Brandes International Equity Fund

FUND INFORMATION

Class I:	BIIEX
Class A:	BIEAX
Class C:	BIECX
Class R6:	BIERX

STRATEGY

The Fund seeks long-term capital appreciation by investing in equity securities of non-U.S. issuers it believes are undervalued relative to their financial strength and upside potential.

TOP TEN HOLDINGS

(% of assets as of 6/30/2024)

Takeda Pharmaceutical Co Ltd	3.03
Alibaba Group Holding Ltd	2.67
Sanofi SA	2.52
Heineken Holding NV	2.48
SAP SE	2.32
Taiwan Semiconductor Manufacturing Co Ltd	2.23
Henkel AG & Co KGaA	2.18
Rolls-Royce Holdings PLC	2.17
Intesa Sanpaolo SpA	2.13
UBS Group AG	2.09

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

The Brandes International Equity Fund declined 0.26% (Class I Shares), slightly outperforming its benchmark, the MSCI EAFE Index, which was down 0.42% in the quarter, and slightly underperforming the MSCI EAFE Value Index, which returned 0.01%.

Positive Contributors

Stock selection across sectors and industries in Europe drove returns. Notable performers included bank holdings such as Erste Group Bank (Austria), Barclays (U.K.), and Intesa Sanpaolo (Italy). Select positions in health care, namely Netherlands-based Koninklijke Philips and Germany-based Fresenius, also helped performance. Philips' shares increased after the company reached a settlement related to its ventilators, removing significant uncertainty about its legal liabilities.

Other major contributors included holdings in consumer staples, including U.K.-based Unilever, Tesco, and Imperial Brands, as well as Germany's Henkel. Moreover, U.K.-based aerospace and defense firm Rolls-Royce continued to benefit from the ongoing recovery in its end-markets, and the market reacted favorably to the firm's announcement that it would leave its 2024 guidance unchanged.

Beyond European holdings, Taiwan Semiconductor Manufacturing Company (TSMC) was a solid contributor. The company received Taiwanese government approval to finance the construction of manufacturing facilities in Japan and the U.S., positioning it to support the growing demand for artificial intelligence and high-performance computing technologies.

Performance Detractors

Mexican stocks (as represented by the MSCI Mexico Index) tumbled following the presidential election results, raising concerns about the potential for less market-friendly policies by the new government. As such, it was not surprising that our holdings in Mexico (i.e., real estate investment trust Fibra Uno, cement producer Cemex, communication services firm America Movil) were among the Fund's most significant detractors. Nonetheless, we believe these holdings continue to offer an attractive risk/reward tradeoff, and we maintain our positions.

Other detractors included holdings in Brazil, particularly beverage company Ambev and Telefonica Brasil, and in South Korea, notably KT&G Corporation and Samsung Electronics.

From a sector and industry standpoint, holdings in communication services and pharmaceuticals weighed on performance. Telecom Italia and France-based Orange saw their share prices decline alongside Telefonica Brasil. In pharmaceuticals, Japanese Astellas Pharma and Takeda Pharmaceutical hurt returns, as did U.K.-based GSK.

GSK's shares fell after a U.S. public health agency narrowed its age recommendation for RSV (respiratory syncytial virus) vaccines, limiting the use of the company's products. Meanwhile, Takeda announced a restructuring plan aimed at optimizing its workforce, cutting costs, and strengthening technology.

Select Activity in the Quarter

The investment committee initiated positions across several industries. These included U.K consumer health care company Reckitt Benckiser, Germany-based logistics firm Deutsche Post and semiconductor manufacturer Infineon Technologies, Canadian aerospace and defense firm CAE, and Japanese machinery company Kubota Corp.

Reckitt Benckiser is a multinational consumer goods company, with operations in over 60 countries across three business units: consumer health, hygiene, and nutrition. The company's brands are strong, particularly on a country-specific basis, such as Lysol in the U.S. and Dettol in India. Over the past several years, the management team has been focusing on achieving higher-than-category average growth for the company's brands and on increasing margins through positive operating leverage and productivity-related efficiency improvements.

