



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/institute

Global Small-Cap Stocks: Reexamined and Redefined

July 2007

Copyright © 2007 Brandes Investment Partners, L.P. ALL RIGHTS RESERVED. Brandes Investment Partners and the Brandes Investment Partners logo are trademarks of Brandes Investment Partners, L.P. Brandes Investment Partners® is a registered trademark of Brandes Investment Partners, L.P. in the United States and Canada. Users agree not to copy, reproduce, distribute, publish, or in any way exploit this material, except that users may make a print copy for their own personal, non-commercial use. Brief passages from any article may be quoted with appropriate credit to the Brandes Institute. Longer passages may be quoted only with prior written approval from the Brandes Institute. For more information about Brandes Institute research projects, visit our website at www.brandes.com/institute.

Contents:

4 Introduction

This paper has two objectives: 1) investigate existing metrics for defining the global small-cap universe and examine their relationship to performance, 2) introduce regional and country universes designed to accommodate detailed analysis of constituent-level fundamentals to perhaps better explain performance differences among global small caps – and relative to large caps.

5 Investigating Performance

North American¹ small-cap stocks exhibit differences in performance, volatility, and correlation vs. their global peers which may be explained by: 1) the composition and/or coverage of indices measuring global small-cap markets 2) inherent differences in North American small caps, as measured by fundamental characteristics.

8 Global Small-Cap Universes: Existing Definitions

Although our analyses of various indices do indeed reflect a number of differences in characteristics, these differences often are not extreme. Thus, the overall performance patterns exhibited by North American small caps that distinguish them from their global counterparts suggest that index construction methodologies are not the most probable cause of their peculiarity.

16 Redefining Global Small Caps

To compare constituent-level fundamental data for small-cap stocks worldwide with the goal of helping to explain performance differences, the Brandes Institute built what we believe to be comprehensive global small-cap universes. These universes are not intended to replace or compete with existing benchmarks. Instead, they were created purely for the purposes of our study to provide detailed fundamental characteristics for constituents, features not currently offered by index providers.

20 Calculating Returns for the Brandes Institute Global Small Cap Universe² (“BIGSC”)

The inception date for the BIGSC universe is December 31, 1984. Individual universes for 24 developed countries were reconstituted at the end of each subsequent calendar year. The weighted average total return of the sample for each month was used to calculate the universes’ monthly returns. This process was repeated every month until full return series in local currencies and U.S. dollars were derived. Country universes were aggregated to form regional and global universes.

21 Performance Comparison: BIGSC vs. Popular Small-Cap Indices

Calendar-year returns for the BIGSC since its inception reflect some differences vs. the S&P/Citigroup Extended Market Index (“EMI”), the FTSE Global Small Cap Index (“FTSE”), and the MSCI World Small Cap Index (“MSCI”), particularly in 1999, 2000, and 2003. However, when returns were annualized over longer periods, the BIGSC’s return dispersion was reduced and correlations were high.

¹ Throughout this paper, references to the “North America” or “North American” region reflect references to securities in Canada and the United States.

² A detailed description of the BIGSC begins on page 16 of this paper.

Contents:

22 Global Small Cap Performance: Examining Fundamental Traits

Relative performance discrepancies among global small caps vs. larger caps exist on a regional basis. Here, attempts are made to understand why these discrepancies exist by examining regional and sector composition, liquidity, and select fundamental characteristics.

29 Global Small Caps: Fundamental Analysis

Overall, North American small caps exhibit differentiating fundamental traits vs. their non-U.S. small-cap peers, especially when viewed on an absolute basis. Their characteristics tend to be consistent with North American large caps: higher absolute values for fundamental traits such as sales, asset, and earnings before interest, taxes, depreciation, and amortization (“EBITDA”) growth. North American small caps also tend to have higher capital expenditure (“capex”)/sales and capex/depreciation ratios. However, the findings are less clear when making intra-regional, relative comparisons of small caps to large caps.

36 Summary

We plan to extend our fundamental analysis of the global small-cap universe using metrics that seek to define companies in terms of their point on a “lifecycle” and the relationship, if any, of these lifecycle points and performance. In essence, we plan to explore whether more U.S. firms are in the early stages of their lifecycles – and whether there is a link between lifecycle phases for a business and performance.

Introduction

North American and non-North American small-cap stocks have outperformed their larger-cap peers in recent years. Among non-North American stocks, for the five years ending December 31, 2005, the MSCI EAFE Small Cap Index delivered an annualized gain of 15.6% vs. 4.6% for the larger-cap MSCI EAFE Index. Over the same period in the United States, the MSCI USA Small Cap Index was up 11.5% vs. 0.0% for the MSCI USA Large Cap Index. The return advantage for small caps in non-U.S. markets has coincided with increased investment levels in small caps among U.S. institutional investors.

Small caps have outperformed large caps around the globe recently – and over the long term. However, based on limited data, relative historical performance has been cyclical. London Business School Professors Elroy Dimson, Paul Marsh, and Mike Staunton concede that historical performance data for non-U.S. small caps is not robust, but assert that the available data “. . . paints a very clear picture, namely, that the size premium was not restricted to the United States but was present in almost every country studied”.³ According to Dimson et al., other academics, including Gabriel Hawawini and Donald B. Keim, concur.

Dimson et al. point out that in the late 1980s and early 1990s, amid this evidence supporting a global small-cap premium, “. . . there was a global reversal of the size effect in virtually every country, with the size premium not just disappearing but going into reverse” (133). They note this global small-cap reversal occurred between 1990 and 2000. Since 2000, as described earlier, there has been another reversal and global small caps generally have outperformed large caps. Although global small caps have shown cyclical relative returns, they generally have delivered long-term outperformance vs. large caps. In addition, global small caps offer the potential to decrease volatility through their typically low correlations with other asset classes.

The recognition in the late ‘80s of the global small-cap premium that Dimson et al. describe parallels the introduction of more robust returns data for this asset class. Since 1989 (the earliest date for which thorough performance data exists), non-U.S. small-cap stocks, as measured by the S&P/Citigroup EMI World ex-U.S. Index (“EMI ex-US”), actually have delivered weaker returns relative to non-U.S. large caps, as measured by the S&P/Citigroup Primary Market Index (“PMI”) World ex-U.S. Index, while exhibiting higher volatility. Given Dimson and others’ assertion that small caps experienced a “global reversal” between 1990 and 2000, this is not surprising. What may be surprising is that, by comparison, North American small caps, as measured by the S&P/Citigroup EMI North America Index (“EMINA”), have performed in line with the “size premium” Dimson et al. describe during the 16-year period ending 2004.

It is posited that the performance differences between North American and non-North American small caps since 1989 might be explained by one of two hypotheses:

³ Dimson, Elroy and Paul Marsh and Mike Staunton. *Triumph of the Optimists*. Princeton, N.J.: Princeton University Press, 2002. 131 in this book, Dimson et al. summarize small-cap performance data for 17 countries “with start dates ranging from 1931 to 1984.” They add that the average number of years covered is just 17 and some studies span periods as brief as five years. Despite these limitations, they describe the global small-cap premium as pervasive and “striking.”

1. The composition and/or coverage of indices measuring global small-cap markets create differences in risk/return profiles across regions and market caps.
2. Small-cap stocks in North America are inherently different, as measured by fundamental characteristics, compared to small-cap stocks in non-North American markets.

In this paper, these notions are investigated. The global small-cap universe, as defined by various index providers, is segmented into three regions: Asia-Pacific, Europe, and North America.⁴ Aspects of construction methodologies are studied, including country and sector weightings, market cap distribution, and liquidity. Relative differences in performance, volatility, and correlation also are examined.

After this extensive review of index construction methodologies, a series of country and regional small-cap universes, created by the Brandes Institute, are introduced. These universes are used to analyze constituent-level fundamentals and their influence on historical performance differences. Ultimately, this paper has two objectives: 1) investigate existing metrics for defining the global small-cap universe and examine their relationship to performance, 2) introduce regional and country universes designed to accommodate detailed analysis of constituent-level fundamentals to perhaps better explain performance differences among global small caps – and relative to global large caps.

Global Small-Cap Stocks: Investigating Performance

As cited earlier, the long-term outperformance of small-capitalization stocks relative to large caps in North America and around the world is well documented. As shown in Exhibit 1, North American small-cap stocks, represented by EMINA outperformed North American large-cap stocks, represented by the S&P/Citigroup Primary Market Index North America Index (“PMINA”) between July 1, 1989 and December 31, 2004.⁵ Further, consistent with risk premium tenets, the volatility of North American small caps (as measured by standard deviation) was greater than that of North American large caps.

