

Brandes Small Cap Value Fund

FUND INFORMATION

Class I:	BSCMX
Class A:	BSCAX
Class R6:	BSCRX

STRATEGY

The Brandes Small Cap Value 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)

NETGEAR Inc	5.09
Park Aerospace Corp	4.74
Graham Corp	4.02
Innovex International Inc	3.98
Edgewell Personal Care Co	3.96
Arlo Technologies Inc	3.91
Kennametal Inc	3.88
Moog Inc	3.37
Utah Medical Products Inc	3.10
Elanco Animal Health Inc	3.09

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

The Brandes Small Cap Value Fund returned 8.47% (Class I Shares), underperforming its benchmark, the Russell 2000 Index, which was up 9.27% in the quarter. The Russell 2000 Value Index gained 10.15%.

Positive Contributors

Leading contributors included holdings in the health care and information technology sectors: networking products company NETGEAR, Phibro Animal Health, blood plasma company Grifols, and Pediatrix Medical Group.

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

In September, NETGEAR revised its guidance upward after it entered into a settlement with TP-Link regarding pending patent infringement disputes. NETGEAR received a \$135 million settlement and all pending litigation between the two parties will be dismissed or no longer pursued. NETGEAR also announced an earlier-than-anticipated 5G mobile hotspot launch.

Other contributors included regional jet manufacturer Embraer, apparel business Hanesbrands, and aerospace and defense company Moog Inc.

Performance Detractors

Notable detractors were in the industrials, consumer staples, and energy sectors, specifically Innovex International, Edgewell Personal Care Co., and Orion Group.

Orion announced a \$25 million equity raise, with plans to use the net proceeds for working capital and debt repayment. The decision to raise capital was driven partly by a delay in Orion's \$30-million land sale agreement, which has taken longer than expected to close. Additionally, Orion's balance sheet has been under pressure over the past two quarters due to expanding working capital needs, stemming from a six-month delay on a large U.S. Navy project where Orion is a subcontractor. We believe the capital raise was a prudent move as it provides the company with greater control over its destiny while awaiting the land deal closure and a reversal in the working capital cycle. It should also allow Orion to participate in the upcoming infrastructure cycle inflection mostly intact.

Other detractors included juvenile and home products company Dorel Industries and security system technology business Arlo Technologies, which undid some of its strong performance earlier in the year.

On a relative basis, our underweight to the financials and real estate sectors, two of the strongest performers, detracted from returns.

Select Activity in the Quarter

The small-cap investment committee initiated positions in metalworking business MSC Industrial Direct, biotechnology company Grifols, aviation training equipment company CAE, and carbon fiber composite producer Hexcel.

CAE supplies simulation equipment and integrated pilot training services to both civil and military aviation 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.

During the past 20 years, CAE has diversified into the less-cyclical pilot training business, offering training services through a global network of more than 250 civil 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 has remained unchanged. Notably, during the COVID-19 pandemic, CAE took significant steps to strengthen its competitive position and improve its industrial structure. First, CAE leveraged its financial strength to complete a series of opportunistic acquisitions, buying nine companies at what we deemed were appealing prices. Doing so helped CAE consolidate its end-markets and expand its capabilities. Second, it restructured its cost base, closing nine plants and removing \$70 million in annualized costs, which 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 training needs. To satisfy this new demand, CAE embarked on a heavy capital expenditure cycle over the pandemic that we believe will benefit shareholders in the years ahead. The opportunity to initiate a position in CAE came as investors expressed concern about recent margin weakness in the company's defense segment. However, we view these challenges as temporary. Inflation and supply chain pressures have started to ease. Many of CAE's under-earning, fixed-price contracts are set to expire by 2025. We expect that CAE is well positioned to improve its profitability as legacy fixed-priced contracts roll over and as new higher-margin defense contracts begin to ramp up. The company has given guidance for mid-double-digit margins on new contracts versus mid-single digits on legacy fixed-price contracts that were affected by pandemic-related cost pressures.

CAE's investment case is supported by its dominant position in flight simulation and pilot training services that offer moat-like characteristics, strong free cash flow and high tangible returns on capital with favorable medium-term growth characteristics. The company can also access attractive financing through perpetual, zero-cost loans from the Canadian government for research and development initiatives.

