

BRANDES
INVESTMENT PARTNERS



VALUE
SPECIALISTS
SINCE 1974

COMMEMORATING *35* YEARS



Brandes Investment Partners, L.P.
is headquartered in San Diego

ABOUT BRANDES

Brandes Investment Partners® is a leading investment advisory firm, managing equity and fixed income assets for institutional and private clients worldwide. Since our inception in 1974, we have applied the value investing approach to security selection pioneered by Benjamin Graham. Among the first investment firms to bring a global perspective to value investing, we manage a variety of investment strategies.

AN INTRODUCTION TO VALUE INVESTING

Benjamin Graham – widely recognized as the father of value investing – believed that, in the short term, the markets were a voting machine, with a security’s price reflecting its popularity on any given day. In the long term, however, Graham believed the market was more of a weighing machine, aligning a security’s price with its “intrinsic value,” or the true worth of the issuing company.

For value investors, this means that a security’s price and its intrinsic value often detach from one another in the short term. Because of the manic-depressive nature of the overall market – where sentiment can shift between sweeping, carefree optimism and overwhelming fear and uncertainty seemingly overnight – security prices tend to fluctuate more than the true worth of the companies they represent.

This irrationality can materialize on the upside, helping to lift prices to dangerously lofty heights. It can also appear on the downside, helping to drag prices to bargain levels.

Value investors target the latter situation, seeking to purchase out-of-favor securities that are trading at discounts to their intrinsic value estimates, and then holding them until the market recognizes their true worth. By confidently approaching the short-term vagaries of the market with rational, objective analysis, we aim to identify compelling investment opportunities and deliver competitive long-term results. As Graham put it, the market “... often goes far wrong, and sometimes an alert and courageous investor can take advantage of its patent errors.”

“We don’t follow the investment crowd. Instead, we search for overlooked opportunities that the crowd has passed by.”

– Jeffrey A. Busby, CFA
Executive Director



From the left: Grant W. Duncan, CIMA; Lori S. Jenner, CIMA, CFA; Bruce P. Nelson, CFA; Joseph Coy; Edward W. Blodgett, CFA; Jeffrey A. Busby, CFA; Bill Dunn; Charles H. Brandes, CFA; Parker Jones; Wm. Tyler Harden, CIMA; James P. Caine; Matthew C. Johnson, J.D.; Magnus Caspar; Dorothea Beaubien; and Christopher R. Chard, CIMA

THE IMPORTANCE OF THE MARGIN OF SAFETY AND A LONG-TERM PERSPECTIVE

In his 1973 investment guidebook *The Intelligent Investor*, Benjamin Graham challenged himself to “distill the secret of sound investment into three words.” The three words Graham chose were “margin of safety.” What does this phrase mean?

Simply put, the margin of safety represents the difference between the price of a security and its intrinsic value. Value investors believe that the larger this margin, the safer the investment. By identifying and purchasing stocks and bonds trading at what we believe to be substantial discounts to their estimated intrinsic values, we aim to build portfolios that can accommodate future

uncertainty and demonstrate resilience in market downturns. Some holdings will inevitably encounter a stumbling block, and a margin of safety can help provide protection if the going gets tough. When it comes to results, value investors emphasize the accumulation of lasting wealth over the pursuit of potentially fleeting short-term gains. Accordingly, we expect to realize significant gains as the market recognizes the true worth of our purchases. We acknowledge that this process often takes time. As a result, we exercise patience and manage our holdings from a long-term perspective. Typically, we expect to hold an equity security for as long as three to five years.

While the essentials of value investing are simple, the process of appraising value and risk is complex, and a full explanation is impossible in this brief summary. For a thorough understanding of both principles and process, see the third edition of Value Investing Today by Charles Brandes.



From the left: Alphonse H.L. Chan, Jr., CFA; and Becki Sutton, CFA

“We believe the gap between purchase price and our intrinsic value estimate offers a margin of safety. The greater that margin, the more it can help protect your investment.”

– Glenn R. Carlson, CFA
Chief Executive Officer

VALUE INVESTING AT BRANDES INVESTMENT PARTNERS

The professionals at our firm possess a resolute belief in the benefits of value investing. This belief permeates all aspects of our business – from senior-level strategic decisions to the daily interaction each of our colleagues shares with clients and financial advisors.

COMMITMENT: PHILOSOPHY

We consistently apply the value investing philosophy in all market conditions – and to every portfolio we manage. We firmly believe investment success is driven by the identification and purchase of securities trading at discounts to their intrinsic value estimates. In our opinion, the benefits of this approach are evident in the long-term results we have achieved.

COMMITMENT: INDEPENDENCE

Organized as an employee-owned firm, we have maintained our independence since our inception in 1974. Our autonomy enables an unwavering focus on value investing, which we believe is in the best interests of both our clients and our firm. While independent, we have maintained a culture grounded in teamwork.

Because of our shared beliefs, singular focus, and commitment to working together, we have built an organization characterized by stability, high morale, and continuity of business practices.