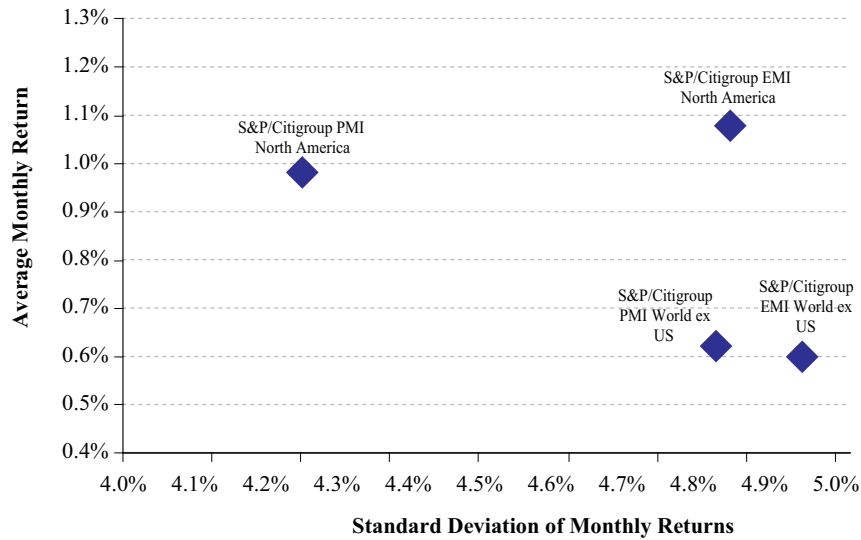
However, as previously addressed, this relationship between small- and large-cap stocks has not extended outside North America. As also illustrated in Exhibit 1, non-North American small-cap stocks, here represented by EMI ex-U.S. did not deliver higher volatility-adjusted returns between July 1989 and December 2004. In fact, while they exhibited higher volatility, their relative returns were lower than large caps, as measured by the S&P/Citigroup PMI World Ex-U.S. Index (PMI ex-U.S.).⁶

⁴ The North America region consisted of Canada and the United States. Europe included Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. The Asia-Pacific region included Australia, Hong Kong, Japan, New Zealand, Singapore, and South Korea.

⁵ The S&P/Citigroup indices were chosen for this comparison because they provide the longest performance history for a major, global small-cap index. The inception of the S&P/Citigroup Indices is July 1, 1989. These indices provide “apples to apples” comparisons among North American and non-North American (here, represented as ex-U.S.) small-cap stocks – and relative to their respective large-cap peers. Note that the same volatility-return analysis conducted over the same period (July 1, 1989 to December 31, 2004) using the Russell 2000 Index as a proxy for U.S. small caps and the Russell 1000 Index as a U.S. large-cap proxy yields different results. In the latter scenario, large caps outperformed small caps with less volatility. Excluding select years of large-cap outperformance within this 15½-year period also affects the results. See the Appendix (Exhibit A-1) for more details. The variation in results for different small- and large-cap benchmarks across time reflects key differences in construction methodology, explored in greater detail later in this report. It also reflects the lack of persistence in the small-cap risk premium, as noted earlier.

⁶ All performance in U.S. dollars unless otherwise stated. Note, that when using local currencies, results revealed similar relationships between large- and small-cap performance across global markets.

Exhibit 1: The Risk Premium for North American and Non-North American Small- and Large-Cap Stocks, July 1989 to Dec. 2004⁴



Source: S&P/Citigroup, as of 12-31-04

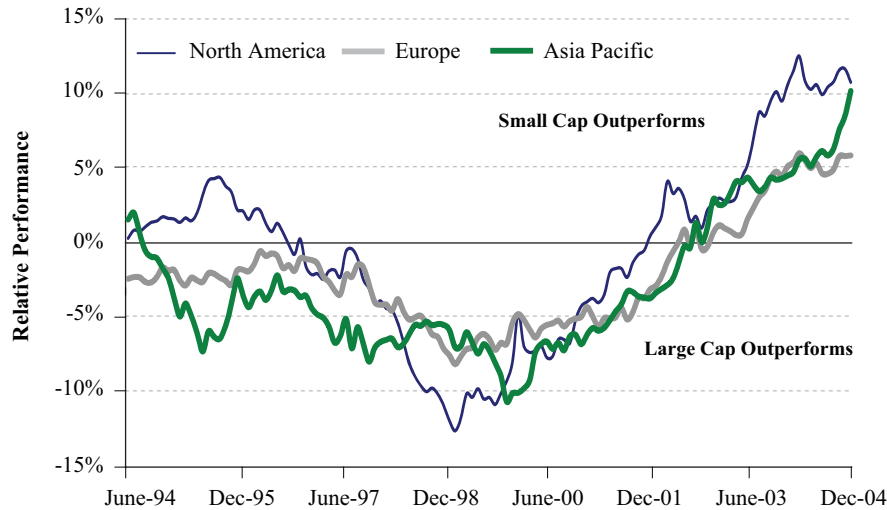
To delve deeper into the findings on relative performance revealed in Exhibit 1, large- and small-cap indices were segmented according to the following regions:

- North America
- Europe
- Asia-Pacific

For each region, small-cap returns were subtracted from large-cap returns over rolling, 5-year periods between July 1989 and December 2004.⁷ North American small caps outperformed large caps in 65 of the 127 rolling periods in this study (or a little over half the time). However, small caps in the European and Asia-Pacific regions outperformed large caps less than 25% of the time (27 and 30 periods out of 127, respectively). Exhibit 2 illustrates the robust performance divergence between North American and non-North American small-cap stocks.

⁷ Results reflect use of quarterly, rolling, 5-year annualized returns. For each quarter, we subtracted PMI returns from EMI returns. EMI represents the bottom 20% (based on market cap) of the relevant region. PMI represents the largest 80% of the relevant region. See Endnote i regarding “rolling periods.”

Exhibit 2: Rolling 5-Year Relative Performance (EMI-PMI), Segmented by Region, July 1989 to Dec. 2004



Source: S&P/Citigroup, 6-30-89 to 12-31-04; see Endnote i

Beyond their outperformance vs. intra-regional large caps, North American small-cap stocks exhibited a different performance pattern vs. their global peers. As also shown in Exhibit 2, there were generally “higher highs” and “lower lows” for North American small caps. This chart pattern suggests a more volatile relationship between small- and large-cap stocks in North America. To quantify this volatility, the standard deviation of rolling 3- and 5-year relative performance of small caps vs. large caps (again measured by EMI and PMI) was measured within each region. As shown in Exhibit 3, the standard deviation was highest in North America.⁸

Exhibit 3: Standard Deviation in Relative Returns of Small Caps vs. Large Caps, By Region, July 1989 to Dec. 2004 (Rolling Periods)

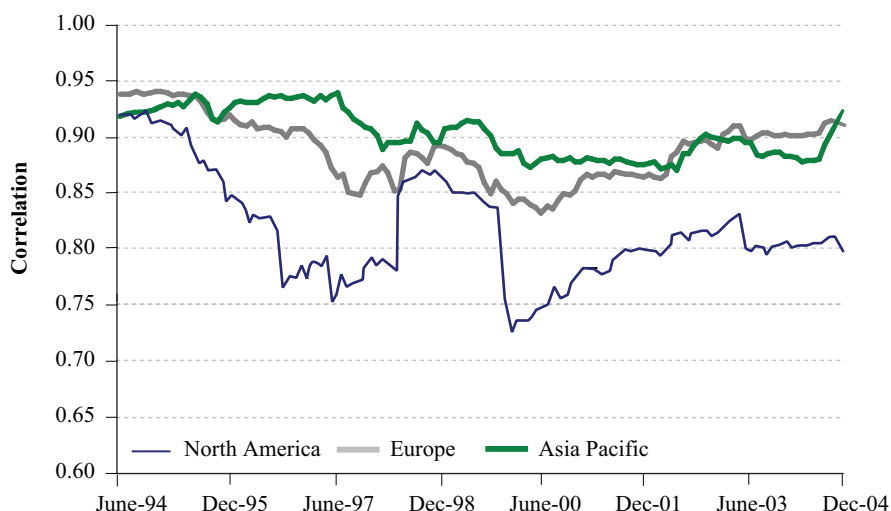
	North America	Europe	Asia Pacific
3 Year	8.46%	5.25%	6.63%
5 Year	6.25%	3.55%	4.61%

Source: S&P/Citigroup, 6-30-89 to 12-31-04; see Endnote i

Correlation of returns analysis further confirms the disparate behavior exhibited by small and large caps in North America vs. their peers in the European and Asia-Pacific regions. As shown in Exhibit 4, the correlation between North American small- and large-cap stocks was consistently lower than the correlations between small- and large-cap stocks within Europe and the Asia-Pacific region.

⁸ Tracking error also was calculated with comparable results. See Exhibit A-2 in the Appendix for more information.

**Exhibit 4: Rolling 5-Year Correlations (Small Cap to Large Cap),
Segmented by Regions, July 1989 to Dec. 2004**



Source: S&P/Citigroup, 6-30-89 to 12-31-04; see Endnote i

Exhibit 4 suggests that an intra-regional allocation to small caps provided greater diversification benefits for North American investors vs. investors in Europe or the Asia-Pacific regions. In addition, the greater volatility of returns in North America created more opportunity for outperformance for skillful active managers. Of course, this volatility also created a greater potential for underperformance, as well.

