Brandes Core Plus Fixed Income Fund

FUND INFORMATION

Class I:	BCPIX
Class A:	BCPAX
Class R6:	BCPRX

STRATEGY

The Brandes Core Plus Fixed Income Fund seeks to maximize long-term total return, consisting of both current income and capital appreciation.

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 would have been lower without limitations in effect. Performance of A Shares without load does not reflect maximum sales charge of 3.75%. If reflected, the load would reduce the performance quoted.

TEN LARGEST CORPORATE ISSUERS

(% of assets as of 9/30/2024)

United States Treasury Note	65.44
Fannie Mae Pool	2.13
Freddie Mac Pool	1.99
Ford Motor Credit Co LLC	1.90
Bank of America Corp	1.80
Citigroup Inc	1.68
Prime Security Services	1.65
Netflix Inc	1.57
USB Capital IX	1.56
Charles Schwab Corp	1.44

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

Market Overview

It's hard to believe that we are now three-quarters of the way through 2024. There have already been several plot twists in the bond market saga this year, spurred by political developments, economic data and the impact of the ubiquitous "Fed watchers". And we still have three months left before 2024 is in the history books! With the Fed (Federal Reserve) embarking on a new rate cut cycle and a tight electoral contest still in front of us, the last three months of the year will likely yield more twists and turns.

Yields declined during the third quarter as the Federal Reserve telegraphed the beginning of a rate cut cycle for much of the period and then ultimately delivered a larger than expected 50 basis points cut in the fed funds rate in mid-September. With the rate cut cycle now underway, the next question to focus on is where the neutral fed funds rate will ultimately shake out.

Markets are pricing continued aggressive rate cuts by the Fed, with another 100 basis points in cuts forecast before the end of January. The consensus market forecast is for the fed funds rate to bottom out eventually at 2.75% in early 2026. This strikes us as optimistic.

Financial conditions remain easier than when the Fed began hiking rates in March 2022, equities are near all-time highs, credit spreads are near multi-decade lows, and retail sales and employment remain strong. All of these suggest to us that the fed funds rate may not be as restrictive as many seem to assume. That would suggest to us that the neutral fed funds rate may ultimately settle in at a higher level than the market expects.

For a recent illustration that rate cuts may not proceed in a straight line downwards, consider Brazil. This is far from an apples-to-apples comparison, but Brazil's central bank was ahead of the pack when it came to rate cuts, delivering its first interest rate reduction of this cycle about a year ago. Yet in September the Brazilian central bank reversed course and raised rates again. Brazil's pivot may ultimately not have relevance to the U.S., but it should give food for thought to those who believe the fed funds rate is on a straight-line path downward. To quote a line from early-1990s legendary one hit wonder C+C Music Factory, Brazil's move can likely be filed away as "things that make you go hmmm…"

Credit markets performed well. Yield spreads continued to hover near the lowest levels in several decades, but investors appear to be less concerned with the limited additional compensation current yield spreads offer in favor of attractive total yields – buoyed by U.S. Treasury rates at significantly higher levels than a few years ago. The corporate bond market appears to be *priced for perfection* in our view, placing a premium on credit analysis and security selection going forward.

Fund Performance

In the third quarter, the Brandes Core Plus Fixed Income Fund (Class I Shares) returned 4.65%, underperforming its benchmark, the Bloomberg U.S. Aggregate Bond Index, which returned 5.20%.

Term-structure positioning was a negative factor during the quarter. U.S. Treasury yields declined steadily during the period. Near the end of September 2023, we had moved the duration of the portfolios to 90% of the benchmark's duration and we have maintained that stance since then.

The portfolios' underweight to agency mortgage-backed securities (MBS) detracted from returns as the MBS sector posted positive returns versus U.S. Treasuries.

Additionally, the portfolios' focus on shorter-maturity corporate bonds also detracted from returns. Longer-maturity corporate bonds outperformed shorter maturity corporate bonds by approximately 40 basis points.

The portfolios received positive contributions from corporate bond holdings in telecom (Telecom Italia), banking (US Bank), and media (Univision and Netflix). Select holdings in energy (Range Resources and Transocean) modestly detracted from returns.

