

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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### FILER

#### **BRANDES INVESTMENT TRUST**

CIK: **926678** | IRS No.: **330635360** | State of Incorporation: **DE** | Fiscal Year End: **1031**  
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Brandes Institutional International Equity Fund

Semi-Annual Report

for the period from November 1, 1997 to April 30, 1998

June 15, 1998

Dear Shareholder:

Your Fund's performance was strong in the six months ending April 30, 1998, despite significant volatility world markets experienced in the fall of 1997. For the period from November 1, 1997 to April 30, 1998, your Fund returned 21.09%. This compares to a return of 15.44% for the same period for the benchmark, the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index.

Returns in your Fund were driven by strong performance in its holdings in the telecommunications industry, in banking and insurance stocks, in the food and household products industry, and the automotive sector. Geographically, strong returns were experienced by holdings in Europe, particularly France, Italy, and the United Kingdom.

During this semi-annual period, world markets experienced some of the more dramatic movement in recent memory. During the fall of 1997, widespread currency devaluations in Asia set off a global firestorm of volatility, leaving few markets unaffected. By the end of our semi-annual period, however, many foreign markets had shown strong signs of reversing the damage done in late 1997. In Asia, the plunge in currency values which ignited the region's economic crisis showed signs of stabilizing. Equity markets in South Korea, Thailand, and the Philippines rallied sharply in the first part of calendar 1998. Monetary authorities in China displayed a willingness and an ability to successfully defend the Hong Kong dollar's peg to the American greenback. Coupling this with International Monetary Fund (IMF) bailouts in South Korea and Thailand, investors became cautiously optimistic that much of the turmoil may have passed, although worries remain over continued upheaval in Indonesia, and that government's willingness to implement IMF reforms.

Equity markets in Latin America came under intense scrutiny in the aftermath of the Asian crisis. Investors were particularly sensitive to current account balances, which measure trade in goods and services. Concerns over potential current account deficits have kept a damper on demand for Latin American equities, despite relatively solid economic fundamentals throughout the region. Since the beginning of 1998, markets in Brazil advanced modestly in dollar terms, while many others, including Mexico, declined.

Brandes Institutional International Equity Fund

European equities continued to benefit from an ongoing economic expansion and aggressive corporate restructuring. During 1998, nearly every major equity market in Europe has posted double digit gains.

Two stocks owned by your Fund, sold during last fall's turmoil, are worthy of note. The first, Yamaichi Securities, one of Japan's top four securities firm, ceased operations in November of 1997. At that time, the Fund's holding's in Yamaichi totaled under 1.00% of the portfolio. The company announced it had hidden losses associated with illegal activities. Because of the numerous restatements of Yamaichi book value, and due to the fact the company had failed to disclose substantial losses, the Fund sold the stock at a loss. Due to the circumstances at Yamaichi, the Fund also sold Daiwa Securities. The existence of losses at Yamaichi, not to mention their size, indicated to us that publicly available information on Japanese securities companies may not be complete and

accurate. Without such reliable information, we no longer believed we could assess the true intrinsic value of securities companies in Japan. Daiwa did not necessarily suffer from the same problems plaguing Yamaichi. However, based on the financial reporting standards and practices evidenced in the Yamaichi case, we became dissatisfied with our ability to properly value companies in the Japanese securities industry. Simply put, the margin of safety we look for in our holdings disappeared with the uncertainty of the data. As you can see from returns in your Fund, however, the negative developments with these holdings did not depress overall returns dramatically.

#### Value Investing

One of the objectives of the value approach to stock selection is to capitalize on the tendency of investors to overreact to important events, thereby pushing prices to irrational extremes in either direction. Clearly, the extremes reached in Asia during the last months of 1997 were on the downside. But already the silver lining from those painful declines is beginning to become evident. We are now finding attractive values in countries and market sectors that were abandoned in droves during the last half of 1997, including Latin America and Hong Kong.

Even though stock prices are depressed throughout Asia, finding value isn't always as easy as it might seem. We do not believe an investor can simply buy any company in the region and expect to make acceptable returns just because prices are low. Before taking a position, detailed fundamental analysis needs to be done regarding the underlying economies of each business. The economic earthquake that struck Asia profoundly changed the business landscape. Many of the companies in the region may never fully recover. Our job is to find those we believe will.

