

Brandes Global Opportunities 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 ACWI Value Index and the MSCI ACWI 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 800 basis points.

During the third quarter of 2017, The Brandes Global Opportunities Fund underperformed its benchmark, the MSCI ACWI (All Country World) Index.

Positive Contributors

Holdings in Brazil rebounded nicely from the difficulties in the second quarter that were sparked by the corruption allegations against President Michel Temer.

Strong performers included jet manufacturer Embraer, telecommunication services provider Telefonica Brasil and electric utility Companhia Paranaense de Energia (COPEL).

Embraer benefited from higher revenue growth and cost cuts, as well as an improved order backlog. Additionally, the recent decision by the U.S. Department of Commerce to impose anti-subsidy duties on Embraer's main regional jet competitor, Bombardier, could potentially be an advantage.

Another notable positive contributor was Russia-based Sberbank, whose shares increased on the back of a strong earnings announcement and a major court victory against Transneft, which removed a significant litigation threat for the company.

Performance Detractors

U.K.-based real estate firm Countrywide weighed on performance. Countrywide continued to struggle with market uncertainties surrounding *Brexit* (the United Kingdom's decision to leave the European Union), which have led to fewer buyers and sellers in the housing market. Despite the continued slowdown in housing sales, along with the potential changes to housing policy that may compress profit margins, Brandes LP continues to

believe Countrywide is well positioned to adapt its cost structure as its diversified business lines provide a hedge in this challenging environment.

Other detractors included South Korean automaker Hyundai Motor and France-based retailer Carrefour.

Carrefour released weak earnings results early in the quarter and later issued a profit warning. Brandes LP believes the shares continue to offer an attractive margin of safety for a long-term investor, despite the potential for lower near-term results as the company works to strengthen its profitability.

Select Buy & Sell Activity

The Fund purchased shares in France-based Publicis Groupe, the world's third-largest global advertising agency holding company.

Publicis owns many of the industry's most valuable brands, such as Saatchi & Saatchi, Leo Burnett, Razorfish, ZenithOptimedia and Starcom MediaVest. The ad agency



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has historically been a well-run company with a sound balance sheet and industry-leading margins.

In Brandes LP's opinion, the business model of ad agencies is attractive and resilient 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 is composed of 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 Brandes LP views as short term in nature and overdone in magnitude, have created several potentially undervalued investment opportunities.

Market concerns for Publicis include slowing organic growth, a handful of recent account losses and its acquisition of Sapient (its largest acquisition to date), which was seen as expensive.

Brandes LP believes excessive short-term pessimism centered on these recent missteps have created an attractive entry point in Publicis' shares for long-term focused investors. Historically, Publicis management has displayed, in Brandes LP's opinion, an admirable track record of profitability, earnings growth, operational execution and successful acquisition integration. Brandes LP does not view recent client losses and the potential overpayment for Sapient as evidence of permanent structural changes in the business, and Brandes LP believes Publicis is well positioned to return to levels of growth in line with its peers. Given its strong free-cash-flow generation, we also expect the company will quickly de-lever its balance sheet.

Current Positioning

At quarter end, the Fund held key overweights in real estate and consumer discretionary, and key underweights in information technology and financials.

The Fund maintained a large underweight in the United States and a notable overweight in the United Kingdom. Brandes LP also continued to find many value opportunities in emerging markets. The region accounted for over 30% of the Fund at quarter end, with Brazil and South Korea representing key areas of exposure.

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 it 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.

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



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attractively priced, fundamentally sound companies
worthy of inclusion in the Fund.



on the



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Contribution Analysis (relative to benchmark)

LAST QUARTER				LAST 12 MONTHS				
INDUSTRY				INDUSTRY				
Top 5 Contributors		%	Top 5 Detractors		%	Top 5 Detractors		%
Banks	0.68		Real Estate Mgmt & Development	-0.70	Banks	1.15	Real Estate Mgmt & Development	-0.99
Aerospace & Defense	0.37		Automobiles	-0.52	Oil, Gas & Consumable Fuels	0.76	Internet Software & Services	-0.83
Oil, Gas & Consumable Fuels	0.27		Semicond. & Semicond. Equip.	-0.38	Health Care Equip. & Supplies	0.71	Insurance	-0.69
Diversified Telecom. Services	0.23		Communications Equipment	-0.33	Equity Real Estate Inv. Trusts	0.69	Household Durables	-0.69
Multiline Retail	0.20		Internet Software & Services	-0.29	Machinery	0.67	Software	-0.69
COUNTRY				COUNTRY				
Top 5 Contributors		%	Top 5 Detractors		%	Top 5 Detractors		%
Brazil	1.45		United Kingdom	-0.76	Brazil	2.55	United States	-2.92
Russia	0.78		South Korea	-0.75	Russia	0.89	Mexico	-0.49
Austria	0.13		United States	-0.70	Austria	0.54	China	-0.35
Switzerland	0.10		Sweden	-0.34	Switzerland	0.51	Canada	-0.33
Italy	0.05		China	-0.28	Israel	0.45	Sweden	-0.27
COMPANY				COMPANY				
Top 5 Contributors		%	Top 5 Detractors		%	Top 5 Detractors		%
Embraer S.A. ADR	0.49		Countrywide PLC	-0.66	Embraer S.A. ADR	0.77	Countrywide PLC	-0.99
Sberbank	0.45		Hyundai Motor Co. Ltd. Pref.	-0.46	Citigroup Inc.	0.69	Urbi Desarrollos Urbanos SA ORD	-0.94
Telefonica Brasil S.A.	0.31		Ericsson (L.M.) Telephone ORD	-0.31	Sberbank	0.60	Hyundai Mobis	-0.31
Itausa Investimento Pref.	0.24		Carrefour SA	-0.25	Western Digital Corp.	0.58	Carrefour SA	-0.25
CIA Paranaense de Energia	0.24		Fibra Uno Admin. SA ORD	-0.19	Erste Group Bank AG	0.57	Hyundai Motor Co. Ltd. Pref.	-0.24



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Quarterly Additions/Deletions

Additions	Deletions
Lotte Chilsung Beverage Co. Ltd.	Western Digital Corp.
Petrobras Petroleo Brasileiro Pref.	Chesapeake Energy Corp 8.00% Dec 15/22
Publicis Groupe	Chesapeake Energy Corp 6.625% Aug 15/20
	Weiqiao Textile Co. Ltd.



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