



# **BRIDGEHOUSE**

*Independent Platform*

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**Brandes Greystone Lazard Sionna Morningstar**

2018 Interim Management Report  
of Fund Performance

Brandes Emerging Markets Value Fund



## BRANDES EMERGING MARKETS VALUE FUND

*This interim management report of fund performance contains financial highlights but does not contain the complete interim or annual financial statements of the Fund. The interim or annual financial statements are in a separate booklet. You may obtain a copy of the interim or 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

#### Results of Operations from January 1, 2018 to June 30, 2018

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

At the end of the first half of 2018, Brandes LP continues to be intrigued by the relative complacency they see in global equity markets which continue to move higher driven by the strong performance of high-growth technology stocks. This complacency has occurred despite fairly serious geopolitical issues, threats of trade wars and rising interest rates in the United States. The top five contributors to global markets year-to-date return were all technology companies (Amazon, Apple, Microsoft, Netflix and Facebook). While Brandes LP believes these companies are attractive businesses that have been performing very well, it seems that their share prices have already captured much of the optimism about their prospects.

Canadian stocks rebounded during the second quarter and pushed the markets into positive territory for 2018, while the geopolitical conditions hit emerging markets stocks in the first half of the year. Although many investors have fled the asset class, Brandes LP remains convinced that these regions are home to many undervalued companies based on its long-term oriented analysis.

Brandes LP continues to scour the world for companies trading at a discount to their estimates of their true value. Nevertheless, Brandes LP also keeps a close eye on current trends, emerging technologies and evolving global macroeconomics to understand how they might affect the valuations of businesses they consider for investment.

##### **Performance**

The Fund's Series A units trailed its benchmark, losing 6.3% versus a loss of 2.0% for the MSCI Emerging Markets 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.

Holdings in multiline retail made positive contributions to overall performance, while diversified consumer services detracted from performance during the period. Holdings in Russia were the largest contributor to performance, while holdings in Turkey were the largest detractor from performance during the period.

The Fund's most significant industry exposure change was a decrease in holdings in commercial banks to 12.4% from 17.5% at December 31, 2017.

##### **Asset Mix**

Being an actively managed Fund, exposure to various countries and industries shifted due to stock-specific buying and selling as well as to changes in the prices of the Fund's holdings. However, the asset mix did not change significantly over the course of the period. At June 30, 2018, equities made up 98.0%, and approximately 2.0% was in cash and other net assets.

The Fund's most significant country exposure change was a decrease in holdings in Chile to 0.8% from 2.6% at December 31, 2017. The most significant industry exposure change was a decrease of holdings in banks to 12.4% from 17.5% 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 June 30, 2018, the Fund held 9.7% in wireless telecommunication services, versus 3.0% 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 \$285.8 million at June 30, 2018, from \$291.0 million at December 31, 2017. Of this change, a decrease of \$17.9 million was due to negative investment performance (net of investment income), and an increase of \$12.7 million was due to inflows.

For Series A units, the annualized management expense ratio ("MER") at June 30, 2018 is 2.70%, compared to 2.71% 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.

Effective May 10, 2018, the risk rating of the Fund was changed from "high" to "medium to high". The change reflects compliance with the new Canadian Securities Administrators' Mutual Fund Risk Classification Methodology. There have been no changes to the investment objective, strategies or management of the Fund associated with the new risk rating.

### **International Financial Reporting Standards**

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 Emerging Markets Index:** This index consists of securities available to foreign investors and listed on exchanges in emerging markets throughout the world.