The relative differences in performance, volatility, and correlation exhibited by North American small caps vs. their global peers addressed above might be explained by two hypotheses:

1. The composition and/or coverage of indices measuring global small-cap markets create differences in risk/return profiles across regions and market caps.
2. Small-cap stocks in North America may be inherently different, as measured by fundamental characteristics vs. small-cap stocks in non-North American markets.

In the next section of this paper, the first hypothesis is explored in greater detail as aspects of index construction for various providers are compared, contrasted, and evaluated to gauge whether these indices capture the investable, global small-cap universe for institutional investors.

Global Small-Cap Universes: Existing Definitions

The investigation of the current definition of global small caps begins with a review of aspects of three popular index providers' construction methodologies. In surveying the landscape of global small-cap indices, the following are among the more widely used index families (among institutional investors worldwide):

- S&P/Citigroup Extended Market Index (EMI)
- FTSE Global Small Cap Index (FTSE)
- MSCI World Small Cap Index (MSCI)

The construction methodologies applied by these providers can produce some important differences in index composition. For example, to create the EMI, S&P/Citigroup begins by totaling the cumulative market cap for each country in its index. Next, it ranks individual companies by market cap in descending order. Starting at the top (with the largest company), it adds companies until their collective market cap equals 80% of the entire country's total. These are considered large caps. The remaining companies, whose market caps comprise 20% of the country's total, are considered small caps.

In some countries, such as the United Kingdom, where companies are fairly evenly distributed across market-cap segments, this approach may yield uniform results. However, in a country such as Finland, this approach may produce a disparate range of companies defined as small cap. For example, on December 31, 1999, the cumulative market cap of all companies in Finland was approximately \$360 billion.⁹ At roughly \$200 billion, one company alone accounted for about 55% of the entire country's market cap. Applying the S&P/Citigroup (or "Citi") methodology, six companies were defined as large cap while 55 were defined as small cap. The market caps of Finnish "small" caps ranged from \$74 million to \$8.3 billion – spanning the spectrum of what many institutional investors might consider micro caps to large caps.

For MSCI, a potentially problematic aspect of its methodology rests in its absolute range for small-cap stocks. As total worldwide market capitalization has grown over the years, the definition of "small cap" has tended to shift higher. Each year, when MSCI reconstitutes its index, it is faced with the subjective task of pinpointing a threshold for small-cap stocks worldwide. For instance, on September 28, 2001, MSCI broadened the eligible market capitalization for its Small Cap Index series from between \$200 million and \$800 million to between \$200 million and \$1.5 billion – nearly doubling the top end of the range. As markets shift over time, MSCI is required to periodically adjust this market capitalization parameter to maintain a desired cap range.

While FTSE uses a relative range to determine small-cap constituents for its index, the range is applied across regional universes. Hence, countries with predominantly smaller-cap companies may have greater representation in the broader index. Constituents from Greece, a relatively small-capitalization market, provide a good example. Of the 49 Greek constituents in FTSE's Global Small Cap Index as of December 31, 2004, 30 also are constituents in S&P/Citigroup's PMI Index, an index targeting the *largest* companies in the world. In addition, relative to its peers, the FTSE Index has the smallest company (as measured by market cap) and the fewest number of constituents. Exhibit 5 summarizes key details of these three index providers' construction methodologies.¹⁰

⁹ Throughout this report, all capitalization ranges are expressed in U.S. dollars.

¹⁰ For more complete descriptions of these index providers' methodologies, visit the following websites:

S&P/Citigroup: http://www.globalindices.standardandpoors.com/data/pdf/snp_citi_rulebook.pdf

FTSE: http://www.ftse.com/indices_marketdata/global_smallcap/index_home.jsp

MSCI: <http://www.msci.com/smallcap/index.html>

Exhibit 5: Key Aspects of Index Construction

Name	Incept. Date	Target Market Cap	Free Float Adjusted? Date Initiated?	Market Cap Definition	Market Cap of Smallest Co.	Market Cap of Largest Co.	No. of Securities
EMI	1989	Bottom 20% of universe for each country	Yes 1989	Relative	\$100 M	\$42,279 M	6,493
FTSE	1993	Bottom 10% of aggregate universe, excluding bottom 2%	Yes 2003	Relative	\$48 M	\$6,071 M	1,752
MSCI	1998	\$200 million-\$1,500 million	Yes 2001	Absolute	\$99 M	\$4,004 M	3,981

Source: S&P/Citigroup, FTSE, and MSCI, as of 12-31-04

The differences in construction methodologies for these indices produce variations in index characteristics, such as regional exposure, sector weightings, and market capitalization distribution. These differences, based upon December 31, 2004 data, are highlighted in Exhibits 6, 7, and 8.

Exhibit 6: Regional Weightings*: EMI, FTSE, and MSCI, as of Dec. 31, 2004

	EMI	FTSE	MSCI
North America	55.9%	63.5%	52.1%
Europe	29.4%	26.3%	25.5%
Asia-Pacific	14.2%	10.1%	21.9%
Emerging Markets	0.5%	0.0%	0.4%

* as defined by the company's country of domicile

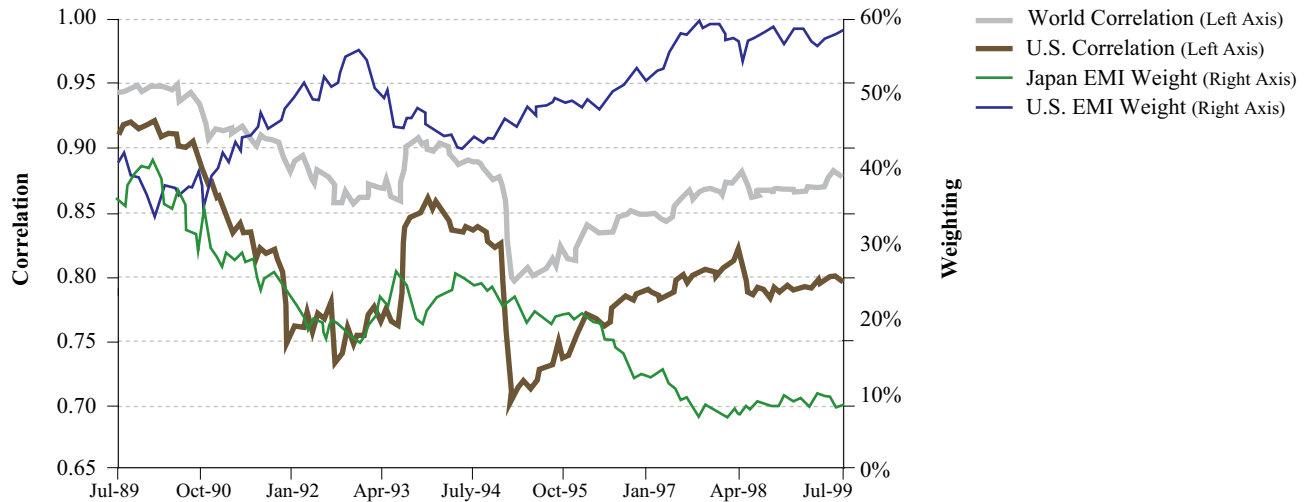
Source: S&P/Citigroup, FTSE, and MSCI, as of 12-31-04

Note that FTSE has the highest concentration of North American small-cap stocks and the lowest exposure to the Asia-Pacific region. Each index has little, if any, exposure to emerging markets. For a more detailed, historical summary of the small-cap indices' regional weightings, including a country-by-country breakdown vs. the larger-cap S&P/Citigroup Primary Market Index ("PMI") World Index, see Exhibits A-3 and A-4 in the Appendix. As shown in these Appendix exhibits, the weighting in North America, the largest regional concentration for all three indices, has increased over the last 10 years. On December 31, 2004, North American small-cap exposure ranged from 52.1% to 63.5% for these indices; 10 years earlier, it was between 37.0% and 46.0%.

As the North American weighting increased, the Asia-Pacific weighting fell – most significantly in Japan. As of year-end 2004, Japan accounted for between 8.3% and 14.5% of these small-cap indices, but its representation in 1995 was between 24.1% and 30.4%. This shift in relative exposures reflects the influence of bear markets (such as the decline in Japan during much of the late '90s) on regional index weights. As shown in Exhibit 7, shifting weights in Japan and the United States have had a limited influence on the correlation between small- and large-cap stocks worldwide. Of far greater influence has been the correlation between small- and large-cap stocks in North America. As goes the U.S. large cap-small cap correlation, so goes the world large cap-small cap correlation. In Exhibit 7, "U.S. Correlation" represents the correlation between U.S. large caps (measured by U.S.-based

PMI constituents) and U.S. small caps (measured by U.S.-based EMI constituents). “World Correlation” represents the correlation between global large caps (measured by PMI) and global small caps (measured by EMI).