COMMITMENT: CLIENTS

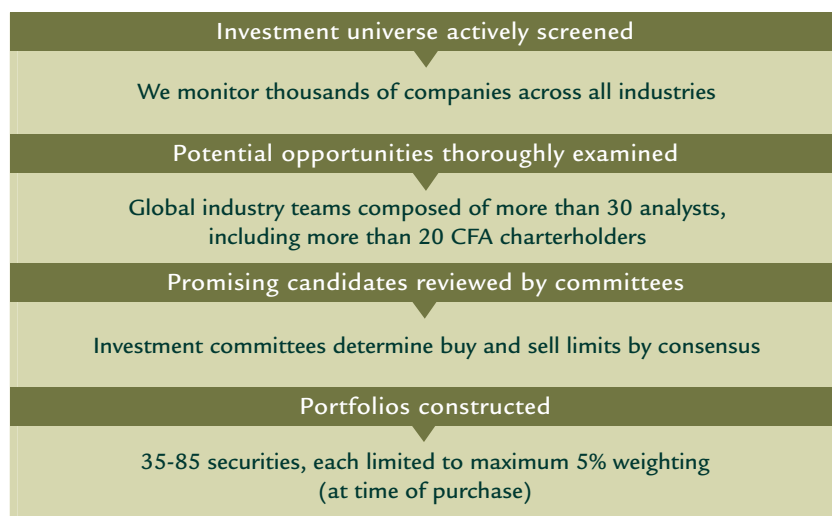
Our dedication in seeking to exceed client expectations, in terms of both performance and service, guides everything we do. We strive to deliver superior investment results – and to maintain long-lasting, trust-based relationships with clients and financial advisors. Indicative of our commitment to client interests, we have closed strategies to new investors to help preserve the integrity of our investment process. As our firm grows, the best interests of our clients remain our top priority.

“We are firmly committed to the value philosophy. We apply it in all market conditions – and to every portfolio we manage.”

– *Alphonse H.L. Chan, Jr., CFA*

*Director-Private Client
Portfolio Management*

EQUITY INVESTMENT P R O C E S S



Persistent screening of our investment universe yields hundreds of potentially undervalued companies that deserve a thorough examination. Often, these companies are out-of-favor at the moment, with a stock price that has been depressed by recent bad news. In other cases, a company might belong to an unexciting industry that the investment community has largely ignored.

To gain a comprehensive understanding of each of these businesses, we draw on resources ranging from published financial statements to personal company visits. Remember, our objective is to find and purchase shares of businesses that are selling at what we believe to be a significant discount to their true worth. Accordingly, our analysts develop an initial estimate of each company's intrinsic value. Then, analysts formally present the most compelling opportunities to our firm's investment committees.

The investment committees include senior managers and other seasoned investment professionals. In a typical meeting, the analyst responsible for a given company submits an extensive valuation report and answers any questions posed by committee members. The members of the committee then work together to agree on what they believe the business is worth, and whether, at the right price, the stock should enter our portfolios.

Securities for our fixed income portfolios are purchased the same way. We evaluate thousands of bonds, focusing on security and credit analysis. The Fixed Income Investment Committee evaluates the merit of individual issues and determines intrinsic value estimate, margin of safety, and a purchase target. In equity and fixed income portfolios, weights for sectors and countries stem from individual security selection – not top-down forecasts.

“We don’t ask our analysts to recommend securities – we ask them to value businesses.”

– Brent V. Woods, CFA
Managing Director-
Investments

AT A GLANCE

INVESTMENT PHILOSOPHY:

- Value

CLIENTS:

- Individuals
- Employee Benefit Plans
- Foundations
- Endowments
- Corporations
- Taft-Hartley

YEAR FOUNDED:

- 1974

INVESTMENT VEHICLES:

- Separately Managed Accounts (SMA)*
- Pooled Trusts
- Mutual Funds
- Institutional Separate Accounts

**Separately Managed Accounts are offered through the firm's SMA Division.*

OUR 100-YEAR VISION:

When it comes to results, value investing emphasizes the accumulation of wealth over the long term versus the pursuit of potentially fleeting short-term gains. The 100-year vision for our firm grew from a recognized need to ensure we maintained our independence and could manage growth – two ingredients critical to the worldwide success of Brandes Investment Partners, L.P. with investors. Our mission is to be an exceptional firm which provides superior investment advisory services in an atmosphere of accomplishment and enjoyment.

In essence, our “100-Year Vision” is about independence. Our independence allows us to maintain strict adherence to our value investment discipline without short-term distractions. It also allows us to make a commitment to you that we will do what we believe is in the best interest of our clients.

Our desire to exceed client expectations – both in terms of performance and service – drives everything we do. Our commitment is to deliver Brandes excellence in investment management to investors and their advisors for the next 100 years.

We believe that a comprehensive, goal-oriented investment plan is a cornerstone of successful investing. Your financial advisor can work with you to develop, implement, and monitor your plan.

“Compelling bargains
are often overlooked
in equity and
fixed income markets.
It is our mission to
take advantage of
these bargains.”

– Charles H. Brandes, CFA
Chairman

The foregoing reflects the thoughts and opinions of Brandes Investment Partners® exclusively and is subject to change without notice.

The information provided in this material should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any security transactions, holdings, or sectors discussed were or will be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance discussed herein. Strategies discussed are subject to change at any time by the investment manager in its discretion due to market conditions or opportunities.

Unlike bonds issued or guaranteed by the U.S. government or its agencies, stocks and other bonds are not backed by the full faith and credit of the United States. Stock and bond prices will experience market fluctuations. Please note that the value of government securities and bonds in general have an inverse relationship to interest rates. Bonds carry the risk of default, or the risk that an issuer will be unable to make income or principal payment. There is no assurance that private guarantors or insurers will meet their obligations. The credit quality of the investments in the portfolio is no guarantee of the safety or stability of the portfolio. Investments in Asset Backed and Mortgage Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. International and emerging markets investing is subject to certain risks such as currency fluctuation and social and political changes; such risks may result in greater share price volatility.

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