperformed the Russell 1000 Index.

With only a relatively small number of companies—mostly tech-related—driving the broader market's performance, equity concentration levels have increased materially in popular indices. For example, the eight largest companies contributed the majority of the returns in the Russell 1000 Index this year and now account for over 30% of the index. In our view, this highlights the potential diversification benefits of having a value strategy to complement many investors' increasingly concentrated and technology-centered exposure, as the largest companies in the broader index also represent the largest weights in various factor indices—with the value index being an exception.

Looking ahead, we remain confident that the current fundamentals of our holdings bode well for the long term, and we are excited about the Fund's prospects.

Performance (%) as of December 31, 2024

	3 Months	YTD	1 Year	3 Years	Since Inception 10/03/2023
NAV	-0.17	16.00	16.00	—	22.37
Market Price	-0.16	15.76	15.76	—	22.31
Russell 1000 Value Index	-1.98	14.37	14.37	—	21.91
Russell 1000 Index	2.75	24.51	24.51	—	32.16

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

The Russell 1000 Value Index with gross dividends measures performance of the large 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 Russell 1000 Index with gross dividends measures performance of the large cap segment of the U.S. equity universe.

The Russell 1000 Growth Index with gross dividends measures performance of the large cap growth 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.

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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