Exhibit 7: Japan and U.S. Weightings and 5-Year Rolling Correlations of Small to Large Caps, July 1989 to Dec. 2004



Source: S&P/Citigroup, 6-30-89 to 12-31-04; see Endnote i

Note: Weightings, measured by the scale on the right, correspond precisely to the dates on the X-axis; plot points for the rolling correlations, measured by the scale on the left, reflect the starting date in each 5-year period.

Different construction methodologies for these indices also generate disparities in sector weightings, most notably in the industrials, consumer discretionary, and financials areas, as shown in Exhibit 8. (For a detailed, historical summary of the small-cap indices’ sector weightings, including a country-by-country breakdown vs. the larger-cap PMI World Index, see Exhibits A-5, A-6, and A-7 in the Appendix.) Given the varied sector weightings evident in these indices, sustained outperformance for a particular sector may affect overall returns to correspondingly varying degrees.

Exhibit 8: Sector Weightings: EMI, FTSE, and MSCI, as of Dec. 31, 2004

	EMI	FTSE	MSCI
Consumer Disc.	18.9%	16.8%	18.7%
Cons. Staples	4.8%	4.4%	5.7%
Energy	5.1%	5.0%	4.4%
Financials	21.3%	21.7%	18.3%
Health Care	8.9%	18.4%	8.7%
Industrials	15.9%	18.7%	17.8%
Info. Technology	12.0%	13.1%	14.0%
Materials	8.5%	7.3%	8.3%
Telecom. Services	1.0%	1.1%	1.1%
Utilities	3.8%	3.4%	2.8%

Source: S&P/Citigroup, FTSE, and MSCI, as of 12-31-04; sectors as defined by Global Industry Classification Standard® (GICS)

Differences in sector weightings across these indices may be the result of their respective construction methods drawing constituents from different segments of the market-cap spectrum. To investigate this aspect of index construction, each benchmark was broken down by constituents within certain market-cap parameters, as shown in Exhibit 9. Average institutional investors likely would target the majority of their small-cap portfolio holdings in the \$500 million to \$2.5 billion range. However, in each of these indices, more than 30% of constituents have market caps outside this range. In evaluating the differences between these three indices, the number of constituents and average market capitalization also were studied.

Again, for a detailed, historical summary of the small-cap indices' market cap distribution, including a regional, and country-by-country breakdown, see Exhibits A-8 through A-15 in the Appendix.

Exhibit 9: Market Cap Distribution: EMI, FTSE, and MSCI, as of Dec. 31, 2004

	Number of Stocks	Avg. Mkt. Cap (in billions)	Market Capitalization Distribution (in \$ billions)					
			<0.2	0.2-0.5	0.5-1.0	1.0-2.5	2.5-5.0	>5.0
EMI	6,493	\$1.15	11.0%	30.1%	23.3%	23.7%	8.0%	2.5%
FTSE	3,981	\$0.89	1.8%	30.0%	33.7%	28.2%	3.3%	0.0%
MSCI	1,752	\$0.89	2.3%	27.2%	34.9%	34.0%	0.7%	0.0%

Source: S&P/Citigroup, FTSE, MSCI, and FactSet via Worldscope and Compustat, as of 12-31-04

Given this market-cap segmentation, what are its effects, if any, upon performance? Limited accessibility to FTSE and MSCI data prevents an analysis of performance histories that are broken down according to these market-cap categories. However, the availability of data for the EMI universe makes such an investigation more feasible. As shown in Exhibit 10, performance within various market-cap segments across time reveals meaningful differences. Namely, stocks with the smallest capitalizations tended to deliver the best returns. If these performance characteristics are consistent across other indices, those with greater concentrations of smaller-cap stocks likely would have better returns.

Exhibit 10: EMI Average Annual Returns, Segmented by Market Cap, 1990 to 2004

Market Cap Distribution (in \$ billions)	Average Calendar Year Return
>5.0	4.2%
2.5 to 5.0	6.7%
1.0 to 2.5	7.4%
0.5 to 1.0	10.0%
0.2 to 0.5	11.3%
<0.2	13.5%

Source: S&P/Citigroup, 12-31-89 to 12-31-04

Given the differences in construction methodologies noted thus far and the subsequent differences in composition, what are their effects on these indices' respective, long-term overall performance histories – on an absolute basis and relative to large caps? Note that because of the limited total return history for the MSCI World Small Cap Index, its results are not addressed in the body of this report.¹¹ (MSCI relative performance data, segmented by region, is included in the Appendix, Exhibits A-16 through A-19, along with relative performance data for Citi and FTSE indices.) Here, focus is directed to the FTSE and EMI indices.

On an annualized basis since its inception in 1993, the FTSE Global Small Cap Index, up 10.0%, outperformed the FTSE Developed Large Cap Index, up 7.8%. The greatest outperformance on both an absolute basis and relative to large caps, was evident among North American small caps, as shown in Exhibit 11. Keep in mind that returns for small caps in the FTSE Index benefited from the Index's 1993 inception, as the earliest years of the '90s were characterized by poor performance for small caps relative to large caps.

Exhibit 11: FTSE Annualized Returns, Segmented by Region and Relative to Large Caps, 1994 to 2004

	Annualized Returns		Relative Returns
	Large Cap	Small Cap	Small - Large
World	7.8%	10.0%	2.1%
Asia-Pacific	0.6%	2.6%	1.9%
Europe	10.2%	11.4%	1.2%
North America	10.6%	12.8%	2.2%

Source: FTSE, 12-31-93 to 12-31-04

With its 1989 inception, EMI offers the best measure of long-term global small-cap performance. Similar to the overall results of the FTSE Indices, EMI outperformed the larger-cap PMI since EMI's inception. However, as shown in Exhibit 12, only small caps in the North American region outperformed their larger-cap peers. Small caps underperformed large caps in Europe and the Asia-Pacific region.

Exhibit 12: EMI Annualized Returns, Segmented by Region and Relative to PMI, July 1989 to Dec. 2004

	Annualized Returns		Relative Returns
	Large Cap (PMI)	Small Cap (EMI)	Small - Large
World	8.6%	9.2%	0.6%
Asia-Pacific	0.3%	0.2%	(0.1%)
Europe	11.4%	10.3%	(1.1%)
North America	11.3%	12.2%	0.9%

Source: S&P/Citigroup, 6-30-89 to 12-31-04

¹¹ Technically, the inception of the MSCI World Small Cap Index is 1998, but total returns commenced in 2002; only price returns are available prior to 2002. Thus, a comparison of total returns for these indices excludes the MSCI World Small Cap prior to 2002.

To further investigate these regional performance discrepancies between small and large caps, the Consistency Ratio was used to compare the EMI with the PMI and FTSE's small-cap index with its large-cap index. (Developed by the Brandes Institute, the Consistency Ratio measures the frequency with which an index or portfolio outperforms a given benchmark over rolling periods. A higher Consistency Ratio reflects more frequent outperformance. For example, a Consistency Ratio of 100% reflects outperformance during every period measured.)

For this analysis, annualized returns over rolling 3-year periods were calculated for regional large and small caps within these respective indices. (Monthly return data was used in the calculations.) To calculate relative performance, the annualized returns for large caps were subtracted from annualized returns for small caps. As shown in Exhibit 13, the Consistency Ratio represents the number of times (expressed as a percentage of all rolling 3-year periods) that small caps outperformed large caps. Also included is the average difference between small and large caps. (The average difference is the average of the absolute differences between annualized returns for small and large caps during each of the rolling periods in this analysis.)

Using Citi data, the relative performance of small and large caps was measured between June 1989 and December 2004. Adding FTSE data, relative returns were analyzed between December 1993 and December 2004. Exhibit 13 illustrates the results.

**Exhibit 13: Consistency Ratio for Small Cap and Large Cap Relative Returns,
Segmented by Region, July 1989 to Dec. 2004**

Citi Indices Over 3-Year Rolling Periods July 1989 - Dec. 2004		
Region	Average Difference	Consistency Ratio
World	(0.5%)	41.7%
Asia-Pacific	(2.1%)	30.5%
Europe	(1.7%)	34.4%
North America	0.5%	53.6%

Source: S&P/Citigroup, 6-30-89 to 12-31-04; see Endnote i

FTSE Indices Over 3-Year Rolling Periods 1994 - 2004		
Region	Average Difference	Consistency Ratio
World	0.5%	48.5%
Asia-Pacific	1.4%	55.7%
Europe	(1.2%)	40.2%
North America	0.5%	48.5%

Source: FTSE, 12-31-93 to 12-31-04; see Endnote i

Citi Indices Over 3-Year Rolling Periods 1994 - 2004		
Region	Average Difference	Consistency Ratio
World	(0.6%)	44.3%
Asia-Pacific	(1.3%)	42.3%
Europe	(1.7%)	39.2%
North America	(0.3%)	45.4%

Source: S&P/Citigroup, 12-31-93 to 12-31-04; see Endnote i

The results since 1989, the longest period for which robust data is available, reveal small caps *underperformed* worldwide (evidenced by the -0.5% average difference), but small caps *outperformed* in North America. Note that North American small caps outperformed large caps a little more than half the time, reflected in a Consistency Ratio of 53.6%.

