Brandes Global Balanced Fund

Fund Commentary

A continuing trend and significant headwind to relative performance this year has been value stocks' underperformance versus growth stocks, as measured by the MSCI World Value Index and the MSCI World Growth Index. After posting strong returns in the second half of 2016, value stocks have lagged growth stocks thus far in 2017 by more than 700 basis points. The most significant driver of this disparity has been the significant appreciation of technology stocks in MSCI World.

Canadian bonds faced selling pressure over the third quarter as the domestic economy continued to grow above expectations. Government of Canada ("GoC") yields increased 35-45 basis points across maturities with the 10-year GoC ending at 2.1%.

Corporate bond issuance was strong over the quarter at $31.5 billion. Investor demand for credit was equally strong with spreads over GoC yields holding near 10-year lows. Maple bonds, issued by non-Canadian corporations in the Canadian market were notable with McDonald's and Apple both coming to market. The Fund participated in Apple given diversification benefits when compared to overall corporate holdings.

Against this backdrop, the Brandes Global Balanced Fund underperformed its blended benchmark (70% MSCI World Index and 30% FTSE TMX Canada Universe Bond Index).

Positive Contributors

Significant contributors included several holdings in the energy sector, as well as select industrial companies.

Due in part to the rise in oil prices and improved earnings results, the Fund's energy holdings outperformed the energy sector of the MSCI World Index. Top contributors included U.K.-based BP, Spain-based Repsol, Italy-based ENI and Russia-based Lukoil.

ENI benefited from better earnings results on its improved cost reductions, while BP continued to refine its balance sheet by selling non-core assets.

Industrial holdings Embraer, a Brazil-based regional jet manufacturer, and France-based Schneider Electric also boosted performance. Embraer posted stronger financial results on the back of higher revenue growth, cost cuts and an improved order backlog. Additionally, the U.S. Department of Commerce's recent decision to impose anti-subsidy duties on Embraer's main regional jet competitor, Bombardier, could be a potential advantage.

Other contributors included U.K.-based grocer Tesco and U.S.-based financial firm Citigroup.

Performance Detractors

Sweden-based Ericsson declined after reporting weaker earnings. However, the company announced plans to reduce costs to improve margins.

France-based retailer Carrefour, which reported weak earnings and issued cautious guidance, weighed on returns. Nonetheless, Brandes LP believes the shares continue to offer an attractive margin of safety for long-term investors despite the potential for lower near-term results as the company works to strengthen profitability.

Other detractors included South Korean holdings Hyundai Mobis and Hyundai Motor. Slowing demand in China, in part due to political tensions between South Korea and China, negatively affected both companies.

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U.K.-based pharmaceutical firm GlaxoSmithKline and U.S. drug distributor McKesson also detracted from returns.

Select Buy & Sell Activity

In a fairly busy quarter for portfolio activity, the Fund initiated positions in Imperial Tobacco Group, Cardinal Health, HCA Healthcare and WPP Group.

U.K.-based WPP Group is the world's largest ad agency holding company by revenue. Its brands include Ogilvy & Mather, JWT, Young & Rubicam, Grey, Group M and Kantar.

In Brandes LP's opinion, the business model of ad agencies is attractive and resilient amid changing economic conditions, given their variable-cost nature and technological neutrality (i.e., generally limited disruption from how ads are viewed). Over the past year, organic revenue growth for the ad agency industry has slowed, in part due to tough comparisons with 2016, a year that saw elevated ad spending related to the Summer Olympics in Brazil and the U.S. presidential election.

A number of factors have contributed to a contraction in valuation multiples for the ad agency industry, including:

- Slowing topline growth
- Reduced ad spending by fast-moving consumer goods (FMCG) companies. FMCG comprises products that tend to have short shelf lives, such as packaged foods, beverages and toiletries.
- Concerns about evolving technological and competitive landscape

These concerns, which we view as short term in nature and overdone in magnitude, have created several potentially undervalued investment opportunities.

Among large, publicly listed ad agency holding companies, WPP has leading exposures to potential growth from the digital space and from emerging markets. Brandes LP is attracted to the company's strong business model, healthy cash flows and steady pace of shareholder returns. Moreover, the stock's recent underperformance has led to an appealing valuation, in Brandes LP's view. The company trades at just 11x forward earnings as of September 30 and offers a 4.0% dividend yield. While the shares remained under pressure during the quarter, Brandes LP believes WPP provides an attractive long-term risk/reward tradeoff at its current price.

HCA Healthcare is the largest for-profit hospital operator in the United States, where it has operations across 20 states and 5% of total hospital admissions. It also has a presence in the United Kingdom. The company has been weighed down by the uncertainty surrounding U.S. health care policy as well as reimbursement pressures for care and services. However, it is Brandes LP's view that these concerns have been more than priced into HCA, which traded at 12x free cash flow as of September 30.

Brandes LP believes the company is an attractive investment due to its strong cash flow and returns on capital. Additionally, Brandes LP is attracted to the company's stable and recurring earnings and reasonable growth prospects.

The Fund divested its positions in America Movil, Exelon and Genting Malaysia as they reached our estimate of intrinsic value.