## FINANCIAL HIGHLIGHTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND PERIODS ENDED DECEMBER 31, 2013 TO 2017

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 six months ended June 30, 2018 and for the past five periods ended December 31, as applicable. 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. 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	22.75	0.46	(0.32)	1.06	(2.58)	(1.38)	-	-	-	-	-	21.32
	2017	19.58	0.65	(0.60)	1.71	1.57	3.33	(0.08)	-	-	-	(0.08)	22.75
	2016	16.56	0.80	(0.49)	(1.26)	4.27	3.32	(0.35)	-	-	-	(0.35)	19.58
	2015	18.02	0.72	(0.49)	(0.49)	(0.83)	(1.09)	(0.22)	-	-	-	(0.22)	16.56
	2014	19.91	0.61	(0.59)	2.11	(2.24)	(0.11)	-	-	(1.65)	-	(1.65)	18.02
	2013	18.91	0.58	(0.54)	1.71	0.71	2.46	(0.13)	-	(1.35)	-	(1.48)	19.91
Series D	2018	11.79	0.23	(0.12)	0.56	(1.35)	(0.68)	-	-	-	-	-	11.09
	2017	10.13	0.34	(0.22)	0.90	0.65	1.67	(0.11)	-	-	-	(0.11)	11.79
	2016	8.53	0.41	(0.18)	(0.63)	2.16	1.76	(0.22)	-	-	-	(0.22)	10.13
	2015	9.27	0.44	(0.17)	(0.64)	(2.08)	(2.45)	(0.17)	-	-	-	(0.17)	8.53
	2014	10.00	0.14	(0.11)	0.61	(3.18)	(2.54)	-	-	(0.04)	-	(0.04)	9.27
Series F	2018	25.43	0.53	(0.21)	1.18	(3.04)	(1.54)	-	-	-	-	-	23.96
	2017	21.83	0.73	(0.40)	2.09	1.45	3.87	(0.31)	-	-	-	(0.31)	25.43
	2016	18.43	0.92	(0.33)	(1.41)	4.90	4.08	(0.60)	-	-	-	(0.60)	21.83
	2015	20.12	0.81	(0.33)	(0.58)	(0.98)	(1.08)	(0.50)	-	-	-	(0.50)	18.43
	2014	21.86	0.66	(0.39)	2.30	(3.02)	(0.45)	(0.15)	-	(1.57)	-	(1.72)	20.12
	2013	20.44	0.62	(0.35)	1.88	0.89	3.04	(0.29)	-	(1.23)	-	(1.52)	21.86
Series I	2018	24.36	0.48	(0.01)	1.14	(2.84)	(1.23)	-	-	-	-	-	23.13
	2017	20.88	0.69	(0.01)	1.86	1.57	4.11	(0.65)	-	-	-	(0.65)	24.36
	2016	17.58	0.87	-	(1.31)	4.59	4.15	(0.85)	-	-	-	(0.85)	20.88
	2015	19.15	0.77	-	(0.66)	(0.92)	(0.81)	(0.74)	-	-	-	(0.74)	17.58
	2014	20.96	0.64	(0.02)	2.16	(2.18)	0.60	(0.49)	-	(1.64)	-	(2.13)	19.15
	2013	19.89	0.62	-	1.82	0.79	3.23	(0.59)	-	(1.54)	-	(2.13)	20.96

1. The financial information presented in the Net Assets per Unit table is derived from the Fund's unaudited semi-annual financial statements for the six months period ending June 30, 2018 and the audited financial statements. The Fund adopted International Financial Reporting Standards ("IFRS") commencing January 1, 2014. The 2013 numbers have been restated for comparative purposes to comply with IFRS 13, which came into effect January 1, 2014.

2. 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.

3. 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	91,891	4,311	2.70	2.76	17.07	0.16	21.32
	2017	102,737	4,516	2.71	2.77	34.56	0.14	22.75
	2016	86,922	4,440	2.72	2.87	37.21	0.14	19.58
	2015	92,802	5,604	2.71	2.89	25.21	0.13	16.56
	2014	130,175	7,222	2.71	2.83	38.12	0.24	18.02
	2013	137,621	6,913	2.71	2.84	35.05	0.17	19.91
Series D	2018	528	48	1.88	2.01	-	-	11.09
	2017	620	53	1.92	2.02	-	-	11.79
	2016	510	50	1.92	2.08	-	-	10.13
	2015	452	53	1.92	2.08	-	-	8.53
	2014	4	-	1.92	5.35	-	-	9.27
Series F	2018	167,049	6,973	1.59	1.61	-	-	23.96
	2017	159,499	6,273	1.60	1.64	-	-	25.43
	2016	78,535	3,597	1.60	1.72	-	-	21.83
	2015	66,604	3,614	1.61	1.75	-	-	18.43
	2014	86,999	4,324	1.62	1.71	-	-	20.12
	2013	51,249	2,345	1.62	1.71	-	-	21.86
Series I	2018	26,301	1,137	0.00	0.00	-	-	23.13
	2017	28,139	1,155	0.00	0.00	-	-	24.36
	2016	22,539	1,079	0.00	0.00	-	-	20.88
	2015	18,654	1,061	0.00	0.00	-	-	17.58
	2014	20,373	1,064	0.00	0.00	-	-	19.15
	2013	10,550	503	0.00	0.00	-	-	20.96

- 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 June 30, 2018 and 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 are negotiated and paid directly by the unitholders of Series I, not by the Fund.