Adding FTSE data and conducting the analysis since 1994 yielded slightly different results. Based on FTSE data, small caps worldwide tended to outperform large caps, but their Consistency Ratio was less than 50%. While small caps in Europe exhibited weak relative returns and North American small caps delivered a slight advantage, small caps in the Asia-Pacific region showed significant outperformance and a Consistency Ratio above 55%. These results for FTSE data were inconsistent with results based upon Citi data over the same period.

The most dramatic performance difference between FTSE and Citi occurred in the Asia-Pacific region (average small-cap *outperformance* of 1.4% in FTSE vs. small-cap *underperformance* of 1.3% in Citi.) This disparity stemmed not as much from the strong performance of Asia-Pacific small caps, but from a significant difference in returns among *large* caps, particularly between 2000-2004 when the FTSE Developed Large Cap Index suffered steep declines. Attribution analysis over that five-year period within the Asia-Pacific region suggests this performance differential emanated from Japan, and in particular the performance of financials, technology and utilities holdings. Thus, the significant underperformance among large caps exaggerated the relative outperformance of small caps.

In concluding this section of the paper, the following key findings are reiterated:

- North American small caps behave differently than their non-North American peers. They exhibit performance and tracking error differences. They also exhibit a more pronounced difference when comparing correlations between small- and large-cap counterparts within their respective regions.
- Variations in global small-cap index construction methodologies created composition differences across the most popularly used benchmarks. These differences were evident in regional and sector weightings, as well as market cap distribution.
- As already shown, stocks with the smallest market capitalizations, as measured by the Citi indices, have delivered the best returns during the period for which robust data is available.

Previously, it was posited that the performance differences exhibited by North American small caps vs. their global peers might be explained by these noted differences in index composition and/or coverage. Although analyses of various indices do indeed reflect a number of differences in characteristics, these differences often are not extreme. Thus, the overall performance patterns exhibited by North American small caps that distinguish them from their global counterparts suggest that index construction methodologies are *not* the most probable cause of their peculiarity.¹²

In the next section of this report, the second of the two hypotheses designed to explain differences between small-cap stocks in North America and around the world is examined – namely, that North American small caps are

¹² The limited amount of performance history for global small caps limits the conviction with which conclusions can be drawn. In addition, a variety of macro-economic factors (not addressed in this paper) certainly influenced returns. At the same time, the following observations merit noting: Since 1989, small-cap performance cycles, measured by relative performance differences on a calendar-year basis in aggregate and within regions, are evident. See Exhibit A-20 in the Appendix. Also, as these Exhibits illustrate, large-cap outperformance during this period was most pronounced in the mid to late 1990s.

inherently different, as measured by fundamental characteristics. To do this, global small-cap universes created by the Brandes Institute are introduced and details of the construction methodology used to create these universes are provided. These universes offer a comprehensive account of the investable, global small-cap market, have tight distributions around our estimate of the desired, global small-cap market cap range of \$500 million to \$2.5 billion, go back to 1984, and, perhaps most important for our goal, provide significant constituent-level fundamental data.

The Brandes Universes: Redefining Global Small Caps

With the ultimate goal of comparing constituent-level fundamental data for small-cap stocks worldwide to help explain performance differences, it was necessary to build comprehensive global small-cap universes. These universes are not intended to replace or compete with existing benchmarks. Instead, they were created purely for the purposes of our study to provide detailed fundamental characteristics for constituents, features not currently offered by index providers. At the inception of our work to create these universes, we did two things: first, various data sources were evaluated and a capitalization range that we believed to be representative of global small-cap stocks was defined.

To get comprehensive market coverage, extensive stock-specific fundamental data, and consistency of sector and industry classifications, the Compustat and Worldscope databases were chosen as data sources. Using these databases also enabled the creation of universes with an inception date in 1984, providing, as of year-end 2004, 20 years of coverage. The 20-year span for these universes also provides a longer period of coverage than conventional indices.

Secondly, an “ideal” target market-cap range was reviewed. The goal was to minimize the inclusion of uninvestable micro-cap, as well as what we considered inappropriate mid-cap, or “smaller” large-cap stocks. Based on investability and other considerations, including liquidity, we defined the ideal target market-cap range for global small-cap stocks as between \$500 million and \$2.5 billion. We sought to create universes with high concentrations within these market-cap parameters, while remaining cognizant of the relative market-cap size differences across countries and over time.

To build a global small-cap universe, individual country universes were created first. Stocks were sorted by relative market-cap percentiles at the beginning of the calculation period (December 31, 1984) for the 24 developed countries examined.¹³ Companies in the 16th through 50th market-cap percentiles¹⁴ within each country were targeted for inclusion. Companies in the 51st through 100th percentiles were deemed to be micro cap and/or too small for institutional small-cap portfolios.

By starting with individual countries (vs. aggregate ranking by regions), we believe the market-cap segments within each country are better captured. If, for example, all the European countries were aggregated, then a few countries would dominate the upper market caps. The majority of companies from the other European countries would be relegated to the lower percentiles – regardless of whether they were “large,” as measured by their own country’s total market cap. Starting with individual countries allows us to capture market structure changes on a country level and aggregate those changes to create a dynamic regional universe.

¹³ We included the following countries when developing individual country universes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, South Korea, Spain, Sweden, Switzerland, United Kingdom, and the United States.

¹⁴ Drawing upon previous Brandes Institute research on market-cap segments in global markets, we detect a natural break between small and large caps along these percentiles.

In addition to market cap, a free-float adjustment was integrated when constructing our country-specific universes. Only those companies with at least \$100 million in free float market cap (using Worldscope data¹⁵) were included – or a minimum full float market cap of \$200 million if the free float data was not available. In our opinion, these parameters accurately represent the low end of investable companies for a typical, small-cap institutional investor. If free float data was not available for a company, it was eliminated if its total market cap was less than \$200 million.

This process was repeated at the end of each calendar year to derive annually reconstituted series of country-specific universes. These universes were then aggregated to form the following regional universes: North America, Europe, and Asia-Pacific. Combining each of these regional universes yields a comprehensive Brandes Institute Global Small Cap (BIGSC) universe for the purposes of this study. Emerging market countries were not included as they often tend to be considered an independent asset class distinct from global equity.

The Brandes Institute Global Small Cap Universes (BIGSC)

In summary, the Brandes Institute believes that the various BIGSC country universes created for this study provide comprehensive opportunity sets affording the following benefits:

- Combining Compustat and Worldscope data offers comprehensive fundamental characteristics for a broad universe of securities on a constituent-level basis – going back to 1984.¹⁶
- The universes provide an accurate account of the investable global small-cap equity market for the typical institutional investor as they include fewer, illiquid micro-cap stocks (less than \$100 million in free float), and have tighter distributions around what we believe to be the desired small-cap market, \$500 million to \$2.5 billion.
- The use of market-cap percentiles in each country to define the small-cap segment offers a dynamic representation of the small-cap universe over time and market cycles. Beginning with country-specific universes and creating regional universes from various countries reduces large-country bias.¹⁷

Next, characteristics of the BIGSC, relative to the three index providers cited earlier in this report, were highlighted to gauge the BIGSC’s suitability as a proxy for global small-cap stocks. Traits such as regional weightings, sector exposure, and market cap distribution were evaluated.

As shown in Exhibit 14, the weighting in North America is lower for the BIGSC vs. the indices because of the decision to include those companies in the 16th through 50th market-cap percentiles within each country.

¹⁵ We used Worldscope data for “Closely Held Shares” as a proxy in creating the free-float adjustment. According to Worldscope, “closely held” represents shares held by insiders. The term includes shares held by officers, directors, and their immediate families, shares held in trust, shares of the company held by any other corporation (except shares held in a fiduciary capacity by banks or other financial institutions), shares held by pension/benefit plans, and shares held by individuals who hold 5% or more of the outstanding shares. . For Japanese companies, closely held represents the holdings of the 10 largest shareholders. For companies with more than one class of common stock, closely held shares for each class are added together. “Free float” refers to non closely held shares multiplied by the price of those shares. This measure provides an indication of market capitalization available for purchase or sale by the general public.

¹⁶ Note that the Compustat and Worldscope databases extend further back in time. We believed 1984 was an optimal inception date given the breadth and depth of data available.

¹⁷ Large countries tend to have more companies than smaller countries. Thus, indices created by aggregating companies at a regional level – not on an individual country level – may be more inclined to reflect a larger number of large-country constituents.