The questions that surround Japan and Asia today are not dramatically different from those asked about Europe in the early 1990's. At that time, many pundits were saying that European economies were obsolete, that European businesses could not compete against more aggressively managed Asian companies, and that the region was destined to remain a losing proposition for equity investors. Despite the widespread pessimism, we identified many solid businesses trading at attractive prices, and significantly increased our allocation in the region. In time, of course, stocks have moved up strongly throughout Europe.

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#### Brandes Institutional International Equity Fund

One reads similar headlines today about Asia. We expect that over the long term, our disciplined and consistent application of the value approach should pay off handsomely in Asia as well.

#### Outlook

No one knows whether the nascent recoveries under way in many Asian markets are merely bounces from a deeply oversold condition or the start of lasting recoveries. Such distinctions only become clear in hindsight. We are finding, however, an increasing number of businesses selling substantially below our estimates of their intrinsic values. In time, we believe that these companies will generate solid returns for long-term investors.

Although some calm has started to return to the region, we recognize that Asia faces an uncertain short- and medium-term future. As is consistent with our approach, we often find value opportunities in sectors or regions of the world where unfavorable consensus surrounds the economy or markets. Such a description aptly describes Asia today. As we have uncovered and purchased undervalued Asian companies, we have increased our exposure to the region.

Despite low valuations, investing in Japan is not without risks. Questions remain about the country's banking system (note: the Fund currently owns no Japanese banks), the strength of the yen, and the economy in general. Our increased weighting in Japan may not pay immediate dividends. We believe, however, that buying high-quality, well capitalized, globally competitive businesses at prices approaching book value makes sense for the long-term investor.

European markets and companies continue to perform well. We have a large

commitment in Europe because of our ability over the past years to find good values in that region. This overweight position has had a strongly positive effect on the Fund's performance in recent months.

We look forward to continuing to work with you in this most challenging and interesting of global climates.

Sincerely yours,

/s/ Barry P. O'Neil  
Barry P. O'Neil

President

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Comparison of the change value of a \$1,000,000 investment in the Brandes Institutional Equity Fund and the Morgan Stanley Capital International EAFE (Europe, Australasia and Far East) Index

[LINE GRAPH APPEARS HERE]

-----  
Average Annual Total Return For Periods Ending  
April 30, 1998

1 Year ..... 32.86%  
Since Inception (January 2, 1997).... 41.15%  
-----

	Brandes Institutional International Equity Fund	MSCI EAFE
	-----	-----
1/2/97	1000000	1000000
4/30/97	1062400	982207.93
7/31/97	1227200	1117617.85
10/31/97	1165600	1004359.65
1/31/98	1239292.96	1044631.66
4/30/98	1411462.11	1150837

Past performance is not indicative of future performance.

The MSCI EAFE Index is an unmanaged index that is a generally accepted benchmark for major overseas markets. The Index weightings represent the relative capitalization of the major overseas markets included in the index on a U.S. dollar adjusted basis.

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Brandes Institutional International Equity Fund

PORTFOLIO OF INVESTMENTS at April 30, 1998 (unaudited)

	Shares	Value
	-----	-----
COMMON STOCKS: 93.8%		
-----		
Argentina: 2.3%		
YPF Sociedad Anonima D Shrs. ADR.....	88,800	\$ 3,096,900
		-----

Austria: 0.9%

EVN Energie-Versorg. Nie., ORD.....	7,805	1,152,291
		-----
Brazil: 5.1%		
Centrais Electricas, ADR.....	150,480	3,123,980
CIA Cervejaria Brahma, ADR.....	102,500	1,351,719
Petroleo Brasileiro S.A. ADR*.....	26,000	657,940
Telecomunicacoes Brasileiras.....	13,090	1,594,526
		-----
		6,728,165
		-----
Denmark: 6.6%		
Den Danske Bank Group, ORD.....	26,080	3,162,411
Tele Danmark AS-B, ORD.....	66,570	5,592,153
		-----
		8,754,564
		-----
France: 11.9%		
CIE Financiere De Paribas ORD.....	9,700	1,031,654
Groupe Danone, ORD.....	25,442	6,003,742
PSA Peugeot Citroen, ORD.....	22,450	3,894,924
Societe Generale, ORD.....	8,300	1,726,891
Ste. Natl. Elf Aquitaine, ORD.....	24,325	3,189,423
		-----
		15,846,634
		-----
Germany: 7.4%		
Daimler-Benz AG, ORD.....	65,320	6,393,894
Deutsche Telekom AG, ORD.....	135,000	3,444,660
		-----
		9,838,554
		-----
Hong Kong/China: 4.1%		
Citic Pacific Limited.....	298,000	915,426
Hutchison Whampoa.....	400,000	2,473,040
Swire Pacific Ltd. ....	412,000	2,057,981
		-----
		5,446,447
		-----
Italy: 6.3%		
Istituto Mobiliare Italiano, ORD.....	250,500	4,099,007
Telecom Italia .....	566,000	4,231,586
		-----
		8,330,593
		-----
Japan: 12.9%		
Hitachi, Ltd., ORD.....	669,800	4,790,008
Japan Tobacco Inc. ....	77	549,503
Komatsu, Ltd. ORD.....	153,000	691,774
Kyocera Corp.....	47,500	2,484,174
Matsushita Electric Industries.....	70,000	1,118,306

