

Brandes Canadian Equity Fund

Fund Commentary

The Canadian equity market posted a negative return in the fourth quarter with the S&P/TSX Composite Index dropping 10.1%. For the year, the S&P/TSX Composite total return performance was -8.9%.

For the fourth quarter, Consumer Staples, Communication Services and Materials had the strongest sector performance, rising 5.8%, 2.0% and 0.9% respectively on a total return basis. The weaker performing sectors during the quarter were Health Care, Energy and Industrials, returning -35.3%, -17.3% and -13.4% respectively.

During the fourth quarter, the Brandes Canadian Equity Fund underperformed its benchmark, the S&P TSX Composite Index.

Positive Contributors

From a relative standpoint, the Fund's industry underweights to Banks, Road & Rail, as well as Oil, Gas & Consumable Fuels positively impacted returns. The Fund's higher-than-average cash weighting also preserved capital in a down market.

The Fund's largest individual contributors included Cameco Corporation (Oil, Gas & Consumable Fuels), Cogeco

Communications Inc. (Media), and Winpak Ltd. (Containers & Packaging).

Performance Detractors

The Fund's holdings in the Communications Equipment, Household Durables and Electronic Equipment Instruments industries detracted from returns during the quarter. The Fund's underweight to the Metals & Mining industry, and its overweight to the Machinery industry also detracted from relative performance.

Some of the larger individual detractors from performance were Sierra Wireless and EXFO (Communications Equipment), Dorel Industries (Household Durables) and Celestica (Electronic Equipment Instruments).

Earlier in 2018, Dorel reported weak results, especially in its sports and juvenile segments. The company also noted that the bankruptcy of Toys R'Us hurt its near-term profitability and its stock price subsequently declined. Despite these recent difficulties, Brandes LP continues to believe Dorel represents an undervalued opportunity. Among small-cap companies in the industry, Dorel is unrivaled in its extensive brand offerings.

Current Positioning

At the close of the quarter, the Fund's largest industry overweights were in the Beverages, Communications Equipment and Household Durables industries. The Fund's largest industry underweight continues to be in Banks, as the Fund has not owned a Canadian bank in more than seven years. The Metals & Mining and Oil, Gas & Consumable Fuels industries also represented significant underweights for the Fund. 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.

At quarter end, the Fund exhibited attractive valuations and Brandes LP believes it remains well positioned for the long term.

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

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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	
	%		%
Banks	2.78	Communications Equipment	-1.60
Oil, Gas & Consumable Fuels	1.77	Household Durables	-0.84
Road & Rail	0.71	Metals & Mining	-0.70
Pharmaceuticals	0.70	Elect. Equip., Instr. & Components	-0.53
Chemicals	0.41	Beverages	-0.47

COMPANY

Top 5 Contributors		Top 5 Detractors	
	%		%
Manulife Financial Corporation	0.09	Sierra Wireless	-1.05
Cameco Corporation	0.05	Dorel Industries Inc. Cl. B	-0.84
Cogeco Communications Inc.	0.02	Chesapeake Corp.	-0.58
TELUS Corporation	0.02	EXFO Inc ORD	-0.55
Winpak Ltd.	0.01	Celestica Inc.	-0.53

LAST 12 MONTHS

INDUSTRY

Top 5 Contributors		Top 5 Detractors	
	%		%
Oil, Gas & Consumable Fuels	3.42	Household Durables	-1.88
Banks	2.03	Communications Equipment	-1.48
Metals & Mining	0.63	Machinery	-1.17
Paper & Forest Products	0.47	Food Products	-1.12
Multiline Retail	0.33	Beverages	-0.88

COMPANY

Top 5 Contributors		Top 5 Detractors	
	%		%
Cameco Corp.	0.61	Dorel Industries Inc. Cl. B	-1.88
Norbord Inc.	0.39	High Liner Foods Inc	-1.23
Granite Real Estate Inc.	0.32	Velan Inc.	-1.23
Manulife Financial Corp.	0.20	Sierra Wireless	-0.76
Fairfax Financial Holdings Ltd.	0.09	EXFO Inc ORD	-0.71

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Quarterly Additions/Deletions

Additions
AGF Management Ltd ORD
Cogeco Inc
Western Forest Products Inc

Deletions
Novelion Therapeutics Inc
Cameco Corp.

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