Current Positioning

At quarter end, the Brandes Global Equity Strategy exhibited more attractive valuations, in Brandes LP's opinion, and a higher dividend yield than the MSCI World Index.

As of September 30, allocations to emerging markets, France and Japan represented the largest overweights.

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From an industry standpoint, key areas of exposure were in financials, pharmaceuticals, oil & gas, food retailing and automobiles. The Fund maintained its largest underweight in the United States. On the sector level, significant under-allocations were in industrials, materials and technology.

As mentioned in previous quarters, Brandes LP continues to reduce our information technology sector allocation. As of September 30, the Fund's sector weighting was less than half the benchmark's weight. At the same time, Brandes LP is increasingly finding value potential in the health care sector as the Fund's allocation increased to greater than 18%. While the Fund maintained a significant exposure to pharmaceuticals, the main driver of our increased allocation has been health care service companies, such as drug distributor Cardinal Health and hospital operator HCA Healthcare (see commentary above).

Events across the globe this year may serve as a good reminder that macroeconomic and geopolitical factors can affect individual businesses differently. As one of the first asset managers to bring a global perspective to value investing, Brandes LP relies on an established research infrastructure that enables them to analyze how each company may be affected by events globally. Brandes LP's analyst teams have extensive knowledge of industries worldwide, and each team member's perspective allows them to think and invest independently from the market consensus.

Fixed Income Commentary

During the quarter, the Greystone Canadian Bond Fund underperformed its benchmark, the FTSE TMX Canada Universe Bond Index.

Greystone Managed Investments Inc. believes that the value of corporate bonds is less attractive at current spread levels, relative to history. As a result, the weight to corporate bonds has been reduced quarter-over-quarter and is focused on shorter maturity, higher quality issuance.

Within provincial bonds, the five largest provinces trailed the smaller less liquid regions as investors continued their search for incremental yield. Alberta and British Columbia were the worst performers of the quarter, impacted by suppressed oil prices and political uncertainty, respectively.

Provincial bonds also provided a cushion versus GoC bonds on a duration-adjusted basis. Spreads tightened modestly across regions with slightly better performance in Atlantic Canada.

While Canadian yields have risen substantially, Greystone Managed Investments Inc. believes that markets continue to underestimate the prospect of even moderate upward pressures on North American inflation. Given this outlook, the fixed-income component of the Brandes Global Balanced Fund maintains a defensive posture.

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)

INDUSTRY			
Top 5 Contributors	**%**	**Top 5 Detractors**	**%**
Oil, Gas & Consumable Fuels	0.82	Communications Equipment	-0.41
Electrical Equipment	0.39	Insurance	-0.22
Banks	0.32	Health Care Prov. & Services	-0.20
Capital Markets	0.30	Automobiles	-0.19
Multi-Utilities	0.29	Auto Components	-0.16

INDUSTRY			
Top 5 Contributors	**%**	**Top 5 Detractors**	**%**
Banks	2.26	Insurance	-0.86
Capital Markets	2.06	Semicond. & Semicond. Equip.	-0.71
Oil, Gas & Consumable Fuels	1.48	Auto Components	-0.58
Tech. Hardware, Storage & Periph.	1.15	Communications Equipment	-0.38
Pharmaceuticals	1.02	Media	-0.30

COUNTRY			
Top 5 Contributors	**%**	**Top 5 Detractors**	**%**
Brazil	0.50	United States	-1.58
France	0.36	Sweden	-0.37
Russia	0.33	Japan	-0.25
United Kingdom	0.29	South Korea	-0.14
Spain	0.21	Japan	-0.11

COUNTRY			
Top 5 Contributors	**%**	**Top 5 Detractors**	**%**
France	1.56	United States	-1.91
South Korea	1.12	Japan	-1.03
Brazil	1.05	Germany	-0.86
United Kingdom	0.89	Sweden	-0.66
Switzerland	0.83	Canada	-0.55

COMPANY			
Top 5 Contributors	**%**	**Top 5 Detractors**	**%**
Embraer S.A. ADR	0.50	Ericsson (L.M.) Telephone ORD	-0.34
Schneider Electric SE	0.34	Carrefour SA	-0.23
BP PLC	0.32	McKesson Corp	-0.15
Repsol SA	0.26	KT+G Corp.	-0.13
Citigroup Inc.	0.25	WPP	-0.07

COMPANY			
Top 5 Contributors	**%**	**Top 5 Detractors**	**%**
Citigroup Inc.	1.30	Hyundai Mobis	-0.40
Sanofi-Aventis SA ORD	1.08	Ericsson (L.M.) Telephone ORD	-0.39
State Street Corporation	0.86	Apache Corporation	-0.28
Bank of America Corp	0.84	China Mobile Ltd. ORD	-0.24
Samsung Electronics	0.83	Express Scripts Holding Co	-0.21

BRANDES INVESTMENT PARTNERS on the BRIDGEHOUSE Independent Platform

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Quarterly Additions/Deletions

Additions	Deletions
WPP PLC	Exelon Corporation
HCA Holdings Inc.	America Movil SA
Imperial Tobacco Group ORD	Genting Malaysia Bhd ORD
Cardinal Health Inc.	

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Published November 8, 2017