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INDEPENDENT PLATFORM

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2018 Annual Management Report  
of Fund Performance

Brandes International Equity Fund



## BRANDES INTERNATIONAL EQUITY FUND

*This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. The annual financial statements are in a separate booklet. You may obtain a copy of the annual financial statements at your request, and at no cost, by calling toll-free 1.888.861.9998, by writing to us at Bridgehouse Asset Managers, 33 Yonge Street, Suite 300, Toronto, ON, M5E 1G4, or by visiting our website: [www.bridgehousecanada.com](http://www.bridgehousecanada.com) or the SEDAR website: [www.sedar.com](http://www.sedar.com).*

*You may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the Fund.*

### MANAGEMENT DISCUSSION OF FUND PERFORMANCE

#### Investment Objective and Strategies

Our objective for this Fund is to grow capital for investors over the long-term by investing in securities of larger companies that are primary outside of Canada and the U.S.

The portfolio sub-advisor in respect of this Fund, Brandes Investment Partners, L.P. ("Brandes LP") uses a Graham & Dodd value approach when selecting the actual securities to invest in the Fund. This means that, on behalf of the Fund, they select securities of companies which, in their estimation, have a higher value (intrinsic value) than is currently reflected in the stock market.

Brandes LP's intention is to create a portfolio of undervalued stocks available, in their estimation, diversified in ways described in the prospectus.

#### Risk

As an investor in this Fund, you should be prepared for short-term performance fluctuations, and be a patient, long-term holder.

There were no significant changes to the level or type of risk you would expect from the Fund over the course of the year. It continues to have a medium risk level. Refer to the Fund's simplified prospectus for a complete list of all risks.

#### Results of Operations from January 1, 2018 to December 31, 2018

##### **Markets & Effect**

The outperformance of high-growth technology stocks resulted in much stronger U.S. market returns versus international and Canadian markets. The U.S. market advanced 3.6%, while international markets, as measured by the MSCI EAFE Index, fell 6.0% and the S&P/TSX Composite fell 8.9% for the year. The uncertainties around Brexit, which is expected to finally occur at the end of the first quarter of 2019, intensified the negative market sentiment for many European companies.

Emerging markets declined 6.9% in 2018. Brandes believes the market focus on macro-economic issues, including trade disputes, national elections and currency interactions, during much of the year has created significant opportunity for long-term-minded investors. In Brandes' opinion, emerging markets equities exhibit very appealing valuations — from both an absolute and a relative perspective.

##### **Performance**

The Fund's Series A units outperformed its benchmark, losing 3.5% versus a loss of 6.0% for the MSCI EAFE Index (the "Index").

The Fund returns are after the deduction of fees and expenses while the benchmark returns do not include any costs of investing. See the "Past Performance" section for the returns of the other series, which may vary because of differences in management fees and expenses or timing of series introduction.

The Fund's holdings in Japan contributed to performance. Holdings in the pharmaceuticals made positive contributions to overall performance. Holdings in capital markets detracted from performance during the period.

### **Asset Mix**

As always, exposure to various countries and industries shifted due to stock-specific buying and selling as well as to changes in the prices of holdings. At December 31, 2018, equities made up 95.6% of the Fund and approximately 4.4% was in cash and other net assets.

The Fund's most significant country exposure change was an increase in holdings in France to 18.0% from 15.4% at December 31, 2017. The most significant industry exposure change was a decrease in holdings in oil, gas & consumable fuels to 10.4% from 15.9% at December 31, 2017.

In line with its bottom-up investment philosophy, Brandes LP continues to build the portfolio on a company-by-company basis. Brandes LP only compares the Fund to the Index in the course of ensuring that it remains appropriately diversified. As a result, the Fund's industry and country weightings were quite different from the Index during the period. For example, at December 31, 2018, the Fund's largest industry exposure was in pharmaceuticals, which comprised 12.0% of the Fund's portfolio, versus 8.3% for the Index.

Typically less than 5% of the Fund is allocated to any one security, at the time of purchase. Therefore, the addition or deletion of an individual security will generally not constitute a substantial change to the portfolio.

