



Opportunity in Today's Value Gap

Right now, there's a potential opportunity lining up among undervalued stocks that investors may want to consider.

Since the March 2009 lows of the financial crisis, risky assets have outperformed the market. Commodities, small- and mid-cap companies, and companies with high Price-to-Earnings (P/Es) took off and generally outperformed the broad market indices. Meanwhile, large, brand name companies with strong balance sheets, steady revenue streams, and healthy dividends lagged. Even though large companies increased their average earnings growth by 14% more than midsize companies in 2010, mid-sized company stocks rallied to new highs.¹

Brandes Investment Partners ("Brandes") thinks investors have been chasing perceived growth rather than focusing on strong company fundamentals.

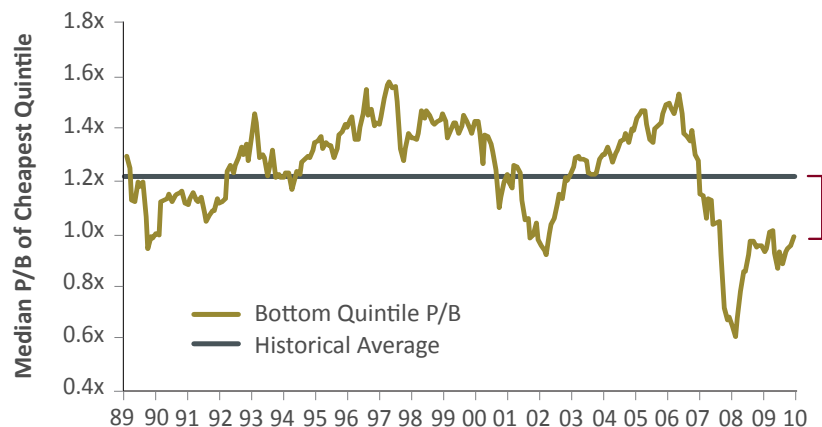
COMPANY FUNDAMENTALS:

- Income statement or balance sheet,
- Line of business and nature of products,
- Earnings power.

LARGE, QUALITY COMPANIES TRADING AT HISTORIC LOWS

Despite the rebound in 2009 – 2010, companies with strong fundamentals, i.e., the cheapest quintile of the market – still trade well below historical Price-to-Book (P/B) averages. The graph below shows the pockets of the market that have lagged the rally over the past two years. Many large- and mid-cap quality companies within these pockets rarely trade at these low levels.

ATTRACTIVELY VALUED P/B COMPANIES TRADING WELL BELOW HISTORICAL AVERAGE



Source: Worldscope via FactSet; the Brandes Institute, as of 12/31/10. Past performance is not a guarantee of future results. For further explanation of quintiles, please see Brandes Institute research "Equity Dispersion: Value Stocks Yet to be Rewarded."

“Rarely in our history have we been able to invest in so many well-known companies with outstanding revenue generation capability, balance sheet strength, and dividend yield at such low discounts to our estimate of their long-term values.”

Al Chan, Brandes’ Private Client Portfolio Management Director



THE VALUE GAP WILL NOT LAST

Based on Brandes’ nearly 40 years of global equity market investing experience, we believe company valuations are the best predictor of future returns. Price and value discrepancies can remain unchecked for a long time, but they can also disappear very quickly – once recognized. As individual investors and portfolio managers start to rebalance their allocations, they likely will find this value gap. Brandes believes today’s opportunity to buy large- and mid-cap, high quality businesses at discounted prices could disappear soon.

Chief economist Anthony Chan at JPMorgan Private Wealth Management said recently:

“Large caps will outperform the smaller companies this year.”²

We agree – based on the large-cap valuations we see in the market. Many large multinationals have some of the lowest valuation ratios we’ve seen since the 1990s.

OVERLOOKED VALUE IN WELL-KNOWN MULTINATIONALS

Today, Brandes is invested in companies that have lagged the risk rally for the last two years. The firm’s large-cap portfolios are full of some of the most profitable and well known multinational companies in the world. Several of those companies are paying attractive dividends, have lots of cash on their balance sheets, and are trading at historically low valuation multiples. Holdings in the telecommunications and pharmaceuticals industries are trading well below their historical averages while paying handsome dividends. Additionally, the firm has found very attractive opportunities on a company-by-company basis in developed countries such as France, Italy, and Japan.

BRANDES GLOBAL EQUITY HOLDINGS OFFER COMPELLING STRENGTHS

Key Exposures	P/B	P/E	P/CF	Yield %
Diversified Telecom. Svcs.	1.1	10.8	3.1	6.8
Pharmaceuticals	1.9	11.0	9.1	4.8
France	1.6	13.5	4.8	5.2
Italy	0.8	8.4	3.6	5.0
Japan	0.9	13.7	4.2	2.8
MSCI World Index	1.8	14.8	9.0	2.4

Source: Brandes Investment Partners as of 3/31/11. The portfolio characteristics shown relate to a single account as of date noted, deemed by Brandes to be generally representative of its standard account noted. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Data is updated on a quarterly basis. Past performance is not a guarantee of future results.