(Exhibit 14-A illustrates the number of companies in each region for the BIGSC, EMI, FTSE, and MSCI Indices.) Despite the abundant number of small-cap U.S. companies, the 50th percentile floor limits the absolute number of U.S. firms that are included in the North American universe. As of December 31, 2004, U.S. firms with market caps below \$644 million were excluded. As already noted, EMI includes all U.S. companies with market caps greater than \$100 million. While not inappropriate to construct an index with such guidelines, this approach tends to result in a heavier U.S. weighting (as reflected in Exhibit 14). In addition, existing index construction methods capture a greater number of small- and/or micro-cap stocks in North America, producing a lower average market cap (see Exhibit 16).

Exhibit 14: Regional Weightings: BIGSC and EMI, FTSE, and MSCI Indices, as of Dec. 2004

	BIGSC	EMI	FTSE	MSCI
North America	49.9%	55.9%	63.5%	52.1%
Europe	29.8%	29.4%	26.3%	25.5%
Asia-Pacific	20.3%	14.2%	10.1%	21.9%
Emerging Markets	0.0%	0.5%	0.0%	0.4%

Source: Brandes Institute, FTSE, S&P/Citigroup, and MSCI via FactSet as of 12-31-04

Regional weightings (including country breakdowns) for the BIGSC, EMI, FTSE, and MSCI as of year-end 2004 and year-end 1994 are shown in Exhibits A-3 and A-4 in the Appendix.

Exhibit 14-A: Regional Weightings: Number of Companies, as of Dec. 2004

	BIGSC	EMI	FTSE	MSCI
North America	1,440	3,169	1,881	790
Europe	954	1,618	1,029	460
Asia-Pacific	1,061	1,668	1,071	495
Emerging Markets	0	38	0	7
Total	3,455	6,493	3,981	1,752

Source: Brandes Institute, FTSE, S&P/Citigroup, and MSCI via FactSet as of 12-31-04

With respect to sector weightings, there are slight differences, as illustrated in Exhibit 15. Again, for a more detailed breakdown featuring sector weights by region as of year-end 2004, year-end 1994, and year-end 1984, please see Exhibits A-5, A-6, and A-7 in the Appendix.

Exhibit 15: Sector Weightings*: EMI, FTSE, MSCI Indices vs. BIGSC, as of Dec. 2004

	BIGSC	EMI	FTSE	MSCI
Consumer Disc.	18.3%	18.9%	16.8%	18.7%
Cons. Staples	5.5%	4.8%	4.4%	5.7%
Energy	5.6%	5.1%	5.0%	4.4%
Financials	23.1%	21.3%	21.7%	18.3%
Health Care	6.9%	8.9%	8.4%	8.7%
Industrials	16.4%	15.9%	18.7%	17.8%
Info. Technology	10.2%	12.0%	13.1%	14.0%
Materials	8.2%	8.5%	7.3%	8.3%
Telecom. Services	1.3%	1.0%	1.1%	1.1%
Utilities	3.9%	3.8%	3.4%	2.8%

Source: Brandes Institute, FTSE, S&P/Citigroup, and MSCI via FactSet as of 12-31-04; * constituents were mapped according to Global Industry Classification Standard ("GICS") specifications

In addition to regional and sector weightings, market cap distributions also were examined. Exhibit 16 illustrates the results, as of December 31, 2004. Note that the BIGSC provides the greatest concentration within the \$500 million to \$2.5 billion market-cap segments, almost 80%, vs. a low of 47.0% for EMI and a high of 68.9% for MSCI. Again, the Appendix contains more detailed data on this trait, including historical country-by-country breakdowns for EMI, FTSE, MSCI, and BIGSC. See Exhibits A-8 through A-15.

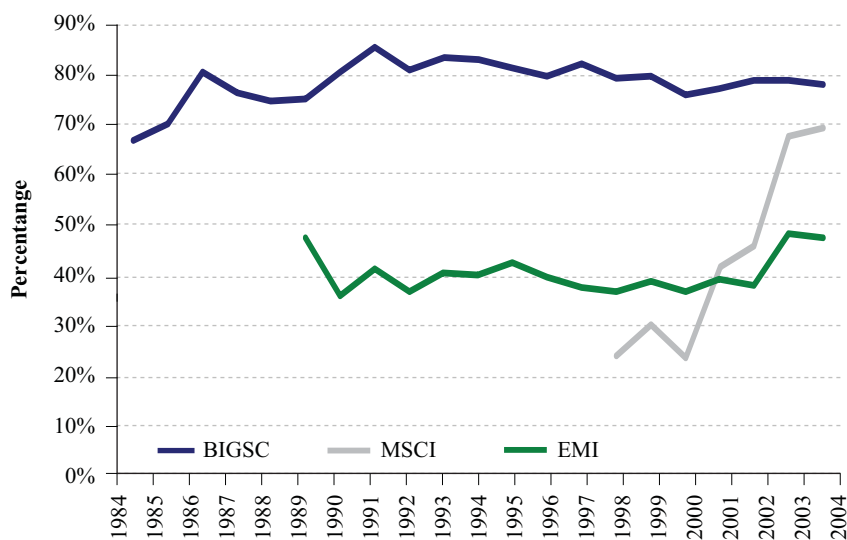
Exhibit 16: Market Cap Distribution: BIGSC, EMI, FTSE, and MSCI, as of Dec. 2004

	Avg. Mkt. Cap (in billions)	Number of Companies	Market Capitalization Distribution (in \$ billions)					
			<0.2	0.2-0.5	0.5-1.0	1.0-2.5	2.5-5.0	>5.0
BIGSC	\$1.27	3,455	0.1%	12.4%	37.1%	41.2%	8.9%	0.4%
EMI	\$1.15	6,493	11.0%	30.1%	23.3%	23.7%	8.0%	2.5%
FTSE	\$0.89	3,981	1.8%	30.0%	33.7%	28.2%	3.3%	0.0%
MSCI	\$0.89	1,752	2.3%	27.2%	34.9%	34.0%	0.7%	0.0%

Source: Brandes Institute, FTSE, S&P/Citigroup and MSCI via FactSet as of 12-31-04

As shown in Exhibit 17, the global BIGSC universe has shown a consistently higher percentage of constituents within the \$500 million to \$2.5 billion market-cap segment over time, relative to MSCI and EMI.

Exhibit 17: Percentage of Constituents in \$500M to \$2.5B Range, Dec. 1984 to Dec. 2004



Source: Brandes Institute, MSCI, S&P/Citigroup, as of 12-31-04

Given the similarities and differences in these characteristics between the BIGSC universe and these popular global small-cap indices, a performance comparison was conducted next.

Calculating Returns for the BIGSC

As previously described, the inception date for the BIGSC universe is December 31, 1984. The universes were reconstituted at the end of each subsequent calendar year. Thus, universe constituency remained static for 12-month periods. The weighted average total return of the sample for each month was used to calculate the universes' monthly returns. This process was repeated every month until full return series in local currencies and U.S. dollars were derived.¹⁸

Performance Comparison: BIGSC vs. EMI, MSCI, and FTSE

Calendar-year returns for the BIGSC since its inception reflect some differences vs. EMI, MSCI, and FTSE, particularly in 1999, 2000, and 2003. See Exhibit A-20 in the Appendix. Limited availability of holdings data for MSCI and FTSE prevents detailed attribution analysis vs. these indices. However, using holdings data for EMI, attribution analysis revealed the following:

- In 1999, BIGSC relative performance vs. EMI benefited from returns and heavier weightings among financials, particularly within the banking, insurance and capital markets industries. In addition, EMI had more smaller-cap companies in these industries that did not perform as well as BIGSC's holdings.

¹⁸ BIGSC indices were first calculated in USD to compare to and establish accuracy with published index performance results. To help nullify differences in currency conversion, local currency results of individual countries also were considered in establishing reasonability of BIGSC performance figures.

- Gains for BIGSC holdings in the consumer discretionary sector (especially in the media and specialty retail industries) and technology sector (particularly in the software & services industry) also had positive influences on relative returns in 1999.
- Conversely, underperformance in the technology sector adversely affected relative returns in 2000.

Despite performance discrepancies for BIGSC vs. the indices during these three, volatile years, when returns were annualized over longer periods, the BIGSC's return dispersion was reduced and correlations were high. See Exhibits 18 and 19. Note that all performance data in this paper is in U.S. dollars (see footnote 3).

Exhibit 18: Annualized Return Comparison of BIGSC, EMI, FTSE, and MSCI, as of Dec. 2004

	1 Year	3 Year	5 Year	7 Year	10 Year	15 Year
BIGSC	24.4%	17.9%	5.7%	10.1%	9.6%	7.4%
EMI	23.5%	16.8%	7.7%	9.5%	10.4%	8.4%
FTSE	24.5%	18.2%	8.8%	11.1%	10.2%	NA
MSCI	24.3%	18.1%	NA	NA	NA	NA

Source: Brandes Institute, MSCI, S&P/Citigroup, FTSE, as of Dec. 31, 2004
 Note that "NA" in a cell denotes that data is unavailable.