### **Flows & Fees**

The Fund's Net Asset Value decreased to \$191.8 million at December 31, 2018, from \$204.3 million at December 31, 2017. Of this change, a decrease of \$3.9 million was due to negative investment performance (net of investment income), and a decrease of \$8.6 million was due to outflows.

For Series A units, the annualized management expense ratio ("MER") at December 31, 2018 is 2.32%, compared to 2.33% at December 31, 2017.

### **Recent Developments**

There are no known changes at this time to the strategic positioning of the Fund, the manager, or portfolio sub-advisor.

As noted in the simplified prospectus, this Fund is subject to large transaction risk because it has security holders who individually own more than 10% of the Fund. In order to reduce the impact of this risk to security holders, Bridgehouse asks, but does not require, large investors to provide notice when significant redemptions are being contemplated.

Effective January 1, 2019, Lawrence Ritchie replaced Nicholas Le Pan (Chair) who stepped down from the IRC on December 31, 2018.

### **International Financial Reporting Standards**

Effective January 1, 2018, the Funds classify and measure financial instruments in accordance with IFRS 9 Financial Instruments (IFRS 9). Upon initial recognition, financial assets and financial liabilities are classified as FVTPL. Upon transition to IFRS 9, the Funds financial assets and financial liabilities previously classified as FVTPL under IAS39 continued to be categorized as fair value through profit and loss. There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

### **Related Party Transactions**

#### **Manager and Portfolio Advisor**

The Fund is managed and advised by Brandes Investment Partners & Co., operating as Bridgehouse Asset Managers ("Bridgehouse") which provides (or arranges for) investment management, distribution, marketing and promotion of the Fund. Bridgehouse receives a monthly management fee based on the daily average net assets of each class of the Fund. In addition, Bridgehouse is entitled to be reimbursed by the Fund for certain operating expenses.

Brandes Investment Partners L.P. ("Brandes LP") continued to be the Manager's portfolio sub-advisor in respect of the Fund. Bridgehouse pays Brandes LP an investment management fee to provide the Fund with investment management services. Bridgehouse and Brandes LP are affiliates.

#### **Forward-Looking Statements**

This document may contain forward-looking statements relating to anticipated future events, results, performance, decisions, circumstances, opportunities, risks or other matters. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may", "will", "should", "could", "expect", "anticipate", "intend", "plan", "believe", or "estimate" or other similar expressions. These statements require us to make assumptions and are subject to inherent risks and uncertainties. Our predictions and other forward-looking statements may not prove to be accurate, or a number of factors could cause actual events, results, performance, etc. to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. These factors could include, among others, market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest, and the

risks detailed from time to time in the Fund's simplified prospectus. Forward-looking statements are not guarantees of future performance. For these reasons, it is important that readers do not place undue reliance on our forward-looking statements and should be aware that the Fund may not update any forward-looking statements whether as a result of new information, future events or otherwise.

### **Benchmark Index**

**MSCI EAFE Index:** This index tracks the performance of equities from Europe, Australia, and Far East, and excludes Canada and the United States.

## FINANCIAL HIGHLIGHTS

FOR PERIODS ENDED DECEMBER 31, 2014 TO 2018

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five periods ended December 31 or, if shorter, the period since the inception of the Fund. In the year a fund or series is established, 'period' represents inception to December 31 of that year. In all other cases, 'period' represents year ended December 31. Inception date for Series D is May 12, 2014.