For the six months period ended June 30, 2018, the Fund paid Bridgehouse Asset Managers management fees of \$2,347,135. 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 (39% / 61%)
- Series D (16% / 84%)
- Series F (0% / 100%)
- Series I (0% / 100%)

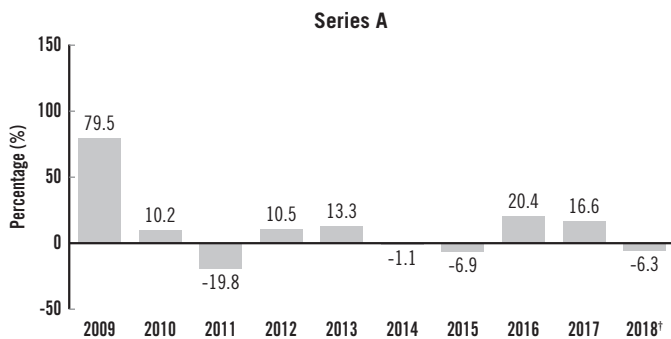
Commission payments represent cash commissions paid by Bridgehouse Asset Managers to registered brokers and dealers during the period and includes upfront deferred sales charge and trailing commissions. This amount may, in certain circumstances, exceed 100% of the fees earned by the Bridgehouse Asset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

## PAST PERFORMANCE

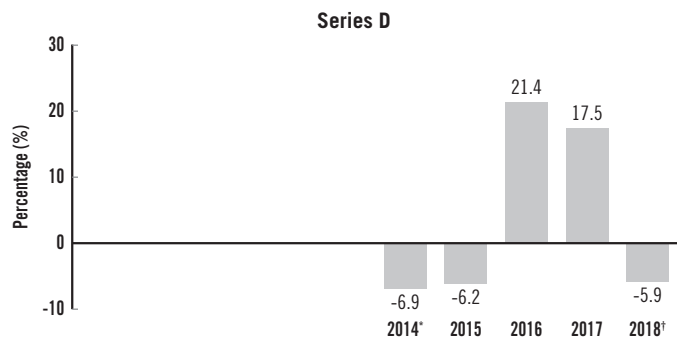
This section shows the historical performance for each series of the Fund for the six months ended June 30, 2018 and each of the previous annual periods ended December 31. Historical performance is based on the change in Net Asset Value per unit, assuming reinvestment of all distributions. Management 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 (%)

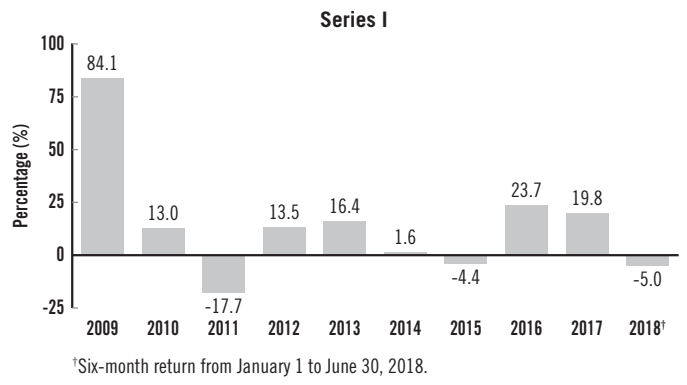
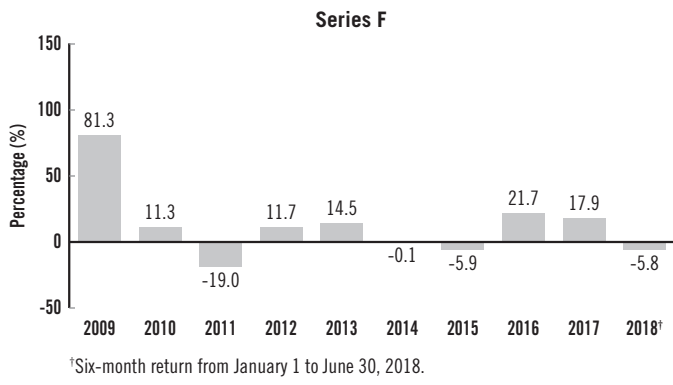
The bar chart shows the Fund's annual performance for each of the years shown. The bar chart shows how the performance of each series of the Fund has changed from year to year. It illustrates in percentage terms how much an investment in each series of the Fund made on January 1 of each year, or on the inception dates, would have grown or decreased by the last day of each financial year. 2018 data presented below is for the six-month period ended June 30, 2018.



†Six-month return from January 1 to June 30, 2018.



\*2014 Series D returns are from May 12, 2014  
 †Six-month return from January 1 to June 30, 2018.