Exhibit 19: Correlation of BIGSC Relative to EMI, FTSE, and MSCI, as of Dec. 2004

	1 Year	3 Year	5 Year	7 Year	10 Year	15 Year
EMI	0.99	0.99	0.99	0.99	0.99	0.98
FTSE	1.00	0.98	0.99	0.99	0.98	0.98
MSCI	0.99	0.99	0.99	NA	NA	NA

Source: Brandes Institute, MSCI, S&P/Citigroup, FTSE, as of Dec. 31, 2004
 Note that "NA" in a cell denotes that data is unavailable.

Given that returns for the BIGSC and each of these global small-cap indices are comparable, throughout the remainder of this paper, the BIGSC is used to address relative performance and fundamental questions regarding small caps and large caps. With the high correlation between returns for the BIGSC universe and generally accepted indices – and the previously cited benefits the BIGSC universe provides for the purposes of our study – we believe BIGSC provides a solid proxy for the study of fundamental traits to explain, if possible, the performance differences between global small- and large-cap stocks – particularly those among North American small caps and their peers in the European and Asia-Pacific regions.¹⁹

In the following sections of this paper, characteristics such as regional exposure, sector weightings, and liquidity are drawn upon again to examine differences that may contribute to small caps' underperformance in select regions. The focus shifts from a comparison between various small-cap indices to an examination of differences between small caps and large caps (typically measured by the S&P/Citigroup PMI). In addition, analysis of constituent fundamentals is introduced with a focus on traits such as net sales growth, EBITDA (earnings before income taxes, depreciation, and amortization) growth, net asset growth, ROE (return on equity), and Capex (capital expenditures).

¹⁹ For more information on BIGSC performance, calendar-year returns for BIGSC vs. various indices, annualized Sharpe ratios and standard deviations for BIGSC, and other indices over multiple-year horizons, and correlations of returns for BIGSC individual country universes with PMI and PMI regional indices, see exhibits A-23 through A-28 in the Appendix.

Global Small Cap Performance: Examining Fundamental Traits

Earlier in this paper, relative performance discrepancies among global small caps vs. larger caps on a regional basis were noted (see Exhibits 1, 2, 3, and 4). In this section, the causes of these discrepancies are explored by examining regional and sector composition, liquidity, and select fundamental characteristics. The investigation begins by segmenting small caps, as measured by the BIGSC, and large caps, as measured by PMI, by regions and sectors and comparing relative returns. (As a reminder, PMI is the S&P/Citigroup Primary Market Index, a proxy for global, large-cap stocks.) All returns data are based on average annualized results between 1989 and 2004. Sector weights reflect an average since 1989, the inception of PMI.

Regional and Sector Analysis

Exhibit 20 illustrates differences in regional weightings, returns, and contribution to total returns for the BIGSC and PMI.

**Exhibit 20: Average Regional Weightings and Contribution to Return
Between July 1989 and Dec. 2004**

	BIGSC			PMI		
	Regional Return ²⁰ (Ann.)	Avg. Weight w/in Global Universe	Contribution to Global Universe Return ²⁰	Regional Return (Ann.)	Avg. Weight w/in Global Index	Contribution to Global Index Return
North America	13.0%	44.6%	7.0%	10.8%	53.2%	6.7%
Europe	9.4%	26.8%	3.4%	10.1%	27.4%	3.8%
Asia-Pacific	1.5%	28.4%	(0.8%)	(0.1%)	18.2%	(1.7%)
Total			8.3%			8.0%

Source: Brandes Institute via FactSet (average weight between 6-30-89 and 12-31-04)

The weighting for North America (44.6%) within the small-cap universe was less than that for North American large caps (53.2%) within PMI, suggesting less likelihood that returns for global small caps were driven by their North American contingents – relative to global large caps. However, the returns for North American small caps were higher than any other region. Subsequently, they had the greatest contribution to global returns.

In Europe, small caps showed a comparable weighting vs. large caps, but lower returns and, thus, a lower contribution to global index returns. In the Asia-Pacific region, the weight for small caps was higher than the weight of Asia-Pacific large caps within their respective global universes. Although small caps in the Asia-Pacific region outperformed large caps (which had flat to slightly negative returns), absolute returns for small caps were low. Overall, these regional return dynamics underscore the distinct nature of North American small caps.

²⁰ Despite a positive absolute return of 1.5% in the Asia-Pacific region, its contribution to the global universe return is negative (-0.8%). This apparent anomaly actually is accurate. It simply reflects FactSet's methodology for calculating performance attribution. The regional return is time weighted. The contribution is a weighted return. These differing calculation methods can produce results that appear counter intuitive. Additionally, one might look at the contribution column, recognize that the sum of the regional contributions to return does not equal the "Total" return and believe this is an error. This discrepancy also reflects FactSet's methodology. The contribution to return figures for each region are annualized. The "Total" of the individual regions is calculated by annualizing geometrically linked quarterly returns, not by simply summing each region's contribution.

One might argue North American small caps benefited from heavier weightings in certain sectors (such as technology and financials) that delivered exceptional returns during the period of study. To investigate that notion, sector returns for small caps relative to large caps within each region were analyzed – and small-cap sector returns relative to the same sector in other regions. Overall, of the 10 sectors studied among global small caps, eight sectors in North America delivered the highest returns during the period. Only among telecommunication services and utilities were returns for North American small caps lower than small caps in Europe or the Asia-Pacific regions. These findings suggest North American small-cap outperformance was broad based – and not the result of large weightings in select sectors. See Exhibit A-21 and A-22 in the Appendix.

Relative sector returns among small and large caps within each region were also compared. North American small caps outperformed North American large caps in six of the 10 sectors studied. This was the highest percentage among the three regions. Note that in the Asia-Pacific region, small caps also outperformed large caps in six sectors. However, in one sector, small caps delivered negative absolute returns that were better on a relative basis vs. large caps. In Europe, small caps outperformed large caps in four sectors.

Generally, the financials sector (among small and large caps) in North America and Europe had the greatest weight and generated the highest contribution to overall returns during the period. Overall, this portion of our analysis suggests that sector weightings among North American small caps were not the primary driver of their outperformance vs. North American large caps and non-North American small caps. Generally, North American small caps exhibited the greatest absolute returns – regardless of the sectors they populated.

Additional analysis was conducted on historical sector weightings. This investigation revealed that, since the inception of the BIGSC universes in 1985, weightings within regions have shifted – and rather significantly in select areas. For example, weightings rose sharply in the consumer discretionary, information technology, and financial sectors in North America. Conversely, weightings in each of these sectors declined in the Asia-Pacific region. Sector fluctuations in Europe were mixed during the period, with significant declines in information technology and notable increases in financials. Shifts in high-growth sectors such as information technology, consumer discretionary, and financials offer insight into potential contributors to performance differences between regions. Exhibit 21 illustrates absolute values for sector weightings within the BIGSC universes, segmented by region and across time (in Dec. 2004, Dec. 1994, and Dec. 1984).

Exhibit 21: BIGSC Sector Weights, Segmented by Region – Dec. 2004, Dec. 1994, and Dec. 1984

	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Telecom Services	Utilities
BIGSC - Dec. 2004	18.34%	5.46%	5.63%	23.06%	6.92%	16.41%	10.17%	8.23%	1.25%	3.90%
Asia Pacific	4.39%	1.98%	0.32%	3.6%	1.03%	4.17%	2.31%	2.09%	0.15%	0.26%
Europe	5.59%	1.88%	1.05%	7.69%	1.09%	6.05%	1.99%	2.32%	0.28%	1.25%
North America	8.35%	1.59%	4.26%	11.77%	4.81%	6.19%	5.86%	3.83%	0.82%	2.39%
BIGSC - Dec. 1994	18.5%	7.83%	2.86%	18.74%	4.65%	19.37%	8.88%	11.78%	1.05%	5.16%
Asia Pacific	7.84%	3.23%	0.59%	7.12%	1.45%	9.22%	3.33%	5.53%	0.00%	0.15%
Europe	3.85%	2.36%	0.34%	4.50%	0.76%	5.77%	1.12%	2.45%	0.09%	2.15%
North America	6.80%	2.24%	1.93%	7.13%	2.44%	4.39%	4.42%	3.80%	0.96%	2.86%
BIGSC - Dec. 1984	16.02%	9.25%	4.01%	15.79%	5.26%	17.90%	8.56%	11.84%	0.59%	10.59%
Asia Pacific	10.38%	5.86%	3.11%	10.42%	2.60%	10.77%	4.59%	6.90%	0.59%	9.70%
Europe	4.47%	1.83%	0.43%	3.36%	2.28%	5.74%	3.75%	3.85%	0.00%	0.47%
North America	1.17%	1.56%	0.46%	2.01%	0.38%	1.39%	0.22%	1.09%	0.00%	0.41%

Source: The Brandes Institute via FactSet, as of 12-31-04, 12-31-94, or 12-31-84

Similar to the comparison of various small-cap indices noted earlier, there are indeed differences when analyzing sectors across regions within the BIGSC universes. However, there are likely additional factors that contribute to the unique performance exhibited by North American small caps relative to their global peers. Toward the end of this paper, a number of these issues are cited.