### The Fund's Net Assets per Unit (\$) (note 1)

		Increase (decrease) from operations						Distributions				Net assets, end of period (\$)	
		Net assets, beginning of period (\$)	Total revenue (\$)	Total expenses (\$)	Realized gains (losses) for the period (\$)	Unrealized gains (losses) for the period (\$)	Total increase (decrease) from operations (\$) (note 2)	From net investment income excluding dividends (\$)	From dividends (\$)	From capital gains (\$)	Return of capital (\$)		Total annual distribution (\$) (note 3)
Series A	2018	14.05	0.47	(0.34)	1.00	(1.49)	(0.36)	(0.16)	-	-	-	(0.16)	13.39
	2017	13.23	0.40	(0.32)	0.38	0.47	0.93	(0.08)	-	-	-	(0.08)	14.05
	2016	13.00	0.37	(0.32)	0.19	0.06	0.30	(0.09)	-	-	-	(0.09)	13.23
	2015	11.39	0.34	(0.36)	0.94	0.89	1.81	-	-	-	-	-	13.00
	2014	11.35	0.40	(0.33)	1.04	(0.89)	0.22	(0.07)	-	-	-	(0.07)	11.39
Series D	2018	11.83	0.39	(0.18)	0.84	(1.26)	(0.21)	(0.22)	-	-	-	(0.22)	11.28
	2017	11.12	0.34	(0.18)	0.32	0.37	0.85	(0.14)	-	-	-	(0.14)	11.83
	2016	10.89	0.32	(0.18)	0.13	0.09	0.36	(0.12)	-	-	-	(0.12)	11.12
	2015	9.47	0.30	(0.21)	0.51	(0.97)	(0.37)	(0.04)	-	-	-	(0.04)	10.89
	2014	10.00	0.16	(0.08)	0.43	(1.00)	(0.49)	(0.04)	-	-	-	(0.04)	9.47
Series F	2018	14.58	0.49	(0.18)	1.00	(1.80)	(0.49)	(0.26)	-	-	-	(0.26)	13.96
	2017	13.74	0.40	(0.17)	0.39	0.46	1.08	(0.26)	-	-	-	(0.26)	14.58
	2016	13.53	0.38	(0.19)	0.23	(0.25)	0.17	(0.28)	-	-	-	(0.28)	13.74
	2015	11.82	0.37	(0.22)	0.93	0.57	1.65	(0.12)	-	-	-	(0.12)	13.53
	2014	11.79	0.43	(0.20)	1.07	(1.04)	0.26	(0.22)	-	-	-	(0.22)	11.82
Series I	2018	15.71	0.53	-	1.12	(1.78)	(0.13)	(0.55)	-	-	-	(0.55)	14.96
	2017	14.76	0.45	-	0.43	0.49	1.37	(0.42)	-	-	-	(0.42)	15.71
	2016	14.44	0.43	-	0.18	0.18	0.79	(0.42)	-	-	-	(0.42)	14.76
	2015	12.64	0.39	-	1.03	0.77	2.19	(0.39)	-	-	-	(0.39)	14.44
	2014	12.62	0.41	-	0.78	1.09	2.28	(0.46)	-	-	-	(0.46)	12.64

- The financial information presented in the Net Assets per Unit table is derived from the Fund's audited financial statements. The Fund adopted International Financial Reporting Standards ("IFRS") commencing January 1, 2014.
- Net Assets and distributions are per Unit of a series are based on the actual number of units outstanding for that series at the relevant time. The Increase (Decrease) from Operations per Unit of a series is based on the weighted average number of units outstanding for that series during the financial period.
- Distributions per Unit of a series are based on the number of units outstanding for the series on the record dates for the distributions. Distributions were paid in cash/reinvested in additional units of the Fund or both.

## Ratios and Supplemental Data

		Net asset value (\$000) (note 4)	Number of units outstanding (000) (note 4)	Management expense ratio (MER) (%) (note 5)	MER before waivers or absorption (%) (note 5)	Portfolio turnover rate (%) (note 6)	Trading expense ratio (%) (note 7)	Net asset value per unit (\$)
Series A	2018	56,009	4,182	2.32	2.39	27.44	0.10	13.39
	2017	70,153	4,994	2.33	2.39	15.69	0.06	14.05
	2016	74,440	5,628	2.57	2.74	14.19	0.07	13.23
	2015	61,855	4,759	2.78	2.95	23.19	0.08	13.00
	2014	66,394	5,829	2.78	2.92	28.59	0.13	11.39
Series D	2018	626	55	1.49	1.49	-	-	11.28
	2017	752	64	1.53	1.53	-	-	11.83
	2016	710	64	1.75	1.84	-	-	11.12
	2015	695	64	1.92	2.02	-	-	10.89
	2014	-	-	1.92	5.39	-	-	9.47
Series F	2018	49,534	3,548	1.18	1.19	-	-	13.96
	2017	38,703	2,655	1.20	1.21	-	-	14.58
	2016	21,205	1,544	1.43	1.51	-	-	13.74
	2015	18,019	1,332	1.65	1.73	-	-	13.53
	2014	12,828	1,085	1.65	1.71	-	-	11.82
Series I	2018	85,673	5,727	0.00	0.00	-	-	14.96
	2017	94,712	6,028	0.00	0.00	-	-	15.71
	2016	85,944	5,823	0.00	0.00	-	-	14.76
	2015	77,527	5,369	0.00	0.00	-	-	14.44
	2014	66,146	5,232	0.00	0.00	-	-	12.64