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Brandes Institutional International Equity Fund

PORTFOLIO OF INVESTMENTS at April 30, 1998 (unaudited)

	Shares	Value
-----		
Japan, continued		
Mitsubishi Heavy Industry Ltd. ORD.....	780,000	\$ 2,880,150
Nippon Oil Co. ....	160,000	538,960
Ono Pharmaceutical.....	36,000	781,308
Tokio Marine & Fire Insur., ORD.....	297,900	3,232,662
		-----

		17,066,845
		-----
Mexico: 2.0%		
Telefonos de Mexico, ADR.....	47,400	2,684,025
		-----
Netherlands: 5.5%		
ING Groep, NV.....	74,320	4,828,645
KPN-Konin. PTT Netherland, ORD.....	49,213	2,542,349
		-----
		7,370,994
		-----
Singapore: 3.3%		
Development Bank of Singapore Ltd. ORD.....	313,500	2,078,442
Jardine Matheson Holdings, ORD.....	551,300	2,326,486
		-----
		4,404,928
		-----
South Africa: 2.9%		
De Beers-Cent. Linked Unit, ORD.....	135,430	3,509,303
Iscor.....	1,176,300	379,239
		-----
		3,888,542
		-----
South Korea: 1.6%		
Korea Electric Power, ADR.....	145,850	1,358,228
Pohang Iron & Steel Ltd.....	41,000	730,313
		-----
		2,088,541
		-----
Spain: 2.7%		
Argentaria, ORD.....	29,790	2,482,987
Union Electrica Fenosa S.A.....	81,400	1,052,421
		-----
		3,535,408
		-----
Switzerland: 3.1%		
Nestle S.A .....	2,120	4,111,429
		-----
United Kingdom: 14.7%		
BAT Industries PLC, ORD.....	288,640	2,723,001
BOC Group PLC, ORD*.....	79,200	1,352,586
BTR PLC, ORD.....	1,302,190	4,329,000
Diegeo PLC.. .....	429,797	5,146,775
HSBC Holdings PLC.....	119,600	3,411,626
Imperial Chemical Ind. PLC, ORD.....	139,300	2,530,426
		-----
		19,493,414
		-----
Venezuela: 0.5%		
C.A. Nac'l Tele de Venezuela ADR*.....	20,400	683,400
		-----
Total Common Stocks		
(Cost \$109,820,038) .....		124,521,674
		-----

-----  
SHORT TERM INVESTMENTS: 5.6%  
-----

Investors Bank & Trust Co., Repurchase Agreement, 5.1%, dated 4/30/1998, due 5/1/1998, collateralized by \$7,822,636 FNMA, 5.6%, due 3/25/2022 (cost \$7,450,129), (proceeds \$7,451,170).....	\$ 7,450,129 -----
Total Investments in Securities (cost \$117,270,167**) 99.4% .....	\$131,971,803
Other Assets less Liabilities: 0.6%.....	791,135 -----
Total Net Assets: 100.0% .....	\$132,762,938 =====

\*Non-income producing security.

\*\* At April 30, 1998 the cost basis of securities  
for federal tax purposes was  
the same as for financial reporting.

Net unrealized appreciation consists of:

Gross unrealized appreciation.....	\$ 18,824,573
Gross unrealized depreciation.....	(4,122,937) -----
Net unrealized appreciation.....	\$ 14,701,636 =====

See accompanying Notes to Financial Statements.