Portfolio activity was light during the quarter. We added new positions in pharmaceutical company Organon & Company (4.125% coupon, maturing 4/30/28, rated Ba1/BB) and aerospace company Spirit AeroSystems (9.375% coupon, maturing 11/30/29, rated Ba2/BB-). We also added to our existing position in Goldman Sachs (3.80% coupon, perpetual, 5/10/26 call, rated Ba1/BB+).

Outlook

While the ten-year U.S. Treasury yield declined by over 60 basis points during the quarter, surprising many market participants, that included a rise of approximately 15 basis points from the September Fed meeting through quarter-end.

We've been asked how we can square our modest duration underweight with the Fed apparently being on the precipice of a rate cut cycle. Key factors that we consider in this context include:

- **Shorter-term rates may not fall as far as expected.** The market may be underestimating the ultimate neutral (also known as terminal) fed funds rate. The Fed is guiding, and the market is pricing, a neutral fed funds rate of 2.75%. While we have seen a modest softening in recent economic data, most economic markers are still positive and financial conditions are easier than when the Fed began raising rates in March 2022. This suggests to us that the ultimate neutral fed funds rate may be higher than the market expects, especially if Fed cuts begin to stimulate additional economic activity.

- **Even if they do, there may be limited scope for decline in 10-year Treasury yields.** Shorter-term interest rates have begun to come down after the Fed's 50 basis point cut and will likely continue to move lower with additional cuts. However, the Fed has less direct influence on longer-term interest rates. We examined data over the last 25 years and found that the average slope between 3-month U.S. T-Bills (as a proxy for the fed funds rate) and the 10-year U.S. Treasury when the fed funds rate was at a cycle low (i.e. at a neutral rate) has been 2.25%. That slope has been under 1.00% less than 10% of the time. If we assume market pricing is correct and that the fed funds rate eventually settles at the market's expected level 2.75%, the quarter-end yield of 3.78% for the 10-year U.S. Treasury would produce a slope of just 1.03%, towards the bottom end of the historical range for that statistic. That suggests to us very limited scope for further declines in the 10-year yield, even if the Fed's rate cuts proceed as expected.

- **Services inflation is sticky, and the fiscal situation is appalling.** While headline inflation continues downward towards the Fed's target of 2%, this movement has largely been driven by a steep decline in goods inflation. Goods prices have been negative each month for the past eight months, while services inflation in particular has been sticky and its monthly level has yet to dip below 4.25% this year. The services component comprises about one-third of the inflation measures, suggesting that the last mile of inflation reduction may continue to prove challenging. We discussed the hot mess that is the U.S. fiscal situation last quarter. It is unlikely to get better anytime soon. The markets do not seem to care, however, but at some point, the long dormant bond vigilantes may awake from their slumber and seek to impose some discipline on the fiscal situation. Finally, twice during the 1970s the Fed declared victory over inflation and began aggressively cutting rates only to see inflation reignite and move meaningfully higher, forcing the Fed to reverse course on rate cuts. This is not a prediction but something to bear in mind for those who believe that it is Mission Accomplished on taming inflation.

Based on the above, we believe a continued modest underweight to duration is a prudent strategy.

We continue to share optimism around fixed income as overall yields in the core plus portfolios are near the highest they have been since 2009. Our main caution, however, is that we believe it is important to remain disciplined in what one buys. The takeaway in our view is that deep, measured, fundamental research is essential as we move forward in an environment where idiosyncratic risks appear to be on the rise. We believe it's critical to be patient in adding to a portfolio. Don't just know what you own but know why you own it.

For a considerable period now, we have attempted to tilt the Brandes Core Plus Fixed Income Fund into what we believe is a defensive posture to manage market risks in both yield levels and spreads. Accordingly, the portfolios continue to favor shorter-maturity corporate bonds and those that we believe exhibit strong, tangible asset coverage. We are managing duration approximately 10% shorter than the portfolios' benchmark. We have a meaningful allocation to U.S. Treasuries and if market uncertainty and volatility continue to cause credit fundamentals to become mispriced relative to our estimates of intrinsic value, then

we will look to redeploy some of those Treasury holdings thoughtfully and effectively to take advantage of opportunities.

