

Brandes U.S. Small Cap Equity Fund

Fund Commentary

The U.S. equity market moved broadly higher in the fourth quarter, closing an eventful 2016 punctuated by Donald Trump's victory in the U.S. presidential election. U.S. stocks remained on an upward trajectory for much of 2016, boosted further in the fourth quarter by expectations that the President-elect's policies would fuel growth and inflation. In a widely expected move, the U.S. Federal Reserve raised interest rates in December for the second time since the financial crisis.

The sustained U.S. market rise continued to drive equity valuations higher. As of December 1, 2016, the S&P 500 Index traded at a cyclically adjusted price-to-earnings (CAPE) ratio of 28.3x. This reflected a 12% premium to the quarter-century median CAPE ratio.

Against this backdrop, the Brandes U.S. Small Cap Equity Fund outperformed its benchmark, the Russell 2000 Index.

Positive Contributors

Fund holdings in the Professional Services, Thrifts & Mortgage Finance, and Health Care Equipment and Supplies industries were positive contributors to

performance. Three of the top individual contributors to performance were National Western Life Group Inc (Insurance), Orion Group Holdings Inc (Construction & Engineering) and Briggs & Stratton Corp (Machinery)

Performance Detractors

Fund holdings in Software, Personal Products and Electrical Equipment detracted from returns. Rent-A-Center Inc (Specialty Retail), Verint Systems Inc (Software) and Avon Products Inc (Personal Products) were three of the largest detractors from performance.

Current Positioning

At the close of the quarter, the Fund's largest industry weights were in Professional Services and Household Durables. 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.

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.

About Brandes LP

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Contribution Analysis

LAST QUARTER

INDUSTRY			
Top 5 Contributors	%	Top 5 Detractors	%
Professional Services	1.46	Commercial Services & Supplies	-0.34
Thrifts & Mortgage Finance	1.28	Trading Companies & Dist	-0.14
Health Care Equip. & Supplies	1.06	Software	-0.08
Insurance	1.01	Personal Products	-0.05
Construction & Engineering	0.84		

COMPANY			
Top 5 Contributors	%	Top 5 Detractors	%
National Western Life Insurance Co.	1.29	Verint Systems	-0.11
Resources Connection Inc.	1.03	Rent-A-Center Inc.	-0.10
Invacare Corp	0.94	AVON Products Inc.	-0.06
Briggs & Stratton Corp.	0.93		
Orion Marine Group Inc.	0.88		

LAST 12 MONTHS

INDUSTRY			
Top 5 Contributors	%	Top 5 Detractors	%
Oil, Gas & Consumable Fuels	6.49	Banks	-3.14
Professional Services	3.53	Commercial Services & Supplies	-0.77
Construction & Engineering	2.02	Software	-0.59
Elect. Equip., Instr. & Components	1.47	Health Care Equip. & Supplies	-0.25
Thrifts & Mortgage Finance	1.19	Electrical Equipment	-0.21

COMPANY			
Top 5 Contributors	%	Top 5 Detractors	%
Chesapeake Energy Corp.	5.30	Rent-A-Center Inc.	-0.43
Briggs & Stratton Corp.	1.85	Verint Systems	-0.28
CRA International Inc	1.76	Invacare Corp	-0.28
Orion Marine Group Inc.	1.70	The St. Joe Co.	-0.09
FTI Consulting Inc.	0.95	Babcock & Wilcox Enterpr	-0.07



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Quarterly Additions/Deletions

Additions	Deletions
Sierra Wireless	Winnebago Industries
Syneron Medical Ltd.	United Financial Bancorp Inc.
Owens & Minor Inc	Chesapeake Energy Corp 8.00% Dec 15/22
Federated Investors Inc. Cl. B	Miller Industries Inc.
	Seneca Foods Corp. Cl. A
	Ocean Shore Holding Co.
	Ingram Micro Inc. Cl. A
	Chesapeake Energy Corp 8.00% Dec 15/22
	Oceanfirst Financial Corp.



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