

## Survey Respondent Version

The Brandes Institute survey of institutional investors worldwide was conducted the week of December 8-12, 2008. We share key findings below, including areas of material difference between the responses of U.S. and non-U.S. investors:

- Over 20% of respondents stated they use a currency overlay (primarily with external managers); this proportion was higher outside the U.S. (38%) than it was for U.S. investors (12%).
- Since the start of the most recent bout of financial turmoil (mid-2008), three-quarters of these overlay programs have subtracted value from the portfolios. All but one of these negative results impacted non-U.S. investors.
- 38% of respondents who have overlay programs are now considering modifying or terminating the program.

For all respondents, regardless of whether they have overlay programs:

- Almost one third state that the recent currency moves have been material enough to cause them concern; a higher proportion of non-U.S. investors registered this concern (38%) than U.S. investors (27%).
- Around 70% of respondents had views on the currency carry trade. Views were almost equally balanced between favorable (the carry trade makes money over the long term) and unfavorable (long-term investors should avoid the carry trade). However, when asked about the role the carry trade plays in the markets, the ratio of respondents answering that the carry trade helps keep the currency markets liquid exceeded those answering that they'd prefer to see these trades restricted or regulated by a factor of more than two and a half times.
- When asked about the 12-month outlook for the U.S. dollar, only 7% of respondents saw a significant dollar move (either up or down).

## **Summary**

The recent period of currency volatility appears to have raised concerns for some global investors. A number who have currency overlay programs were considering changing them, particularly investors based outside the United States who have suffered as the dollar rose from mid-year onward. Prior Brandes Institute research suggests that it is likely to be a mistake to alter an existing currency program because of a recent major currency move. Considering that over 90% of respondents did not expect a major dollar move over the next year, we believe investors should maintain a long-term focus.

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