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## Brandes Institutional International Equity Fund

-----  
PORTFOLIO DIVERSIFICATION by Industry at April 30, 1998 (unaudited)  
-----

Automobile.....	7.7%
Banking.....	13.5
Beverages and Tobacco.....	7.4
Chemicals.....	2.9
Drugs.....	0.6
Electrical & Electronics.....	9.3
Energy Sources.....	5.6
Food and Household Products.....	8.6
Insurance.....	2.4
Machinery & Engineering.....	2.7
Metals-Steel.....	0.8
Misc. Business Investing.....	5.6
Misc. Materials and Commodities.....	2.6
Multi-Industry.....	9.1
Telecommunications.....	15.6
Utilities-Electrical & Gas.....	5.0 -----
Total Investments.....	99.4
Other Assets less Liabilities.....	0.6 -----
Net Assets.....	100.0% =====

See accompanying Notes to Financial Statements.

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Brandes Institutional International Equity Fund

<TABLE>  
<CAPTION>

STATEMENT OF ASSETS AND LIABILITIES at April 30, 1998 (Unaudited)

-----	
ASSETS	
<S>	<C>
Investments in securities, at value (cost \$117,270,167) .....	\$131,971,803
Receivable for securities sold .....	1,240,732
Receivable for dividends and interest .....	796,953
Prepaid expenses .....	16,698
Deferred organization costs .....	11,739
	-----
Total assets .....	134,037,925
	-----
LIABILITIES	
Overdraft foreign cash .....	1,151,029
Payable for securities purchased .....	270
Due to investment advisor .....	99,155
Accrued expenses .....	24,533
	-----
Total liabilities .....	1,274,987
	-----
Net assets .....	\$132,762,938
	=====
SOURCE OF NET ASSETS	
Paid-in capital .....	\$112,876,992
Undistributed net investment income .....	695,902
Net realized gains on investments and foreign currency .....	4,492,014
Net unrealized appreciation on investments and foreign currency .....	14,698,030
	-----
Net assets .....	\$132,762,938
	=====
Net asset value, offering price and redemption price per share (7,639,977 shares outstanding; unlimited number of shares authorized without par value) .....	\$ 17.38
	=====

</TABLE>

See accompanying Notes to Financial Statements.

Brandes Institutional International Equity Fund

<TABLE>  
<CAPTION>

STATEMENT OF OPERATIONS - six months ended April 30, 1998 (Unaudited)

INVESTMENT INCOME:

Income:	
<S>	<C>
Dividends (net of withholding tax of \$95,113) .....	\$ 1,054,773
Interest .....	158,944
	-----
Total income .....	1,213,717
	-----
Expenses:	
Advisory fees .....	445,229



Administration fees .....	46,560
Custody fees .....	32,728
Accounting fees .....	26,779
Auditing fees .....	11,247
Transfer agent fees .....	10,661
Trustees' fees .....	6,842
Registration fees .....	6,513
Legal fees .....	4,960
Printing .....	4,959
Insurance .....	1,115
Amortization of deferred organization costs .....	1,061
Miscellaneous .....	2,480
	-----
Total expenses .....	601,134
Expense reimbursements .....	(60,162)
	-----
Net expenses .....	540,972
	-----
Net investment income .....	672,745
	-----

REALIZED AND UNREALIZED GAIN ON INVESTMENTS:

Net realized gain on investments and foreign currency .....	4,515,466
Net unrealized appreciation on investments and foreign currency .....	12,569,209
	-----
Net realized and unrealized gain on investments and foreign currency.....	17,084,675
	-----
Net increase in net assets resulting from operations .....	\$ 17,757,420
	=====

</TABLE>

See accompanying Notes to Financial Statements.

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Brandes Institutional International Equity Fund

STATEMENT OF CHANGES IN NET ASSETS

<TABLE>  
<CAPTION>

	For the six months ended April 30, 1998#	January 2, 1997* through October 31, 1997
	-----	-----
<S>	<C>	<C>
INCREASE IN NET ASSETS FROM:		
OPERATIONS:		
Net investment income .....	\$672,745	\$372,846
Net realized gain on investments and foreign currency .....	4,515,466	701,444
Net unrealized appreciation on investments and foreign currency .....	12,569,209	2,128,821
	-----	-----
Net increase in net assets resulting from operations .....	17,757,420	3,203,111
	-----	-----
DISTRIBUTIONS TO SHAREHOLDERS:		
From net investment income .....	(349,689)	0
From realized gains .....	(724,896)	0
	-----	-----
Total distributions to shareholders .....	(1,074,585)	0
	-----	-----
CAPITAL SHARE TRANSACTIONS:		
Proceeds from shares sold .....	80,934,160	58,991,562
Net asset value of shares issued on reinvestment of distributions .....	917,917	0
Cost of shares redeemed .....	(16,901,490)	(11,065,157)
	-----	-----
Net increase in net assets resulting from capital share transactions.	64,950,587	47,926,405
	-----	-----

