

Brandes U.S. Small Cap Equity 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 Russell 2000 Value Index and the Russell 2000 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 10%.

Against this backdrop, the Brandes U.S. Small Cap Equity Fund underperformed its benchmark.

Positive Contributors

The Fund's holdings in the Health Care Equipment & Supplies, Communications Equipment, and Household Durables industries were positive contributors to performance. Three of the largest individual contributors to performance were Beazer Homes USA (Household Durables), PDL BioPharma (Biotechnology) and Invacare Corp (Healthcare Equipment & Supplies).

Performance Detractors

The Fund's holdings in Electrical Equipment, Oil, Gas & Consumable Fuels and Machinery detracted from returns this quarter. Babcock & Wilcox Enterprises Inc. (Electrical Equipment), World Fuel Services Corp. (Oil, Gas & Consumable Fuels) and Owens & Minor Inc. (Healthcare Provider & Services) were three of the largest individual detractors from performance.

Current Positioning

At the close of the quarter, the Fund's largest industry weights were in Household Durables and Commercial Services & Supplies. 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	%
Health Care Equip. & Supplies	0.42	Electrical Equipment	-2.78
Communications Equipment	0.37	Oil, Gas & Consumable Fuels	-0.74
Household Durables	0.34	Machinery	-0.61
Hotels, Restaurants & Leisure	0.31	Personal Products	-0.27
Equity Real Estate Inv. Trusts	0.28	Construction & Engineering	-0.23

COMPANY			
Top 5 Contributors	%	Top 5 Detractors	%
Beazer Homes USA Inc.	0.78	Babcock & Wilcox Enterpr	-2.79
PDL BioPharma, Inc.	0.64	World Fuel Services Corp	-0.41
Invacare Corp	0.46	Owens & Minor Inc	-0.33
Triple-S Management Corp Cl B	0.42	M.D.C. Holdings Inc.	-0.29
Speedway Motorsports Inc	0.29	Dorel Industries Inc. Cl. B	-0.28

LAST 12 MONTHS

INDUSTRY			
Top 5 Contributors	%	Top 5 Detractors	%
Household Durables	2.40	Electrical Equipment	-3.46
Health Care Equip. & Supplies	1.52	Banks	-1.91
Communications Equipment	1.48	Semicond. & Semicond. Equip.	-1.01
Thrifs & Mortgage Finance	1.15	Elect Equip., Instr. & Components	-0.78
Insurance	1.11	Chemicals	-0.66

COMPANY			
Top 5 Contributors	%	Top 5 Detractors	%
Sierra Wireless	1.46	Babcock & Wilcox Enterpr	-3.46
National Western Life Insurance Co.	1.32	FTI Consulting Inc.	-0.70
Invacare Corp	1.30	AVON Products Inc.	-0.49
M.D.C. Holdings Inc.	1.16	Owens & Minor Inc	-0.49
Beazer Homes USA Inc.	1.12	World Fuel Services Corp	-0.37

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