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 12/31/2024)

United States Treasury Note	65.12
Ford Motor Credit Co LLC	1.87
Bank of America Corp	1.83
Fannie Mae Pool	1.76
Citigroup Inc	1.73
Prime Security Services	1.69
Freddie Mac Pool	1.63
Netflix Inc	1.57
Charles Schwab Corp	1.47
Range Resources Corp	1.46

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

Market Overview

Treasury yields made a rather abrupt turn upwards towards the end of the year after the Fed (Federal Reserve Bank) delivered what many pundits described as a "hawkish cut" of 25 basis points at their December 18th meeting. Fed Chair Jerome Powell threw the market a curveball with his post-meeting comments, toning down the number of projected rate cuts for 2025. In doing so, he was perhaps tacitly admitting that the Fed continues to underestimate the staying power of inflation and made a mistake by cutting the fed funds rate by 50 basis points in September.

One of the hallmarks of the Fed under Chair Powell's leadership is the effective adoption of a policy that every rate move should be fully expected and discounted by the market in advance. The market was expecting a 25 basis point cut in the fed funds rate. Therefore, the Fed delivered this, even if the fundamental data and their own forward economic projections might have suggested no cut at all.

Fundamental data suggest that heading into the most recent Fed meeting that the feds funds rate was at best minimally restrictive. Equity markets are hovering near all-time highs, credit spreads are near three-decade lows, economic data has moderated but remains strong, inflation ticked higher in the fourth quarter, and my wife keeps asking me how we can buy bitcoin.

After the December meeting, the Fed released their Summary of Economic Projections (SEP). This revised estimates for 2024 economic growth upward, and unemployment rate downward. These projections also revised their estimate of inflation for 2025 upward and pushed out their expected time horizon for inflation to hit their 2% target until 2027. Finally, the Fed adjusted the amount of expected rate cuts for 2025 down from 100 to 50 basis points.

Other than hewing to an ingrained habit of not surprising the markets, the question is whether a 25 basis point rate cut was the proper policy outcome. To quote Taylor Swift, "Old habits die screaming."

As we enter the New Year one of the biggest questions facing the market and the Fed is what is the neutral fed funds rate? Most fundamental data suggest it may ultimately be higher than many are forecasting, including the Fed itself. If this is the case, will Fed policy be flexible and adaptable enough to respond or will it continue to be beholden to old habits?

Credit markets finished the year on a strong note. Yield spreads continued to hover near the lowest levels in several decades, but investors appear to be less concerned with the limited additional compensation that 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 continues to be priced for perfection in our view, placing a premium on credit analysis and security selection going forward.

Fund Performance

In the fourth quarter, the Brandes Core Plus Fixed Income Fund (Class I Shares) returned -2.61%, outperforming its benchmark, the Bloomberg U.S. Aggregate Bond Index, which returned -3.06%.

Term-structure positioning was a positive factor during the quarter. U.S. Treasury yields rose during the period – finishing the quarter near the highest levels of the year. Near the end of September 2023, we moved the duration of the portfolios to 90% of the benchmark's duration. We continued to maintain that level throughout the quarter.

The portfolios' underweight to agency mortgage-backed securities (MBS) aided returns as the MBS sector was the only major taxable fixed income sector to post negative returns versus U.S. Treasuries. Agency MBS generally underperform during periods of elevated interest rate volatility. The 10-year U.S. Treasury security certainly experienced elevated volatility with a gap of 100 basis points between its high and low yields during the quarter.

Corporate bonds provided a positive contribution to returns during the quarter. Within that sector, performance during the period was led by corporate bond holdings in banking (US Bank and Goldman Sachs), telecom (Sprint and Telecom Italia), and Media (Univision).

The portfolios' focus on shorter-maturity corporate bonds detracted from returns. Longer-maturity corporate bonds outperformed shorter maturity corporate bonds by approximately 100 basis points.

Portfolio activity was modest during the quarter. We added to our existing position of Spirit AeroSystems (9.375% coupon, maturing 11/30/29, rated Ba2/BB-).

Outlook

This is the time when many investment managers and economists put forth their forecasts for the new year. Many of these predictions are well crafted by intelligent and thoughtful individuals at respected firms. In our view, however, very few of the forecasts will be accurate. No one truly knows what the future will bring. At their best, forecasts are educated guesses, often anchored on short-term trends; at worst, forecasts are pure speculation, in our opinion.

Chinese philosopher Lao-Tzu once said, "Those who have knowledge don't predict. Those who predict, don't have knowledge."

As we embark on 2025, we don't have any predictions to share, but we do have several observations and beliefs that will guide our thinking and investment decisions.

- Market yields are attractive, but corporate and mortgage-backed bonds are not cheap. The move in yields upward over the past three years has largely been driven by the rise in underlying Treasury rates. Yield spreads – or the extra compensation investors receive over U.S. Treasuries - are lower. The corporate bond market is largely priced to perfection now, placing a premium on security selection in our view.
- The market may be underestimating the ultimate neutral (also known as terminal) fed funds rate. Most economic markers are still positive, and financial conditions are easier than when the Fed began raising rates in March 2022. This suggests that the ultimate neutral fed funds rate may be higher than expected. Additionally, the last seventeen years of unconventional monetary policy may have skewed investors' perception of what a normal fed funds rate is.
- Inflation could continue to prove to be sticky. While headline inflation continues to march downward towards the Fed's target of 2%, the movement has primarily been driven by a steep decline in goods inflation. Goods price changes have been negative each month for the past ten months, but services inflation has been sticky and did not register a monthly level below 4.25% during 2024. The services component comprises about one-third of the inflation measures - suggesting that the last mile of inflation reduction may continue to prove challenging.
- The U.S. fiscal situation is a hot mess in our opinion. It is unlikely to get better anytime soon. The markets do not seem to care, but at some point, the long dormant bond vigilantes may awaken from their slumber and seek to impose some discipline on the fiscal situation.

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: not just know what you own but 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 mitigate some of the potential detrimental impact of rising interest rates and widening yield spreads. We believe that this remains a risk. 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 December 31, 2024							
Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007
Class I	-2.61	2.29	2.29	-0.52	0.98	1.78	2.93
Class A	-2.70	2.07	2.07	-0.75	0.74	1.53	2.64
Class R6	-2.73	2.17	2.17	-0.25	1.62	2.28	3.25
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 12/28/2007
Class A	-6.32	-1.81	-1.81	-2.01	-0.03	1.14	2.41
Bloomberg U.S. Aggregate Bond Index	-3.06	1.25	1.25	-2.41	-0.33	1.35	2.79

Operating Expenses: Class I: 0.61% (gross), 0.31% (net) Class A: 0.84% (gross), 0.51% (net) Class R6: 0.57% (gross), 0.31% (net)

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.

Class I shares commenced operations 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. Class R6 shares commenced operations on October 10, 2017. Performance shown prior to inception of Class R6 shares reflects the performance of Class I shares.

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. The values of the Fund's investments fluctuate in response to the activities of individual companies and general stock market and economic conditions. 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.

The Brandes funds are distributed by Foreside Financial Services, LLC.