- The financial information presented in the Ratios and Supplemental Data table is derived from the Fund's Net Asset Value and is provided as at December 31 of the previous years shown.
- The management expense ratio ("MER") is calculated as the total management fees and operating expenses paid by each series of the Fund, including GST/HST and interest and excluding commissions and other portfolio transaction costs, and is expressed as a percentage of the average daily Net Asset Value of each series of the Fund on an annualized basis. Any management fee distributions paid by a series of the fund that effectively reduced management fees payable by some unitholders are not deducted from expenses to determine the overall MER of that series. The Manager, at its sole discretion, waives management fees or absorbs expenses. Such waivers and absorptions can be terminated at any time. The MERs of the Fund are shown both with and without the waiver and absorptions.
- Portfolio turnover rate is calculated at the Fund level based on the lesser of purchases or proceeds of sales of securities for the period, excluding cash, short term notes and bonds having maturity dates at acquisition of one year or less, divided by the average value of the portfolio securities for the period. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value of the Fund. The trading expense ratio is calculated at the Fund level and applies to all series of the Fund.

## MANAGEMENT FEES

Bridgehouse Asset Managers, the Manager, provides or arranges for investment management, distribution, marketing and promotion of the Fund. In consideration for the services provided, Bridgehouse Asset Managers receives a monthly management fee based on the daily average Net Asset Value of Series A, Series D and Series F. Management fees for Series I is negotiated and paid directly by the unitholders of Series I, and not by the Fund.

For the year ended December 31, 2018, the Fund paid Bridgehouse Asset Managers management fees of \$1,773,933. Bridgehouse uses these management fees to pay for commission payments to registered brokers and dealers and general investment management expenses. The breakdown (commission payments / investment management, administration and other) as a proportion of the management fee for each Series are:

- Series A (47% / 53%)
- Series D (21% / 79%)
- Series F (0% / 100%)
- Series I (0% / 100%)

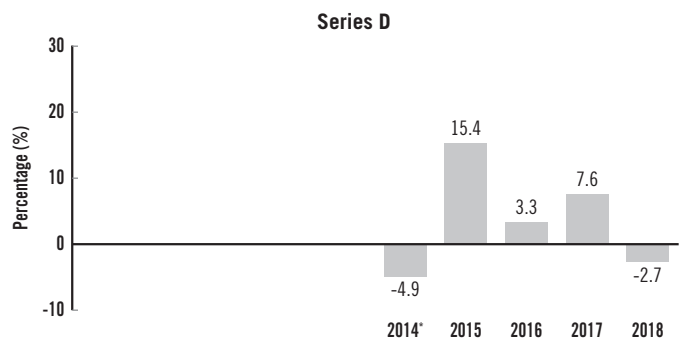
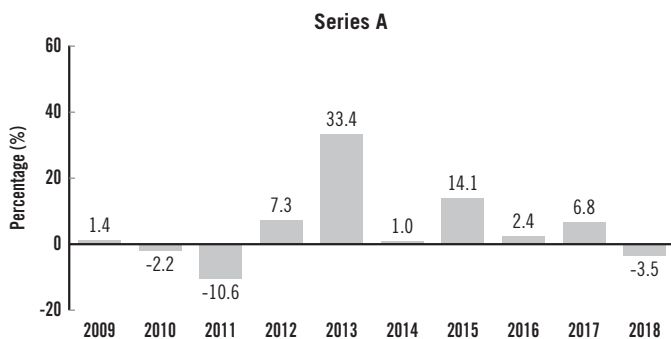
Commission payments represent cash commissions paid by Bridgehouse Asset Managers to registered brokers and dealers during the period and includes upfront deferred sales charge and trailing commissions. This amount may, in certain circumstances, exceed 100% of the fees earned by the Bridgehouse Asset Managers during the period. For new Funds or Series the amount presented may not be indicative of longer term operating periods.