We remain underweight agency mortgage-backed securities.

As we move forward, we believe prudence dictates that we continue our search for value in a measured and deliberate manner while continuing to tilt the portfolios to what we believe is a relatively defensive posture.

We remain optimistic about the prospects for the Brandes Core Plus Fixed Income Fund.

Sincerely,

Timothy M. Doyle, CFA
Fixed Income Portfolio Manager

Average Annual Total Returns (%) as of September 30, 2024							
Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007
Class I	4.65	5.04	12.02	0.27	1.53	2.16	3.14
Class A	4.63	4.90	11.88	0.04	1.31	1.92	2.85
Class R6	4.65	5.04	12.04	0.72	2.23	2.68	3.47
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007
Class A	0.71	0.91	7.66	-1.21	0.53	1.53	2.62
Bloomberg U.S. Aggregate Bond Index	5.20	4.45	11.57	-1.39	0.33	1.84	3.02

Operating Expenses: Class I: 0.69% (gross), 0.31% (net) Class A: 0.91% (gross), 0.51% (net) Class R6: 0.66% (gross), 0.31% (net)

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Class I shares commenced operation on December 28, 2007. Class S shares never commenced operations. They were re-designated as Class A shares and commenced operations on January 31, 2013. Performance shown prior to the inception of Class A shares on January 31, 2013, reflects the performance of Class I shares, restated to reflect Class A sales loads and expenses.

The Advisor has contractually agreed to limit the operating expenses through July 15, 2026. 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.

Term definitions: https://www.brandes.com/termdefinitions
The Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. This index is a total return index which reflects the price changes and interest of each bond in the index.
The neutral rate is the theoretical federal funds rate at which the stance of Federal Reserve monetary policy is neither accommodative nor restrictive. It is the short-term interest rate consistent with the economy maintaining full employment with associated price stability.
Bond ratings are grades given to bonds that indicate their credit quality as determined by a private independent rating service such as Standard & Poor's. The firm evaluates a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'D', which is the lowest grade. In limited situations when the rating agency has not issued a formal rating, the Advisor will classify the security as nonrated.

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. As with most fixed income funds, the income on and value of your shares in the Fund will fluctuate along with interest rates. When interest rates rise, the market prices of the debt securities the Fund owns usually decline. When interest rates fall, the prices of these securities usually increase. Generally, the longer the Fund's average portfolio maturity and the lower the average quality of its portfolio, the greater the price fluctuation. The price of any security owned by the Fund may also fall in response to events affecting the issuer of the security, such as its ability to continue to make principal and interest payments or its credit rating. Below investment grade debt securities are speculative and involve a greater risk of default and price change due to changes in the issuer's creditworthiness. The market prices of these debt securities may fluctuate more than the market prices of investment grade debt securities and may decline significantly in periods of general economic difficulty. The Fund may hold illiquid securities which may reduce the return of the Fund because it may be unable to sell such illiquid securities at an advantageous time or price. Illiquid securities may also be difficult to value. The Fund is actively managed, and may frequently buy and sell securities. Frequent trading increases a Fund's portfolio turnover rate and may increase transaction costs, such as brokerage commissions and taxes, which in turn could detract from the Fund's performance.

Investing in foreign securities poses additional risks. The performance of foreign securities can be adversely affected by the different political, regulatory and economic environments and other overall economic conditions in the countries where the Fund invests. Emerging country markets involve greater risk and volatility than more developed markets. Some emerging markets countries may have fixed or managed currencies that are not free-floating against the U.S. dollar. Certain of these currencies may experience substantial fluctuations or steady devaluation relative to the U.S. dollar. Mortgage-related securities are subject to certain additional risks. Rising interest rates tend to extend the duration of mortgage-related securities, making them more sensitive to changes in interest rates. As a result, when holding mortgage-related securities in a period of rising interest rates, a Fund may exhibit additional volatility. In addition, mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of a Fund because it will have to reinvest that money at the lower prevailing interest rates.

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.

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