

# Brandes U.S. Small Cap 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 U.S. Small Cap Equity Fund underperformed its benchmark, the MSCI USA Small Cap Index.

## Positive Contributors

The Fund's holdings in the Professional Services, Electrical Equipment, Instruments & Components and Biotechnology industries were positive contributors to performance. Three of the largest individual contributors to performance were AMAG Pharmaceuticals Inc. (Biotechnology), Fabrinet (Electrical Equipment, Instruments & Components) and FTI Consulting Inc. (Commercial Services & Supplies).

## Performance Detractors

The Fund's holdings in Household Durables, Health Care Providers & Services and Oil, Gas & Consumable Fuels detracted from returns this quarter. Edgewell Personal Care (Personal Products), CSS Industries Inc. (Household Durables) and Owens & Minor Inc. (Health Care Providers & Services) were three of the largest detractors from performance.

## Current Positioning

At the close of the quarter, the Fund's largest industry weights were in Household Durables 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	%
Elect. Equip., Instr. & Components	0.78	Household Durables	-1.11
Professional Services	0.54	Health Care Prov. & Services	-1.02
Equity Real Estate Inv. Trusts (REITs)	0.26	Software	-0.60
IT Services	0.21	Personal Products	-0.48
Biotechnology	0.19	Oil, Gas & Consumable Fuels	-0.47

COMPANY			
Top 5 Contributors	%	Top 5 Detractors	%
AMAG Pharmaceuticals, Inc.	0.51	Edgewell Personal Care Co.	-0.59
Fabrinet	0.45	CSS Industries Inc	-0.58
FTI Consulting Inc.	0.38	Owens & Minor Inc	-0.43
Evertec Inc	0.33	Patterson Companies, Inc.	-0.42
Resources Connection Inc.	0.28	Rent-A-Center Inc.	-0.42

### LAST 12 MONTHS

INDUSTRY			
Top 5 Contributors	%	Top 5 Detractors	%
Health Care Equip. & Supplies	0.86	Health Care Prov. & Services	-2.51
Communications Equipment	0.86	Electrical Equipment	-2.28
Textiles, Apparel & Luxury Goods	0.64	Oil, Gas & Consumable Fuels	-1.92
Professional Services	0.52	Software	-1.22
Food Products	0.41	Pharmaceuticals	-1.05

COMPANY			
Top 5 Contributors	%	Top 5 Detractors	%
Invacare Corp	1.25	Babcock & Wilcox Enterpr	-2.25
Movado Group Inc.	0.80	Owens & Minor Inc	-2.18
Beazer Homes USA Inc.	0.74	World Fuel Services Corp	-1.13
PDL BioPharma, Inc.	0.67	Chesapeake Corp.	-0.90
Triple-S Management Corp CI B	0.57	Edgewell Personal Care Co.	-0.67



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## Quarterly Additions/Deletions

Additions	Deletions
Fabrinet	Intl Speedway Corp Cl A
AMAG Pharmaceuticals Inc	
Eagle Pharmaceuticals Inc.	
American National Insurance Co.	
OPKO Health Inc.	

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