## SUMMARY OF INVESTMENT PORTFOLIO AS AT JUNE 30, 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. China Mobile Limited	3.8
2. Cemex SA de CV ADR	3.5
3. Companhia Brasileira de Distribuicao Grupo Pao de Acucar Preferred	3.4
4. Embraer SA ADR	3.3
5. KT&G Corporation	2.9
6. MegaFon PJSC	2.8
7. Fibra Uno Administracion SA	2.8
8. Petroleo Brasileiro SA <sup>1</sup>	2.2
9. Dongfeng Motor Corporation Cl. H	2.2
10. Lukoil PJSC ADR	2.1
11. Genting Berhad	2.1
12. YPF Sociedad Anonima ADR	2.0
13. Hyundai Mobis	1.9
14. Hyundai Motor Company Preferred	1.9
15. PT XL Axiata Tbk	1.7
16. Gazprom PJSC <sup>2</sup>	1.7
17. Cash and Cash Equivalents	1.7
18. Cielo SA	1.7
19. ASUSTeK Computer Inc.	1.6
20. Surgutneftegas OJSC Preferred	1.6
21. Grupo Aval Acciones y Valores SA <sup>3</sup>	1.6
22. Emlak Konut Gayrimenkul Yatirim	1.6
23. Reliance Infrastructure Limited	1.6
24. Sberbank of Russia PJSC	1.6
25. Estacio Participacoes SA	1.6
<b>% of Fund</b>	<b>54.9</b>
<b>Total Number of Companies</b>	<b>70</b>
<b>Total Net Asset Value (\$MM)</b>	<b>\$286</b>

<sup>1</sup> 1.53% in Petroleo Brasileiro SA Preferred & 0.69% in Petroleo Brasileiro SA Preferred ADR

<sup>2</sup> 1.24% in Gazprom PJSC ADR & 0.48% in Gazprom PJSC

<sup>3</sup> 1.34% in Grupo Aval Acciones y Valores SA ADR & 0.29% in Grupo Aval Acciones y Valores SA Preferred

### Asset Mix

Asset Class	Fund (%)
Global Equity	98.0
Cash & Cash Equivalent	0.0
Other Net Assets	2.0
<b>% of Total</b>	<b>100.0</b>

### Industry Exposure

Industry	Fund (%)
<b>Equities</b>	
Commercial Banks	12.4
Oil, Gas & Consumable Fuels	11.8
Wireless Telecommunications Services	9.7
Equity Real Estate Investment Trusts (REITs)	5.9
Automobiles	5.6
Diversified Telecommunications Services	5.0
Construction Materials	3.5
Food & Staples Retailing	3.4
Textiles, Apparel & Luxury Goods	3.4
Aerospace & Defense	3.3
Electric Utilities	3.1
Tobacco	2.9
Specialty Retail	2.7
Commercial Services & Supplies	2.1
Hotels, Restaurants & Leisure	2.1
IT Services	2.0
Food Products	2.0
Auto Components	1.9
Consumer Finance	1.7
Technology Hardware, Storage & Peripherals	1.6
Diversified Consumer Services	1.6
Semiconductors & Semiconductor Equipment	1.4
Multiline Retail	1.4
Health Care Providers & Services	1.1
Transportation Infrastructure	1.0
Mortgage Real Estate Investment Trusts (REITs)	1.0
Metals & Mining	1.0
Diversified Financial Services	0.9
Media	0.8
Insurance	0.6
Independent Power And Renewable Electricity Producers	0.5
Machinery	0.4
Household Durables	0.2
Cash & Cash Equivalent	0.0
Other Net Assets	2.0
<b>% of Total</b>	<b>100.0</b>
<b>Total Number of Industries</b>	<b>33</b>

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

## SUMMARY OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2018 (CONTINUED)

### Country Exposure

<b>Country</b>	<b>Fund (%)</b>
Brazil	19.1
South Korea	12.1
Russia	11.6
Mexico	9.0
China	8.9
Hong Kong	6.1
Turkey	4.8
India	4.1
Thailand	3.7
United Kingdom	2.7
Malaysia	2.1
Argentina	2.0
Indonesia	1.7
Taiwan	1.6
Colombia	1.6
Greece	1.2
South Africa	1.1
Spain	1.0
Panama	0.9
Czech Republic	0.8
Chile	0.8
Pakistan	0.6
Luxembourg	0.5
Cash & Cash Equivalent	0.0
Other Net Assets	2.0
<b>% of Total</b>	<b>100.0</b>
<b>Total Number of Countries</b>	<b>23</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.

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