

Market Cycles – Fixed Income



Because markets historically move in cycles, with some asset classes having outperformed others, diversification could help reduce the volatility of a portfolio's returns.*

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
HY 11.35%	HY 12.76%	TRE 10.03%	HY 2.39%	CMBS 14.03%	CORP 10.40%	CMBS 15.32%	HY 28.97%	HY 11.13%	TRE 2.79%	HY 11.85%	TRE 9.01%	TRE 13.74%	HY 58.21%	CMBS 20.40%	TRE 9.81%
MOR 5.35%	CORP 10.23%	AGEN 8.85%	MOR 1.86%	TRE 13.52%	ABS 9.81%	TRE 11.79%	CORP 7.70%	CORP 5.24%	HY 2.74%	MOR 5.22%	AGEN 7.90%	AGEN 9.26%	CMBS 28.45%	HY 15.12%	CORP 8.35%
ABS 5.05%	AGEN 9.70%	CORP 8.57%	ABS 1.81%	AGEN 12.18%	CMBS 9.44%	AGEN 11.01%	CMBS 4.66%	MOR 4.70%	MOR 2.61%	CMBS 4.72%	MOR 6.90%	MOR 8.34%	ABS 24.72%	CORP 8.47%	MOR 6.23%
AGEN 3.29%	TRE 9.57%	ABS 7.77%	AGEN -0.94%	MOR 11.16%	AGEN 8.31%	CORP 10.52%	ABS 4.01%	CMBS 4.10%	AGEN 2.33%	ABS 4.70%	CMBS 5.57%	CORP -3.08%	CORP 16.04%	TRE 5.87%	CMBS 6.02%
CORP 3.28%	MOR 9.49%	MOR 6.96%	CORP -1.96%	ABS 10.84%	MOR 8.22%	MOR 8.75%	MOR 3.07%	TRE 3.54%	ABS 2.09%	AGEN 4.37%	CORP 5.11%	ABS -12.72%	MOR 5.89%	ABS 5.85%	ABS 5.14%
TRE 2.70%	ABS 7.41%	HY 1.87%	TRE -2.56%	CORP 9.39%	TRE 6.75%	ABS 8.55%	AGEN 2.59%	AGEN 3.33%	CORP 1.96%	CORP 4.26%	ABS 2.21%	CMBS -20.52%	AGEN 1.53%	MOR 5.37%	HY 4.98%
High Yield (HY)	ABS (ABS)	Corporate (CORP)	Treasury (TRE)	HY 5.28%	HY -1.41%	TRE 2.24%	ABS 3.01%	CMBS 1.82%	TRE 3.08%	HY 1.87%	HY -26.16%	TRE -3.57%	AGEN 4.36%	AGEN 4.82%	

CMBS (CMBS)	Agency (AGEN)	Mortgage (MOR)
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Source: FactSet and Barclays Capital (data as of 12/31/11). Indices are unmanaged and are not available for direct investment. Reinvestment of interest and capital gains is assumed. All performance is historical and cannot guarantee future results. Performance data is annualized.

*Diversification does not guarantee a profit or protect against loss. It is a method used to help manage investment risk.

Note: Barclays Index data for commercial mortgage backed securities (CMBS) was not tracked prior to 2000.

Benchmark Definitions



High Yield (HY): The Barclays Capital U.S. Corporate High-Yield Bond Index is an unmanaged index consisting of U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bonds. The U.S. Corporate High-Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt. It was created in 1986, with history backfilled to July 1, 1983. The U.S. Corporate High-Yield Index is part of the U.S. Universal and Global High-Yield Indices. The index is a total return index which reflects the price changes and interest of each bond in the index.

Asset-Backed Security (ABS): The Barclays Capital U.S. Fixed-Rate Asset Backed Securities (ABS) Index is an unmanaged index consisting of U.S. dollar-denominated, fixed-rate, taxable bonds. The U.S. Fixed-Rate Asset-Backed Securities (ABS) Index covers fixed-rate ABS with the following collateral types: credit cards, autos, home equity loans and stranded-cost utility (rate reduction bonds). To be included in the index, an issue must have a fixed-rate coupon structure, have an average life greater than or equal to one year, and be part of a public offering. Manufactured housing asset-backed securities were removed from the U.S. ABS Index on January 1, 2008. The index was introduced in January 1992 when it was also added to the U.S. Aggregate Bond Index in its entirety. The index is a total return index which reflects the price changes and interest of each bond in the index.

Corporate (CORP): The Barclays Capital U.S. Corporate Index is an unmanaged index that covers USD-denominated, investment-grade, fixed-rate, taxable securities sold by industrial, utility and financial issuers. It includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

Treasury (TRE): The Barclays Capital U.S. Treasury Index is an unmanaged index that includes public obligations of the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded. STRIPS are excluded from the index because their inclusion would result in double-counting. Securities in the index are used by Barclays Capital when calculating the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices.

Commercial Mortgage-Backed Security (CMBS): The Barclays Capital Commercial Mortgage Backed Securities (CMBS) Investment Grade Index is an unmanaged index consisting of U.S. dollar-denominated, fixed-rate CMBS securities. The Commercial Mortgage-Backed Securities (CMBS) Index family consists of four components: CMBS Investment-Grade Index, CMBS High-Yield Index, CMBS Interest-Only Index, and Commercial Conduit Whole Loan Index (all bond classes and interest-only classes). The CMBS Investment-Grade Index is further subdivided into two components: The U.S. Aggregate-eligible component that contains bonds that are ERISA eligible under the underwriter's exemption and the non-U.S. Aggregate-eligible component that consists of bonds that are not ERISA eligible. The CMBS Indices were launched on January 1, 1997. The index is a total return index which reflects the price changes and interest of each bond in the index.

Agency (AGEN): The Barclays Capital U.S. Agency Index is an unmanaged index that includes native currency agency debentures from issuers such as Fannie Mae, Freddie Mac, and Federal Home Loan Bank. It is a subcomponent of both the Government-Related Index (which also includes non-native

currency agency bonds, sovereigns, supra-nationals, and local authority debt) and the U.S. Government Index (which includes U.S. Treasury debt). The index includes both callable and non-callable agency securities that are publicly issued by U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government (such as USAID securities).

Mortgage (MOR): The Barclays Capital U.S. Mortgage Backed Securities Index is an unmanaged index consisting of fixed-rate, mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The U.S. Mortgage-Backed Securities (MBS) Index covers agency mortgage-backed passthrough securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). Introduced in 1986, the GNMA, FHLMC, and FNMA fixed-rate indices for 30y and 15y securities were backdated to January 1976, May 1977, and November 1982, respectively. Balloon securities were added in 1992. The U.S. Mortgage Backed Securities Index excludes buydowns, graduated equity mortgages, and project loans. Manufactured homes (GNMA) were originally included but were dropped in January 1992 for liquidity reasons. Graduated payment mortgages (GPMs) were dropped in January 1995 for similar reasons. Non-agency (whole loan) and jumbo securities are excluded. ARM securities are also excluded because they have an adjustable coupon. The MBS Index also excludes CMOs because their inclusion would result in double counting. Quarterly coupons have been excluded since 12/31/1998. The U.S. Mortgage Backed Securities Index is a component of the U.S. Aggregate Index. The index is a total return index which reflects the price changes and interest of each bond in the index.

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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Brandes Investment Partners, L.P.

11988 El Camino Real, Suite 500, P.O. Box 919048, San Diego, CA 92191-9048 858.755.0239

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