## PAST PERFORMANCE

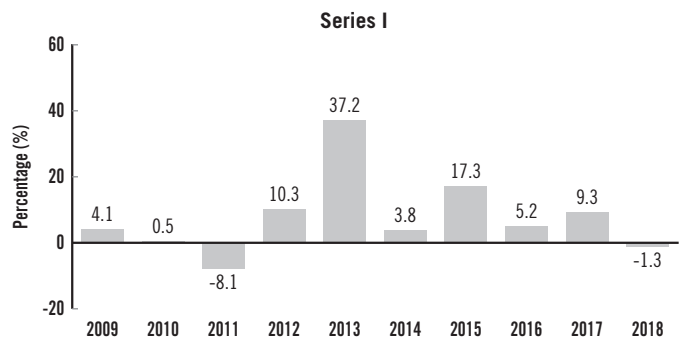
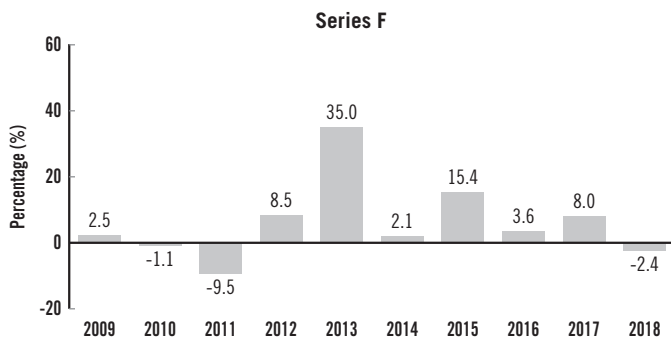
This section shows the historical performance for each series of the Fund for the periods ended December 31. Historical performance is based on the change in Net Asset Value per unit, assuming reinvestment of all distributions. Management fees and operating expenses have been taken into account before calculating performance, except in the case of Series I units where the management fee is calculated outside of the Fund. Historical performance does not take into account the potential impact on returns of purchases, redemptions, distribution fees or other optional charges or income taxes payable by an investor. Keep in mind that past performance does not necessarily indicate how the Fund will perform in the future.

### Year-by-Year Returns (%)

The bar chart shows the Fund's annual performance for each of the years shown. The bar chart shows how the performance of each series of the Fund has changed from year to year. It illustrates in percentage terms how much an investment in each series of the Fund made on January 1 of each year, or on the inception dates, would have grown or decreased by the last day of each financial year.



\*2014 Series D returns are from May 12, 2014





## Annual Compound Returns (%)

The table shows the historical annual compound total return for each series of the Fund as compared to the benchmarks listed below. The returns are for periods ended December 31, 2018. For a discussion of the relative performance of the Fund as compared to the index, please refer to the “Results of Operations” section in the “Management Discussion of Fund Performance”.

	1 year	3 years	5 years	10 Years	Since Inception
<b>Series A</b>	(3.54)	1.80	3.98	4.44	3.37
<b>Series F</b>	(2.43)	2.97	5.17	5.62	4.50
<b>Series I</b>	(1.27)	4.30	6.68	7.23	6.14
<b>MSCI EAFE Index<sup>1</sup></b>	(6.03)	2.29	5.71	7.40	4.69
<b>Series D</b>	(2.73)	2.65	-	-	3.76
<b>MSCI EAFE Index<sup>2</sup></b>	(6.03)	2.29	-	-	5.05

<sup>1</sup>“Since inception” corresponds to inception date for Series A, F, and I of July 2, 2002

<sup>2</sup>“Since inception” corresponds to inception date for Series D of May 12, 2014

## SUMMARY OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2018

### Top 25 Positions

The portfolio does not contain any short positions. The investment portfolio may change due to ongoing portfolio transactions of the investment fund. An updated listing is available on a quarterly basis.