²Stothard, Michael. “Stock Watchers on Alert for Reduction in Mid-Caps’ Lead.” *The Financial Times*. February 21, 2011.

BRANDES INTERNATIONAL EQUITY REMAINS ATTRACTIVELY PRICED

Key Exposures	P/B	P/E	P/CF	Yield %
Diversified Telecom. Svcs.	1.1	10.4	2.9	7.3
Pharmaceuticals	1.6	14.0	8.8	5.0
Japan	0.9	13.7	4.2	2.8
Italy	0.8	8.4	3.6	5.1
France	1.3	11.4	4.9	4.7
MSCI EAFE Index	1.5	13.5	7.7	3.1

Brandes Investment Partners as of 3/31/11. The portfolio characteristics shown relate to a single account as of date noted, deemed by Brandes to be generally representative of its standard account noted. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Data is updated on a quarterly basis. Past performance is not a guarantee of future results.

MULTINATIONAL VALUE COMES FROM REVENUE STREAMS AROUND THE WORLD

Additionally, we hold multinationals with the ability to generate varied revenue streams from around the world. In fact, several Brandes holdings have made significant investments in emerging economies, which includes 85% of the world's population, a growing middle class, and the bulk of recent global GDP growth. This revenue mix is vital when we see deleveraging in developed markets, ongoing regulatory uncertainty, and stubbornly high levels of unemployment. Investors have been distracted by the unprecedented fiscal stimuli from central banks around the world – particularly China and the United States – that has promoted and prolonged the rally in “risky” assets. When that stimulus ends, returns from “risky” assets likely will regress to more normal levels.

THE MARKET WILL CLOSE THE GAP

Meanwhile, quality companies currently paying healthy dividends with strong balance sheets and very inexpensive valuation ratios won't remain ignored. Investors will look to reallocate their gains somewhere and Brandes believes they will start to notice that money left on the table. When that happens, the market may start to close these pricing gaps quickly. For example, as shown in the table above titled “Brandes International Equity Remains Attractively Priced”, the average dividend yield for our diversified telecom holdings pays above 7% as of March 31, 2011.





Brandes believes the current value gap offers abundant investment opportunities for patient, long-term investors.

REWARDED FOR HOLDING THE CHEAP AND IGNORED

Historically, undervalued stocks have been out of favor and unpopular. Various academic studies have shown that these unpopular value stocks have outperformed “glamour” stocks over the long term³. Brandes portfolios look very different from any index or peers because of a focus on company fundamentals. Brandes portfolios offer a unique opportunity to invest in some of the world’s most renowned companies with the potential to do well in a variety of economic conditions.

Brandes believes the current value gap offers abundant investment opportunities for patient, long-term investors.

³“Value vs. Glamour: A Global Phenomenon.” The Brandes Institute. December 2010. www.brandes.com/institute Past performance is not a guarantee of future results.

Price-to-Book (P/B) Ratio: Price per share divided by book value per share.

Price-to-Cash Flow (P/CF) Ratio: Price per share divided by cash flow per share.

Price-to-Earnings (P/E) Ratio: Price per share divided by earnings per share.

The MSCI EAFE (Europe, Australasia, Far East) Index with net dividends is an unmanaged, free float-adjusted market capitalization weighted index designed to measure equity market performance of developed markets, excluding the United States and Canada. As of May 27, 2010 the MSCI EAFE Index consisted of 22 developed market country indices. This index often is used as a benchmark for international equity portfolios and includes dividends and distributions net of withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing.

The MSCI World Index with net dividends is an unmanaged, free float-adjusted market capitalization weighted index that is designed to measure equity market performance of the developed markets throughout the world. As of May 27, 2010 the MSCI World Index consisted of 24 developed market country indices. This index includes dividends and distributions net of withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing.

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.

The declaration and payment of stock dividends are solely at the discretion of the issuer and are subject to change at any time.

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 sector 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 herein are subject to change at any time by the investment manager in its discretion due to market conditions or opportunities. Stocks of small companies usually experience more volatility than mid and large sized companies. Please note that all indices are unmanaged and are not available for direct investment. Past performance is not a guarantee of future results. No investment strategy can assure a profit or protect against loss.

Brandes Investment Partners[®] is a registered trademark of Brandes Investment Partners, L.P. in the United States and Canada.

BRANDES INVESTMENT PARTNERS

11988 El Camino Real | Suite 500 | P.O. Box 919048 | San Diego | CA | 92191-9048
858.755.0239 | 800.237.7119 | Fax 858.755.0916 | www.brandes.com | info@brandes.com