

Fixed Income Bulletin

All data as of March 31, 2010

POINT OF VIEW

The end of the first quarter of 2010 seems a long way from the global liquidity crisis that reached its apex in March 2009. Over the last few years, companies often faced obstacles in obtaining capital amidst a systemic crisis of confidence. For many companies, debt is a strategic part of the capital structure. When debt periodically matures, companies require fresh capital in order to refinance. Few companies until recently could effectively issue non-investment grade bonds or equity as the market seemingly had no appetite for anything perceived as a potential risk. Furthermore, banks had effectively shut-off the lending spigot. For companies with pending maturities, the crisis of confidence often became a self-fulfilling prophecy, threatening businesses with insolvency.

Recent reports from Bloomberg Financial are beginning to document the recovery in the credit markets amid the recapitalization of banks and a renewed appetite for debt. In late March, Bloomberg Financial reported the issuance of non-investment grade bonds reached the highest rate since June 2007, as earnings reports for companies were widely received as positive¹. The same article, citing EFRF Global, noted “investors are pouring cash into junk-bond funds at the fastest pace on record as corporate defaults decline.” Meanwhile, banks have spent the past few years building reserves, reducing exposures, re-capitalizing, and re-liquefying. As such, many banks are in a healthy position to lend again.

Our interest in the increasing capital availability is not on a macro-economic level but on a security-specific level. Many of our holdings, while offering healthy discounts to our estimates of their fair values,

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BRANDES FIXED INCOME (NET) PERFORMANCE SUMMARY*

Annualized Returns as of March 31, 2010

	1 YEAR	3 YEAR	5 YEAR
Brandes Core Plus Fixed Income	30.09%	3.43%	4.58%
Barclays Capital U.S. Aggregate Index	7.69%	6.14%	5.44%
Relative Performance	22.40%	-2.71%	-0.86%
Brandes Corporate Focus Fixed Income	37.23%	0.51%	3.26%
Barclays Capital U.S. Intermediate Credit Index	18.72%	6.21%	5.49%
Relative Performance	18.51%	-5.70%	-2.23%

*See disclosure pages for performance calculation disclosures. Past performance is not a guarantee of future results.

¹Glover, John and Keogh, Bryan. “Junk Bonds Selling at Briskest Pace Since 2007: Credit Markets.” *Bloomberg*, (March 22, 2010).

Fixed Income Portfolios

(continued)

were excessively penalized in our opinion as market participants temporarily ignored operational fundamentals and heavily focused on liquidity and solvency under the presumption that no new capital could be raised. Now as the markets recover and reflect more rational refinancing outlooks, the self-fulfilling risk seems to have diminished notably. We believe operating fundamentals and valuations will continue to drive bond performance, further strengthening the recovery of credit markets and bolstering the performance of our holdings.

PERFORMANCE COMMENTS:

- The Brandes Core Plus and Corporate Focus portfolios both outperformed their respective benchmark indices in the first quarter.
- Holdings among corporate bonds (both investment-grade and non-investment grade) were large positive contributors to relative and absolute performance during the quarter. Corporate bond holdings tended to experience notable price appreciation, with selected holdings of bonds issued by companies in the forest products and home builder industries among the largest contributors. While individual holdings in the Alt-A mortgage sector were among the strongest and weakest contributors to performance, that sector on average was a positive overall contributor to performance during the quarter.
- The portfolios' underweight allocations to commercial mortgage-backed securities detracted slightly from performance relative to the benchmarks, as the portfolios had little to no exposure to this sector. In addition, the portfolios' underweight to agency pass-thru mortgages had a modestly negative impact on relative performance, as this sector had very modest excess returns when compared to the other sectors. Please note that these factors had considerably less impact on returns than the outperformance contribution from corporate bond and Alt-A mortgage holdings.
- At the end of the first quarter, the largest weightings for the portfolios were in bonds with non-investment grade ratings.
- The duration of the portfolios at the end of the quarter remained short of that of the respective benchmarks. Duration decisions and yield curve exposures detracted slightly from relative performance during the quarter. In both cases, the portfolios' excess yield compared to the benchmark helped relative returns.

INVESTMENT APPROACH

Brandes Investment Partners® applies a value driven, bottom-up, security selection approach to global fixed income and equity markets. We believe above-market returns can be realized by investing in issuers which, in our opinion, have been excessively punished by the market, have an identifiable margin of safety, and have sufficient resources to meet outstanding debt obligations. We view unexpected, short-term market events as potential opportunities, not immediate exit points.

By focusing on fundamental analysis of the underlying businesses, we seek securities that are trading at a discount, or “margin of safety,” to what we believe to be their fair or intrinsic value. We take a long-term view (two to five years) in assessing fixed income opportunities.

Our goal is to enhance investment returns relative to the respective product’s benchmark without assuming disproportionate risk.

MANAGEMENT TEAM

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The information provided in this newsletter 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. Market conditions may impact performance. The performance results presented were achieved in particular market conditions which may not be repeated. Moreover, the current market volatility and uncertain regulatory environment may have a negative impact on future performance. Please note that all indices are unmanaged and are not available for direct investment.

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.

There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. 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 same time of investment.

Although the statements of fact and data in this report have been obtained from, and are based upon, sources that are believed to be reliable, we cannot guarantee their accuracy, and any such information may be incomplete or condensed.

Past performance is not a guarantee of future results. No investment strategy can assure a profit or protect against loss.

