

# Brandes International Equity Fund

## FUND INFORMATION

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

## STRATEGY

The Brandes International Equity Fund seeks long term 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 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.*

## TOP TEN HOLDINGS

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

Alibaba Group Holding Ltd	3.68
Takeda Pharmaceutical Co Ltd	2.95
Sanofi SA	2.57
Heineken Holding NV	2.49
Swatch Group AG	2.36
UBS Group AG	2.25
Carrefour SA	2.09
Henkel AG & Co KGaA	2.02
Rolls-Royce Holdings PLC	2.02
Embraer SA	2.01

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

The Brandes International Equity Fund rose 12.02% (Class I Shares), outperforming its benchmark, the MSCI EAFE Index, which was up 7.26% in the quarter, and the MSCI EAFE Value Index, which returned 8.89%.

## Positive Contributors

Notable contributors included holdings in industrials and health care.

Brazil-based regional jet manufacturer Embraer and U.K.-based aerospace and defense company Rolls-Royce reported improving earnings amid continued strong demand in their aerospace end markets. Embraer also announced that it will receive a settlement from Boeing for the latter company's unsuccessful takeover bid, while its stock benefited from its recent inclusion in the MSCI Emerging Markets Index.

Within health care, leading contributors included Spain-based biotechnology firm Grifols, medical equipment companies Smith & Nephew (U.K.) and Koninklijke Philips (Netherlands), and German health care services provider Fresenius SE.

In July, Grifols confirmed that its founding family, which controls 30% of the company, is evaluating a potential joint takeover bid for the entire business with Brookfield, a multinational Canadian alternative investment fund. The structure and pricing of the takeover remain unclear, but the market reacted positively to their proposal.

Other standout performers included China-based Alibaba, which appreciated as significant market negativity toward Chinese companies began to abate, thanks to newly announced government stimulus measures. We believe Alibaba continues to offer an attractive margin of safety (the discount of market price to our estimate of intrinsic value) following the share-price increase. Its core business trades at a single-digit multiple of earnings, the company maintains a healthy net-cash balance sheet, and its market share in e-commerce has started to stabilize.

Geographically, holdings in the U.K. helped performance the most. Besides Rolls-Royce and Smith & Nephew, consumer staples companies Tesco, J Sainsbury, and Marks and Spencer also lifted returns, along with home improvement retailer Kingfisher.

## Performance Detractors

Notable detractors included consumer holdings that have exposure to China, such as France-based Kering and Netherlands-based Heineken, as well auto-related holdings Nissan Motor (Japan) and Hyundai Mobis (South Korea).

Heineken's shares declined after the company took an impairment charge for its stake in China Resources Beer, reflecting a weaker consumer environment in China. Meanwhile, Kering remained under pressure as it worked to revitalize its Gucci business. Although the shares rebounded toward the end of the quarter due to the potential for Chinese stimulus, the increase was not enough to fully offset the earlier decline.

Technology was one of the weaker-performing sectors in the benchmark, largely driven by a pullback in AI-related and semiconductor companies, which had risen dramatically earlier this year. While our underweight to the sector helped relative performance, our holdings in South Korean Samsung Electronics and Germany's Infineon detracted from returns amid concerns that market optimism around the monetization potential of AI applications had become excessive. Nonetheless, we believe these companies continue to offer attractive value opportunities, with discounted valuations relative to the more obvious AI beneficiaries trading at higher multiples.

## Select Activity in the Quarter

The investment committee purchased the preferred shares of Samsung Electronics in the quarter, taking advantage of the widening discount between the preferred shares and the ordinary shares. Samsung's preferred shares are functionally similar to the ordinary shares, but the holders of the preferred shares receive a nominally higher dividend and no voting rights.

The investment committee divested positions in Ireland-based financial brokerage and advisory firm Willis Towers Watson and French automaker Renault as they reached our estimates of intrinsic value. The committee used the proceeds from the sales to add to several existing positions, including some of the aforementioned detractors.

We initially purchased Willis Towers Watson (WTW) a year ago after its share price had underperformed the broader markets (MSCI EAFE) due to its failed merger with Aon. We believed the company represented an appealing investment opportunity given its reliable cash-flow generation, solid balance sheet, and attractive valuation. We also appreciated its potential to bring its margins closer to insurance brokerage peers.

Over the past year, the company has experienced notable growth, expanded its margins, and improved its free-cash-flow generation. While our estimate of the company's intrinsic value increased, the share price increased even more significantly. We decided to divest the position after it reached our updated intrinsic value estimate.

## Year-to-Date Briefing

The Brandes International Equity Fund rose 17.38%, outperforming its benchmark, the MSCI EAFE Index, which appreciated 12.99% in the nine months ended September 30, 2024, and the MSCI EAFE Value Index, which rose 13.79%.

While value outperformance provided a better performance environment for the Fund, it was stock selection across nearly all sectors that drove the relative returns. The most significant contributors were holdings in technology, industrials, and consumer staples. Leading performers included Rolls-Royce, Embraer, and Contemporary Amperex Technology in industrials, Tesco in consumer staples, as well as Taiwan Semiconductor Manufacturing Company and SAP in technology. China-based Alibaba and Italian bank Intesa Sanpaolo also aided returns.

Major detractors included Kering, Samsung, and Heineken, as well as Grifols, whose shares declined mainly in the first quarter following a short seller's report that questioned the company's debt, accounting, and corporate governance

practices. Additionally, the overhang of Mexico's national election in June continued to weigh on our position in real estate investment trust Fibra Uno.

## Current Positioning

The Fund maintains overweight positions in the United Kingdom, France, and emerging markets, while remaining underweight in Australia and Japan. From a sector perspective, it holds key overweights in communication services, health care, and consumer staples, and meaningful underweights in industrials and financials. During the year, we have sold or pared several of our financials holdings that have exceeded or neared our estimates of their intrinsic values. As a result, our underweight to financials has become larger compared to the start of the year. We have largely deployed these proceeds into opportunities in two sectors, namely industrials, in which we remain underweight, and consumer staples, which now represents a larger overweight than at the start of the year. 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 the Fund's holdings. As of September 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 September 30, 2024

Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 1/2/1997
Class I	12.02	17.38	30.12	12.01	10.97	6.45	7.99
Class A	11.96	17.15	29.73	11.69	10.66	6.20	7.74
Class C	11.76	16.53	28.80	10.86	9.90	5.59	—
Class R6	12.06	17.51	30.30	12.12	11.08	6.57	8.07
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 1/2/1997 <sup>1</sup>
Class A	5.55	10.42	22.25	9.50	9.35	5.58	7.51
Class C	10.76	15.53	27.80	10.86	9.90	5.59	—
MSCI EAFE Index	7.26	12.99	24.77	5.48	8.19	5.70	5.24
MSCI EAFE Value Index	8.89	13.79	23.14	8.93	8.26	4.56	5.37

Operating Expenses: Class I: 0.92% (gross), 0.85% (net) Class A: 1.13% (gross), 1.13% (net) Class C: 1.88% (gross), 1.88% (net) Class R6: 0.88% (gross), 0.75% (net)

<sup>1</sup> Fund inception predates MSCI EAFE Value Index inception.

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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 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.

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 Emerging Markets Index captures large and mid cap representation of emerging market countries.

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**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.**

*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](http://www.brandes.com/funds). Read carefully before investing.*

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