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 a key input 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 ramp on key commercial platforms and compressed HXL's margins as the company operates under fixed-price contracts. Additionally, HXL had increased capacity ahead of the production ramp and thus has been operating at suboptimal efficiency on a substantial fixed-cost base. While these headwinds have started to ease and HXL fundamentals have moved closer to pre-pandemic levels, lingering supply-chain issues in recent months have 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, causing its share price to fall. 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. At its current valuations, HXL offers an appealing risk/reward to us.

Other portfolio activity included full sales of insurer Mercury General, multi-utility Avista, and biotechnology company United Therapeutics.

Year-to-Date Briefing

The Brandes Small Cap Value Fund returned 17.96% (Class I Shares), outperforming its benchmark, the Russell 2000 Index, which gained 11.17% in the nine months ended September 30, 2024, as well as the Russell 2000 Value Index, which was up 9.22%.

Holdings in the industrials, materials, health care, and information technology sectors drove returns. At the holding level, leading performers included aerospace and defense companies Embraer and Moog, machinery business Graham Corporation, NETGEAR, Arlo Technologies, and Phibro Animal Health.

Investments in the energy and consumer staples sectors were notable decliners, specifically energy equipment business Innovex International and Ingles Markets. Other

detractors included insurer Crawford & Company, Utah Medical Products, and Park Aerospace.

Current Positioning

With the additions of CAE, Hexcel, and MSC Industrial Direct, the Fund's allocation to the industrials sector increased, and industrials continues to be the largest weighting and relative overweight from a sector standpoint. The Fund also maintains large weights in the health care and information technology sectors (although underweight relative to the benchmark in these two categories). The Fund's most notable underweights are in financials, consumer discretionary, and real estate. Compared to the Russell 2000 Value Index, we have significantly less exposure to financials and real estate.

In our opinion, the differences between the Brandes Small Cap Value Fund and the broader U.S. small-cap market continue to make it an attractive complement to other small-cap offerings. The Fund exhibits lower valuations than the Russell 2000 Index, while offering exposure to companies that we believe have strong balance sheets, compelling growth prospects, and a history of durable free-cash-flow generation.

We are optimistic about the potential of value stocks in general and believe the Brandes Small Cap Value Fund remains well positioned from a long-term risk/reward perspective.

Average Annual Total Returns (%) as of September 30, 2024

Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 10/1/1997
Class I	8.47	17.96	26.94	11.01	16.70	11.78	8.37
Class A	8.34	17.71	26.59	10.75	16.43	11.48	8.09
Class R6	8.56	18.21	27.14	11.24	17.25	11.19	8.16
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 10/1/1997 ¹
Class A	2.09	10.92	19.32	8.58	15.07	10.82	7.86
Russell 2000 Index	9.27	11.17	26.76	1.84	9.38	8.78	7.48
Russell 2000 Value Index	10.15	9.22	25.88	3.77	9.28	8.22	8.07

Operating Expenses: Class I: 2.81% (gross), 0.92% (net) Class A: 3.00% (gross), 1.17% (net) Class R6: 2.86% (gross), 0.74% (net)

¹The performance information shown for periods before January 2, 2018 is that of a private investment fund managed by the Advisor (the "Predecessor Fund") prior to the commencement of the Small Cap Fund's operations with policies, guidelines and restrictions that were, in all material respects, equivalent to those of the Small Cap Fund. The Small Cap Fund acquired the assets and assumed the liabilities of the Predecessor Fund on January 2, 2018, and investors in the Predecessor Fund received Class I shares of the Small Cap Fund as part of the reorganization. With respect to Class I and Class R6 shares, the performance information shown reflects the gross expenses of the Predecessor Fund. Class A shares reflect the gross expenses of the Predecessor Fund restated to reflect the Class A sales load and Rule 12b-1 fees.

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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 Russell 2000 Index with gross dividends measures the performance of the small-cap segment of the U.S. equity universe.

The Russell 2000 Value Index with gross dividends measures performance of the small 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.

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. Diversification does not assure a profit or protect against a loss in a declining market. It is not possible to invest directly in an index. Stocks of small-sized and mid-sized companies tend to have limited liquidity and usually experience greater price volatility than stocks of larger companies.

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.

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