BRANDES CORE PLUS FIXED INCOME: The net returns, calculated in USD, presented for the Brandes Core Plus Fixed Income composite were calculated on a time-weighted and asset-weighted, total return basis, including reinvestment of all dividends, interest and income, realized and unrealized gains or losses and are net of brokerage commissions, execution costs, and any applicable foreign withholding taxes, without provision for federal and state income taxes, if any. As of 4/1/2006 all custodial fees are treated as administrative fees. This composite was created in 2000. Securities transactions are accounted for on the trade date. Dividend and interest income is accounted for on an accrual basis. Cash and cash equivalents are included in performance returns. Accounts are included in the composite when the market value is \$1 million or greater. The Brandes Core Plus Fixed Income composite results include all actual, fee-paying and non-fee-paying, fully discretionary Core Plus Fixed Income accounts under management by Brandes Investment Partners after one full calendar month beginning 12/31/1999 (except for the Brandes Core Plus Fixed Income pooled account which was fully invested at its inception), that have substantially the same investment objectives, policies, techniques and restrictions. Brandes' investment advisory fees are detailed in Part II of its Form ADV. For the period 12/31/1999 through 12/31/2000 and for the last 2 quarters of 2003, a hypothetical fee based on the highest fee charged by the firm for this product during that period was applied to calculate net of fee returns. The weighted annualized management fee (including the hypothetical fee) during the period 12/31/1999 through 12/31/2008 was 0.33% per year.

BRANDES CORPORATE FOCUS FIXED INCOME: The net returns, calculated in USD, presented for the Brandes Corporate Focus Fixed Income composite were calculated on a time-weighted and asset-weighted, total return basis, including reinvestment of all dividends, interest and income, realized and unrealized gains or losses and are net of brokerage commissions, execution costs, and any applicable foreign withholding taxes, without provision for federal and state income taxes, if any. As of 4/1/2006 all custodial fees are treated as administrative fees. This composite was created in 2001. Securities transactions are accounted for on the trade date. Dividend and interest income is accounted for on an accrual basis. Cash and cash equivalents are included in performance returns. Accounts are included in the composite when the market value is \$1 million or greater. The Brandes Corporate Focus Fixed Income composite results include all actual, fee-paying and non-fee-paying, fully discretionary Corporate Focus Fixed Income accounts under management by Brandes Investment Partners after one full calendar month beginning 6/30/2000 (except for the Brandes Corporate Focus Fixed Income pooled account which was fully invested at its inception), that have substantially the same investment objectives, policies, techniques and restrictions. Brandes' investment advisory fees are detailed in Part II of its Form ADV. For the period 6/30/2000 through 12/31/2005, a hypothetical fee based on the highest fee charged by the firm for this product during that period was applied to calculate net of fee returns. The weighted annualized management fee (including the hypothetical fee) during the period 6/30/2000 through 12/31/2008 was 0.37% per year.

GENERAL DISCLOSURES FOR ALL PRODUCTS ABOVE:

In June 2002, Brandes Investment Partners, L.P. changed its organizational structure from a limited partnership to a limited liability corporation formed under the name Brandes Investment Partners, LLC. With this change, Brandes Fixed Income Group (formerly Brandes Fixed Income Partners, Inc.) became a unit of Brandes Investment Partners, LLC rather than a separate subsidiary. On October 18, 2004, Brandes Investment Partners, LLC became a Delaware limited partnership with the name Brandes Investment Partners, L.P.

Brandes has been verified for the annual periods 1995 through 2008 by Ernst & Young, LLP. A copy of the verification reports, a complete list and description of Brandes' composites and additional information regarding policies for calculating and reporting returns are available upon request. Brandes Investment Partners, L.P. is a registered, independent investment management firm.

As of January 1, 2006, Brandes Investment Partners has been divided into two separate divisions: the SMA Division of Brandes Investment Partners, which acts as a discretionary manager to SMA or "wrap fee" program clients, including those who may invest in an SMA product; and the non-SMA Division of Brandes Investment Partners, which acts as a discretionary manager for all other types of clients which may include pooled investment vehicles, institutional accounts and high net worth clients outside of wrap fee programs. Although the divisions may share portfolio management and other personnel, each division serves a particular target market, may trade in a different manner and may offer investment advice which differs from the other depending upon the individualized needs of the clients served.

INDEX DEFINITIONS:

The Barclays Capital U.S. Aggregate Index is an unmanaged index consisting of U.S. dollar-denominated, fixed-rate, taxable bonds. The Index includes bonds from the Treasury, Government-Related, Corporate, Mortgage-Backed Securities (agency fixed-rate and hybrid adjustable-rate mortgage passthroughs), Asset-Backed Securities and Commercial Mortgage-Backed Securities sectors. Securities must be rated investment grade (Baa3/BBB-/BBB- or above) by Moody's, S&P, and Fitch, respectively. When all three agencies rate an issue, a median or "two out of three" rating is used to determine Index eligibility by dropping the highest and lowest rating. When a rating from only two agencies is available, the lower ("most conservative") of the two is used. When a rating from only one agency is available, that rating is used to determine Index eligibility. The index is a total return index which reflects the price changes and interest of each bond in the index.

The Barclays Capital U.S. Intermediate Credit Index is an unmanaged index consisting of U.S. dollar-denominated, publicly issued, fixed-rate corporate securities. Issues must have at least \$250 million par amount outstanding and have a maturity from one up to (but not including) ten years. Securities must be rated investment grade (Baa3/BBB-/BBB- or above) by Moody's, S&P, and Fitch, respectively. When all three agencies rate an issue, a median or "two out of three" rating is used to determine Index eligibility by dropping the highest and lowest rating. When a rating from only two agencies is available, the lower ("most conservative") of the two is used. When a rating from only one agency is available, that rating is used to determine Index eligibility. The index is a total return index which reflects the price changes and interest of each bond in the index.

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