Security	Fund (%)
1. Cash and Cash Equivalents	4.9
2. Sanofi	3.8
3. GlaxoSmithKline PLC	3.7
4. Engie SA	2.8
5. Carrefour SA	2.7
6. Eni SPA	2.7
7. WPP PLC	2.3
8. Fibra Uno Administracion SA	2.3
9. Telecom Italia SPA Savings Shares	2.2
10. UBS Group AG	2.1
11. Orange SA	2.0
12. Nokia OYJ	2.0
13. Sumitomo Mitsui Trust Holdings, Inc.	2.0
14. Credit Suisse Group AG	2.0
15. Marks & Spencer Group PLC	2.0
16. Tesco PLC	1.9
17. Embraer SA ADR	1.9
18. China Mobile Limited	1.9
19. Publicis Groupe SA	1.9
20. Compagnie de Saint-Gobain	1.8
21. Repsol, SA*	1.8
22. Surgutneftegas PJSC Preferred	1.8
23. MS&AD Insurance Group Holdings, Inc.	1.7
24. Hyundai Mobis	1.7
25. Mitsubishi UFJ Financial Group, Inc.	1.7
<b>% of Fund</b>	<b>57.6</b>
<b>Total Number of Companies</b>	<b>62</b>
<b>Total Net Asset Value (\$MM)</b>	<b>\$192</b>

\* 1.71% in Repsol, SA & 0.05% in Repsol, SA, Rights

### Industry Exposure

Industry	Fund (%)
Pharmaceuticals	12.0
Commercial Banks	10.5
Oil, Gas & Consumable Fuels	10.4
Food & Staples Retailing	7.2
Diversified Telecommunications Services	5.7
Automobiles	4.5
Insurance	4.2
Media	4.2
Construction Materials	3.2
Commercial Services & Supplies	2.9
Multi-Utilities	2.8
Wireless Telecommunications Services	2.6
Equity Real Estate Investment Trusts (REITs)	2.3
Tobacco	2.1
Capital Markets	2.1
Communications Equipment	2.0
Multiline Retail	2.0
Aerospace & Defense	1.9
Building Products	1.8
Auto Components	1.7
Specialty Retail	1.7
Electrical Equipment	1.3
Textiles, Apparel & Luxury Goods	1.2
Technology Hardware, Storage & Peripherals	1.2
Semiconductors & Semiconductor Equipment	1.0
Diversified Financial Services	0.9
Personal Products	0.9
Metals & Mining	0.8
Chemicals	0.5
Cash & Cash Equivalent	4.9
Other Net Assets	(0.5)
<b>% of Total</b>	<b>100.0</b>
<b>Total Number of Industries</b>	<b>29</b>

### Asset Mix

Asset Class	Fund (%)
Global Equity	95.6
Cash & Cash Equivalent	4.9
Other Net Assets	(0.5)
<b>% of Total</b>	<b>100.0</b>

Note: Rounding to one decimal place may result in individual figures totalling more or less than 100%

## SUMMARY OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2018 (CONTINUED)

### Country Exposure

Country	Fund (%)
United Kingdom	20.9
France	18.0
Japan	14.0
Switzerland	6.6
Italy	6.5
South Korea	5.0
Brazil	4.3
Russia	4.1
Mexico	3.9
Netherlands	2.4
Finland	2.0
China	1.9
Spain	1.8
Ireland	1.6
Taiwan	1.2
Hong Kong	0.9
Germany	0.5
Cash & Cash Equivalent	4.9
Other Net Assets	(0.5)
<b>% of Total</b>	<b>100.0</b>
<b>Total Number of Countries</b>	<b>17</b>

Note: Rounding to one decimal place may result in individual figures totalling more or less than 100%



Bridgehouse Funds are managed by Bridgehouse Asset Managers® and are available through registered dealers.

Bridgehouse Asset Managers® is a trade name of Brandes Investment Partners & Co. Brandes Investment Partners® is a registered trademark of Brandes Investment Partners, L.P. in the United States and Canada, used under license by Brandes Investment Partners & Co. Brandes Investment Partners & Co. is an affiliate of Brandes Investment Partners, L.P., which is a portfolio sub-advisor to certain of the Bridgehouse Funds.



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