During the pandemic, Reckitt experienced a short-term surge in demand for its hygiene products. However, the associated stock-price increase was not sustained, and Reckitt's shares remained largely range-bound for five years prior to their recent decline. The company's shares have come under pressure after it reported weaker-than-expected growth and profitability for fiscal year 2023. While it has improved its margins over the past few years, Reckitt will likely face slower growth in the short term as it cycles through last year's elevated base, driven by infant formula recall by Abbott Laboratories (Reckitt's main competitor) and a robust cold and flu season. Moreover, concerns about potential liability related to its pre-term infant formula business in the U.S. further weighed on investor sentiment after the company lost a legal case earlier this year. Reckitt faces additional related legal cases, as does Abbott Laboratories.

Despite the headwinds, Reckitt's longer-term growth profile appears compelling to us. We appreciate its competitive position, which should allow it to grow at an above-average rate in each business category. We also believe the company has the potential for margin improvement through a combination of productivity-related cost savings and positive operating leverage. In our opinion, investor concerns about Reckitt's growth prospects and potential legal liabilities have been more than accounted for in its share price. At its current valuation, which reflects a discount to the company's historical multiples, we see Reckitt as an appealing investment opportunity.

CAE supplies simulation equipment and integrated pilot training services to both civil aviation and military customers. Competing in a market dominated by two key players (the other being Flight Safety), CAE boasts the world's largest installed base of full-flight simulators. Over the past 20 years, CAE has diversified into the less cyclical pilot training business, offering training services through a global network of over 250 civil aviation and military training locations across 40 countries. The company derives 40% of its revenues from simulation products and 60% from training and services.

Our coverage of CAE began in 2011, and since then, our assessment of the company's core franchise quality remains unchanged. With its dominant position in flight simulation and pilot training, CAE has historically generated solid free cash flow and healthy returns on invested capital. The company also benefits from its access to attractive financing sources in the form of perpetual zero-cost loans from the Canadian government for research and development initiatives.

It is notable that during the COVID-19 pandemic, CAE took significant steps to strengthen its competitive position and improve industry structure. Firstly, the company leveraged its financial strength to complete a series of opportunistic acquisitions, purchasing nine companies at what we deemed depressed prices. This has helped CAE consolidate end-markets and expand capabilities. Secondly, it restructured its cost base, closing nine plants and removing U.S.$70 million in annualized costs that resulted in a 1.5% margin benefit on sales. Lastly, CAE expanded its relationship with mainline airlines, which chose to outsource an increasing share of their internal training needs. To satisfy this new demand, CAE embarked on a heavy capital expenditure cycle over the course of the pandemic that we believe will benefit shareholders in the years ahead.

The opportunity to initiate a position in CAE came as investors have been concerned about recent margin weakness in the defense segment. However, we view these challenges as temporary. Inflation and supply chain pressures have started to ease, and many of CAE's under-earning, fixed-priced contracts are set to expire by 2025. We expect that CAE is positioned to improve its profitability as legacy fixed-priced contracts roll over and new high-margin defense contracts begin to ramp up. Based on the company's guidance, new contracts should earn mid-double-digit margins, compared to the mid-single-digit margins on the legacy fixed-priced contracts that were impacted by the pandemic-related cost pressures. At its current valuation levels, CAE represents an appealing risk/reward tradeoff to us.

Besides the new purchases, other portfolio activity included the full sells of Belgian beverage firm Anheuser-Busch InBev and U.K. consumer business Unilever, which both appreciated to our estimates of their intrinsic values.

Year-to-Date Briefing

The Brandes International Equity Fund rose 4.78% (Class I Shares), underperforming its benchmark, the MSCI EAFE Index, which appreciated 5.34% in the six months ended June 30, 2024, and slightly outperforming the MSCI EAFE Value Index, which rose 4.49%.

Select holdings in industrials and financials were solid contributors, led by Rolls-Royce and Embraer in industrials, and Intesa Sanpaolo, Barclays, and Erste Group Bank in financials. Technology holdings TSMC and SAP also showed robust results, along with construction materials holdings Buzzi and Heidelberg Materials.

The largest detractor was Spanish biotech firm Grifols, whose shares declined mainly in the first quarter following a short seller's report that questioned the company's debt and corporate governance practices. We continue to believe there is a meaningful upside potential in Grifols. The company recently completed the sale of an ownership stake in Shanghai RAAS, which should help it improve its financial leverage in the near term.

Besides Grifols, a few other health care positions also hurt returns, including Takeda Pharmaceutical and Astellas Pharma. Geographically, as was the case for the quarter, several holdings in emerging markets weighed on performance, especially those in Mexico (e.g., Fibra Uno, Cemex) and Brazil (e.g., Ambev, Telefonica Brasil).