Net increase in net assets .....	81,633,422	51,129,516
	-----	-----
NET ASSETS:		
Beginning of period .....	51,129,516	0
End of period (including undistributed net investment income of \$695,902 and \$372,846 respectively) .....	\$132,762,938	\$51,129,516
	=====	=====
CHANGES IN SHARES:		
Shares sold .....	5,109,281	4,293,211
Shares issued on reinvestment of distributions .....	61,154	0
Shares redeemed .....	(1,040,467)	(783,202)
	-----	-----
Net increase .....	4,129,968	3,510,009
	=====	=====

</TABLE>

\*Commencement of operations.

#Unaudited.

See accompanying Notes to Financial Statements.

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Brandes Institutional International Equity Fund

FINANCIAL HIGHLIGHTS

for a capital share outstanding throughout the period

<TABLE>  
<CAPTION>

	For the six months ended April 30, 1998#	January 2, 1997* through October 31, 1997
<S>	<C>	<C>
Net asset value, beginning of period .....	\$14.57	\$12.50
	-----	-----
Income from investment operations:		
Net investment income .....	0.06	0.17
Net realized and unrealized gain on investments .....	2.97	1.90
	-----	-----
Total from investment operations .....	3.03	2.07
	-----	-----
Less distributions:		
Dividends from net investment income .....	(0.07)	0.00
Distributions from net capital gains .....	(0.15)	0.00
	-----	-----
Total distributions .....	(0.22)	0.00
	-----	-----
Net asset value, end of period .....	\$17.38	\$14.57
	=====	=====
Total return .....	21.09%	16.56%+
RATIOS/SUPPLEMENTAL DATA:		
Net assets, end of period (thousands) .....	\$132,763	\$51,130
Ratio of net expenses to average net assets:		
Before expense reimbursement .....	1.33%**	1.76%**
After expense reimbursement .....	1.20%**	1.19%**
Ratio of net investment income to average net assets:		
Before expense reimbursement .....	1.37%**	0.84%**
After expense reimbursement .....	1.50%**	1.40%**
Portfolio turnover rate .....	30.53%	27.40%

Average Commission Rate Paid ..... \$0.0184 \$0.0261  
</TABLE>

\*Commencement of operations.  
\*\*Annualized.  
+Not annualized.  
#Unaudited.

See accompanying Notes to Financial Statements.

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Brandes Institutional International Equity Fund

NOTES TO FINANCIAL STATEMENTS at April 30, 1998 - Unaudited  
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NOTE 1 - ORGANIZATION

The Brandes Institutional International Equity Fund (the "Fund") is a series of shares of beneficial interest of Brandes Investment Trust (the "Trust"). The Trust is registered under the Investment Company Act of 1940 (the "1940 Act") as a diversified, open-end management investment company. The Fund began operations on January 2, 1997. The Fund invests its assets primarily in equity securities of foreign issuers with market capitalizations greater than \$1 billion. The Fund seeks to achieve long-term capital appreciation.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund. These policies are in conformity with generally accepted accounting principles.

A. Security Valuation. Investments in securities traded on a primary exchange are valued at the last reported sale price at the close of regular trading on the last business day of the period; securities traded on an exchange for which there have been no sales are valued at the mean between the bid and asked price. Securities for which quotations are not readily available are valued at their respective fair values as determined in good faith by the Board of Trustees. Short-term investments are stated at cost, which when combined with accrued interest, approximates market value.

U.S. Government securities with less than 60 days remaining to maturity when acquired by the Fund are valued on an amortized cost basis. U.S. Government securities with more than 60 days remaining to maturity are valued at the current market value (using the mean between the bid and asked price) until the 60th day prior to maturity, and are then valued at amortized cost based upon the value on such date unless the Board determines during such 60-day period that this amortized cost basis does not represent fair value.

Foreign securities are recorded in the financial statements after translation to U.S. dollars based on the applicable exchange rate at the end of the period. The Fund does not isolate that portion of the results of operations arising as a result of changes in the currency exchange rate from the fluctuations arising as a result of changes in the market prices of investments during the period.

Interest income is translated at the exchange rates which existed at the dates the income was accrued. Exchange gains and losses related to interest income are included in interest income on the accompanying Statements of Operations.

