

Brandes Canadian Equity Fund

Fund Commentary

During the quarter, a question that Brandes LP was quite often asked was how the U.S. trade negotiations have impacted its portfolios. In this regard, Brandes LP has been closely monitoring the situation and has revisited the valuations of all holdings that can potentially be affected by President Trump's steel and aluminum tariffs, either directly (e.g., steelmakers) or indirectly (e.g., auto companies). Brandes LP concluded that no adjustments to intrinsic value estimates were necessary at this point.

Amid the constant stream of macroeconomic and geopolitical news, Brandes LP continues to pursue attractive businesses with stock prices below its estimates of their intrinsic value. Brandes LP believes uncertainties help drive prices of fundamentally sound companies below what they are truly worth.

Against this backdrop, the Brandes Canadian Equity Fund outperformed its benchmark, the S&P TSX Composite Index.

Positive Contributors

The Fund's holdings in the Oil, Gas & Consumable Fuels, Diversified Telecom Services and Insurance industries were positive contributors to performance.

The top individual contributors were Norbord Inc. (Paper & Forest Products), Manulife Financial Corp. (Insurance) and TransCanada Corp. (Oil, Gas & Consumable Fuels).

Performance Detractors

The Fund's holdings in Beverages, Food Products and the Communications Equipment industries detracted from returns during the quarter.

The top individual detractors from performance were High Liner Foods (Food Products), Corby Spirit & Wine Limited (Beverages) and Algoma Central Corp. (Marine).

Select Buy & Sell Activity

The Fund added to its position of Canadian communications equipment company Sierra Wireless.

Brandes LP has followed Sierra Wireless for several years, having owned the stock at various points of time in the last five years. The company specializes in providing wireless solutions products to businesses, including wireless modems, routers and gateways. Among its client base are personal computer and tablet makers, automotive manufacturers, utilities and security services providers.

During the quarter, Brandes LP found value potential in Sierra Wireless again. While the company has made significant inroads in diversifying its product mix across segments, it still competes in an industry that is cyclical, transactional and can be commodity-like. Moreover, Sierra Wireless has grown its IoT business through acquisition, which poses the risk of integration issues and poor capital allocation.

These factors have worked against Sierra Wireless in recent months, affording Brandes LP the opportunity to add to its position in the company. Trading at just over



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book value and 13x earnings, and with its net cash position accounting for over one-third of its market capitalization, Brandes LP believes Sierra Wireless represents an attractive risk/reward tradeoff.

Current Positioning

At the close of the quarter, the Fund's largest industry weights were in Insurance, Beverages and Oil, Gas & Consumable Fuels. Please note that while macro conditions are considered when Brandes LP determines valuation estimates for individual companies, the Fund's industry weightings are a by-product of bottom-up stock selection, not the result of top-down observations.

About Brandes LP

In the 40-plus years since Brandes LP was founded, its goal has remained the same: pursue above-market gains to help investors move closer to their long-term investment objectives. Brandes LP believes that its unwavering commitment to value investing will lead it to attractively priced, fundamentally sound companies worthy of inclusion in the Fund.



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Contribution Analysis (relative to benchmark)

LAST QUARTER

INDUSTRY			
Top 5 Contributors	%	Top 5 Detractors	%
Oil, Gas & Consumable Fuels	1.83	Beverages	-0.76
Diversified Telecom. Services	0.26	Food Products	-0.61
Insurance	0.21	Communications Equipment	-0.28
Media	0.19	Marine	-0.27
Food & Staples Retailing	0.18	Household Durables	-0.24

COMPANY

Top 5 Contributors	%	Top 5 Detractors	%
Norbord Inc.	0.19	High Liner Foods Inc	-0.64
Manulife Financial Corp.	0.11	Corby Spirit & Wine Limited Cl. B	-0.56
Granite Real Estate Inc.	0.11	Algoma Central Corp.	-0.27
TransCanada Corp.	0.11	Dorel Industries Inc. Cl. B	-0.24
BCE Inc.	0.08	Sierra Wireless	-0.23

LAST 12 MONTHS

INDUSTRY			
Top 5 Contributors	%	Top 5 Detractors	%
Oil, Gas & Consumable Fuels	1.20	Food Products	-0.93
Paper & Forest Products	0.82	Elect. Equip., Instr. & Components	-0.69
Marine	0.55	Beverages	-0.62
Airlines	0.55	Biotechnology	-0.62
Media	0.52	Household Durables	-0.13

COMPANY

Top 5 Contributors	%	Top 5 Detractors	%
Norbord Inc.	0.84	High Liner Foods Inc	-0.93
Algoma Central Corp.	0.55	Chesapeake Corp.	-0.91
HNZ Group Inc.	0.50	Celestica Inc.	-0.69
Granite Real Estate Inc.	0.40	Novelion Therapeutics Inc	-0.68
Fairfax Financial Hldgs. Ltd.	0.32	Corby Spirit & Wine Limited Cl. B	-0.45



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Quarterly Additions/Deletions

Additions	Deletions
Uni-Select Inc ORD	HNZ Group Inc



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