Current Positioning

As of June 30, the Fund has overweight positions in the United Kingdom, France, and emerging markets, and underweight positions in Australia and Japan. From a sector perspective, it holds key overweights to communication services, health care, and consumer staples, while maintaining meaningful underweights to industrials, technology, and financials. We believe the differences between the Brandes International Equity Fund and the MSCI EAFE Index make it an excellent complement and diversifier to passive and growth-oriented strategies.

International value stocks continue to trade within the least expensive decile relative to growth (MSCI EAFE Value vs. MSCI EAFE Growth) since the inception of the style indices. This is evident across various valuation measures, including price/earnings, price/cash flow, and enterprise value/sales. Historically, such discount levels often signaled attractive subsequent relative returns for value stocks. This is encouraging for us as the Fund, guided by our value philosophy and process, has had the tendency to outperform the value index when it outperformed the benchmark.

Looking ahead, we remain optimistic about the prospects of our holdings. As of June 30, 2024, the Brandes International Equity Fund trades at more compelling valuation levels, in our opinion, while offering more appealing long-term growth characteristics relative to the benchmark and the MSCI EAFE Value Index.

Average Annual Total Returns (%) as of June 30, 2024							
Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 1/2/1997
Class I	-0.26	4.78	17.24	7.01	8.38	4.59	7.62
Class A	-0.34	4.64	16.91	6.71	8.08	4.35	7.37
Class C	-0.50	4.27	16.10	5.91	7.33	3.75	—
Class R6	-0.24	4.86	17.43	7.11	8.49	4.71	7.70
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 1/2/1997[1]
Class A	-6.07	-1.38	10.18	4.61	6.81	3.73	7.14
Class C	-1.48	3.27	15.10	5.91	7.33	3.75	—
MSCI EAFE Index	-0.42	5.34	11.54	2.89	6.46	4.33	5.02
MSCI EAFE Value Index	0.01	4.49	13.75	5.54	6.06	3.01	5.10
Operating Expenses: Class I: 0.93% (gross), 0.85% (net) Class A: 1.13% (gross), 1.13% (net) Class C: 1.89% (gross), 1.89% (net) Class R6: 0.88% (gross), 0.75% (net)							

[1] Fund inception predates MSCI EAFE Value Index inception.

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 data shown with load reflects the Class A maximum sales charge of ***5.75%.*** *Performance shown without load does not reflect the deduction of the sales load. If reflected, the load would reduce the performance quoted.*

The Fund commenced operations in 1997. Prior to October 6, 2008, the Fund had only one class of shares (currently designated as Class I shares). Class A shares commenced operations on January 31, 2011, but prior to January 31, 2013, Class A shares were known as Class S shares. (Class A shares have the same operating expenses as Class S shares.) Performance shown prior to January 31, 2011 for Class A shares reflects the performance of Class I shares restated to reflect Class A shares loads and expenses. Class C shares commenced operations on January 31, 2013. Performance shown prior to the inception of Class C shares reflects the performance of Class I shares restated to reflect Class C expenses. The Class C shares' average annual total return for the 10-year period assumes that Class C shares automatically converted to Class A shares 8 years after the start of the period. The Class C shares' average annual total return for the since inception period cannot be calculated as the Class A shares had not been launched as of 1/2/2005, 8 years after the inception date of the Brandes International Equity Fund. Performance of Class R6 shares shown prior to the inception of Class R6 shares on February 1, 2016, reflects the performance of Class I shares.

The Advisor has contractually agreed to limit the operating expenses through January 28, 2025. 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.

For term definitions: https://www.brandes.com/termdefinitions

The MSCI EAFE Index with net dividends captures large and mid cap representation of developed market countries excluding the U.S. and Canada.
The MSCI EAFE Value Index with gross dividends captures large and mid cap securities across developed market countries, excluding the United States and Canada, exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.
The MSCI EAFE Growth Index with gross dividends captures large and mid cap securities across developed market countries, excluding the United States and Canada, exhibiting growth style characteristics, defined using long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, and long-term historical sales per share growth trend.
The MSCI Mexico Index is designed to measure the performance of the large and mid cap segments of the Mexican market. With 24 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Mexico.

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. In addition, the performance of foreign securities depends on the political 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 have experienced, and may experience in the future, substantial fluctuations or a steady devaluation relative to the U.S. dollar. Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales.

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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