B. Repurchase Agreements. The Fund may enter into repurchase agreements with government securities dealers recognized by the Federal Reserve System or with such other brokers or dealers that meet the credit guidelines established by the Board of Trustees. The Fund will always receive and maintain, as collateral, securities whose market value, including accrued interest, will be at least equal to 100% of the dollar amount invested by the Fund in each agreement, and the Fund will make payment for such

## Brandes Institutional International Equity Fund

NOTES TO FINANCIAL STATEMENTS at April 30, 1998 - Unaudited

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securities only upon physical delivery or upon evidence of book entry transfer to the account of the custodian. To the extent that the term of any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to ensure the adequacy of the collateral.

If the seller defaults and the value of the collateral declines, or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

C. Forward Foreign Currency Exchange Contracts. The Fund may utilize forward foreign currency exchange contracts ("forward contracts") under which it is obligated to exchange currencies at specific future dates.

D. Security Transactions, Dividends and Distributions. As is common in the industry, security transactions are accounted for on the trade date. The cost of securities owned on realized transactions are relieved on the specific identification basis. Dividend income and distributions to shareholders are recorded on the ex-dividend date.

E. Federal Income Taxes. The Fund intends to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

F. Deferred Organization Costs. The Fund has incurred expenses of \$14,570 in connection with its organization. These costs have been deferred and are being amortized on a straight-line basis over a period of sixty months from the date the Fund commenced investment operations.

G. Concentration of Risk. As of April 30, 1998 the Fund held a significant portion of its assets in foreign securities. Certain price and foreign exchange fluctuations as well as economic and political situations in the foreign jurisdictions could have an impact on the Fund's net assets. It is the Trust's policy to continuously monitor these off-balance sheet risks.

H. Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Brandes Investment Partners, L.P. (The "Advisor") provides the Fund with investment management services under an Investment Advisory Agreement. The Advisor furnishes all investment advice, office space and certain administrative services, and provides certain personnel needed by the Fund. As compensation for its services, the Advisor is entitled to a monthly fee at the annual rate of 1.00% based upon the average daily net assets of the Fund. The Fund is responsible for its own operating expenses.

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## Brandes Institutional International Equity Fund

NOTES TO FINANCIAL STATEMENTS at April 30, 1998 - Unaudited

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In order to maintain the Fund's operating expenses at 1.20% of average daily net assets, the Advisor has waived fees totaling \$60,162 during the six months ended

April 30, 1998. Any such reductions made by the Advisor in its fees or reimbursement of expenses are subject to reimbursement by the Fund. At April 30, 1998, the commutative fee waiver from the Advisor to the Fund was \$210,972.

Investment Company Administration Corporation (the "Administrator") acts as the Fund's Administrator under an Administration Agreement. The Administrator prepares various federal and state regulatory filings, prepares reports and materials to be supplied to the Trustees; monitors the activities of the Fund's custodian, transfer agent and accountants; coordinates the preparation and payment of Fund expenses and reviews the Fund's expense accruals. For its services, the Administrator receives an annual fee at the rate of 0.10 of 1% of the first \$100 million, 0.05 of 1% of the next \$100 million and 0.03 of 1% in excess of \$200 million of the Fund's average daily net assets, subject to a minimum of \$40,000 per annum. For the six months ended April 30, 1998 the Fund paid \$46,560 in such fees.

First Fund Distributors, Inc. (the "Distributor") acts as the Fund's principal underwriter in a continuous public offering of the Fund's shares. The Distributor is an affiliate of the Administrator.

Certain officers of the Fund are also officers and/or Trustees of the Adviser, Administrator and Distributor.

#### NOTE 4 - PURCHASES AND SALES OF SECURITIES

For the six months ended April 30, 1998, the cost of purchases and the proceeds from sales of securities, excluding short-term securities, were \$82,165,416 and \$25,575,210, respectively.

#### NOTE 5 - YEAR 2000 ISSUE

Like other mutual funds, financial and business organizations and individuals around the world, the Fund could be adversely affected if the computer systems used by the advisor/administrator and other service providers do not properly process and calculate date-related information and data from and after January 1, 2000. This is commonly known as the "Year 2000 issue." The advisor/administrator is taking steps that it believes are reasonably designed to address the Year 2000 issue with respect to computer systems that it uses and to obtain reasonable assurances that comparable steps are being taken by the Fund's other major service providers. At this time, however, there can be no assurance that these steps will be sufficient to avoid any adverse impact to the Fund.