Next, one of these factors, liquidity, is explored in greater detail and its influence, if any, on small-cap regional performance is evaluated.

*Liquidity*²¹

In general, one might argue that higher liquidity is a characteristic of more efficient markets that offer investors easier, cheaper transactions, and reflect greater ease of access to capital (critical to many small-cap companies' growth). As such, one might link these more efficient markets with greater total return potential. If that were true, the U.S. small-cap performance edge relative to non-U.S. small caps (as well as relative to U.S. large caps) may be explained to some degree by the liquidity-based evidence. However, from the perspective of equity risk premiums, less liquid markets, because of their relative inefficiencies, might, in theory, offer greater return potential. We believe efficient markets tend to exhibit higher average returns over the long term, but recognize that the range of returns likely is greater for less-efficient markets.

²¹ All liquidity-related data is for the 12 months ending December 31, 2004.

To test these notions in relation to the global small-cap markets, a variety of liquidity-related characteristics were studied, including market capitalization, free float, percentage of shares closely held, and trading volume.

Here, each metric studied is defined:

- Market capitalization = total number of shares outstanding (including all equity forms except treasury stock) multiplied by share price
- Free float market capitalization = one minus the percentage of closely held shares multiplied by market cap
- Percentage of closely held shares = represents shares held by insiders²²
- 12-month average share volume = average monthly number of shares traded over a 12-month period
- 12-month average shares outstanding = average monthly number of shares outstanding over a 12-month period
- Percentage of free float traded monthly = 12-month average volume traded / 12-month average free float
- Monthly dollar volume = average number of shares traded multiplied by average price

Note that all of the “average” data for these traits reflects the average of all stocks in each region, and thus, is designed to approximate the traits of the “average” company in each region. The findings are illustrated in Exhibit 22.

²² According to Worldscope, “closely held” represents shares held by insiders. The term includes shares held by officers, directors, and their immediate families, shares held in trust, shares of the company held by any other corporation (except shares held in a fiduciary capacity by banks or other financial institutions), shares held by pension/benefit plans, and shares held by individuals who hold 5% or more of the outstanding shares. For Japanese companies, closely held represents the holdings of the 10 largest shareholders. For companies with more than one class of common stock, closely held shares for each class are added together. “Free float” refers to non closely held shares multiplied by the price of those shares. This measure provides an indication of market capitalization available for purchase or sale by the general public.

Exhibit 22: BIGSC Universe - Liquidity Comparison^{21,22}, as of Dec. 2004

	Market Cap (in millions)	Free Float Mkt. Cap (in millions)	% of Shares Closely Held	% Shares Outstanding Traded Monthly	% of Free Float Traded Monthly	Monthly Dollar Volume (in millions)
Asia-Pacific	\$827.1	\$503.3	42.0%	8.7%	15.1%	\$64.5
Australia	\$899.2	\$605.1	34.3%	6.1%	9.9%	\$52.6
Hong Kong	\$864.5	\$350.4	59.0%	8.0%	17.9%	\$53.6
Japan	\$848.4	\$541.7	40.5%	8.0%	13.6%	\$63.6
New Zealand	\$333.6	\$187.7	36.4%	3.1%	5.7%	\$10.5
Singapore	\$690.5	\$272.7	58.9%	4.9%	13.1%	\$32.9
South Korea	\$731.6	\$485.8	33.8%	21.2%	32.6%	\$130.0
Europe	\$1,365.7	\$853.4	36.5%	7.1%	12.0%	\$99.0
Austria	\$649.9	\$373.2	53.2%	3.2%	6.8%	\$21.5
Belgium	\$1,020.2	\$493.1	39.6%	2.9%	4.3%	\$29.5
Denmark	\$756.8	\$473.7	34.1%	6.2%	8.2%	\$53.0
Finland	\$829.1	\$470.8	37.0%	5.4%	9.0%	\$43.8
France	\$1,691.0	\$835.9	53.5%	5.5%	10.3%	\$91.8
Germany	\$1,645.1	\$674.5	52.7%	4.5%	7.9%	\$77.2
Greece	\$568.6	\$284.0	49.9%	6.7%	16.0%	\$34.2
Ireland	\$604.2	\$388.6	30.3%	4.1%	5.9%	\$23.9
Italy	\$2,167.4	\$1,219.1	40.0%	5.7%	11.2%	\$121.3
Netherlands	\$2,545.0	\$1,593.1	34.7%	11.1%	16.8%	\$256.1
Norway	\$691.5	\$396.9	44.2%	7.6%	13.2%	\$50.1
Portugal	\$404.2	\$170.1	55.8%	14.9%	30.5%	\$14.0
Spain	\$2,845.2	\$1,432.7	51.2%	7.0%	15.9%	\$225.9
Sweden	\$1,294.3	\$877.2	32.6%	6.4%	8.5%	\$80.5
Switzerland	\$1,363.9	\$818.9	45.0%	4.5%	16.9%	\$65.0
U. Kingdom	\$1,094.1	\$880.5	21.3%	9.8%	13.2%	\$116.9
North America	\$1,497.4	\$1,221.0	22.1%	18.7%	26.9%	\$274.5
Canada	\$974.5	\$726.1	23.0%	6.7%	9.2%	\$56.8
United States	\$1,578.1	\$1,259.9	22.0%	20.6%	28.4%	\$308.0
Average	\$1,257.8	\$891.1	32.1%	12.5%	19.2%	\$163.3

Source: The Brandes Institute via FactSet; as of 12-31-04

At \$1.6 billion, the United States has one of the larger average market caps with one of the lower percentages of closely held shares (after the United Kingdom). Not surprisingly, the United States is among the countries with the highest average 12-month volume, expressed as a percentage of average shares outstanding (20.6%), percentage of free float traded monthly (28.4%), and monthly dollar volume (\$308.0 million). Next, returns and liquidity for select countries within the European and Asia-Pacific regions are analyzed.²³

In Europe, the most liquid markets appear to be the United Kingdom and the Netherlands, as measured by focusing on two of the liquidity-related traits noted above. First, the percentage of shares closely held in each country is lower than the European average. In addition, the percentage of free float traded monthly in each is higher than the regional average. The size of the companies in these countries may contribute to these better-than-average liquidity measures. The average market cap in the Netherlands is \$2.5 billion and \$1.1 billion in the United Kingdom. Focusing on the same two traits, the following countries are among the *least* liquid: Austria, France, and Germany. Each of these three countries has closely held shares in excess of 50% *and* a percentage of free float traded monthly that is well below the regional average of 12.0%. Exhibit 23 illustrates select liquidity traits for these countries vs. the regional average, as well as corresponding performance. As shown, the relationship between liquidity-related factors and returns among European small caps is not readily apparent.

**Exhibit 23: Liquidity Traits and Annualized Returns
for Select European Small-Cap Universes, as of Dec. 2004**

		% of Shares Closely Held ²²	% of Free Float Traded Monthly ²²	Annualized Returns		
				5-Year	10-Year	20-Year
Less Liquid Countries	Europe	36.5%	12.0%	0.3%	10.2%	10.1%
	Austria	53.2%	6.8%	12.2%	7.5%	NA
	France	53.5%	10.3%	1.5%	11.7%	11.8%
	Germany	52.7%	7.9%	(4.0%)	4.6%	6.5%
More Liquid Countries	Netherlands	34.7%	16.8%	11.2%	15.9%	15.6%
	United Kingdom	21.3%	13.2%	2.6%	9.3%	11.3%

Source: The Brandes Institute via FactSet; as of 12-31-04
Note that "NA" in a cell denotes that data is unavailable.

In Asia, companies on average tend to have a higher average percentage of closely held shares vs. the other regions, but the region's constituent countries show a "barbelled" distribution. In Singapore and Hong Kong, almost 60.0% of shares are closely held on average vs. approximately 34.0% in Australia and South Korea. Interestingly, Hong Kong's percentage of free float traded monthly is comparable to the United States and the United Kingdom, perhaps reflecting significant trading in a limited number of Hong Kong companies and/or shares. Using the same measures applied to Europe to determine "more liquid" countries (the percentage of shares closely held in a country is lower than the regional average *and* the percentage of free float traded monthly is higher than the regional average), South Korea is the only Asia-Pacific country meeting this definition. However, none of the six Asia-Pacific countries meet the definition of "less liquid" that was applied to European contingents. Japan, what

²³ Note that returns in Exhibits 23 and 24 were calculated using local currencies. Also, the results should be evaluated within the context of historical data availability. There are inherent limitations in comparing one year of liquidity data with 20 years of performance results, including the implicit assumption that the liquidity relationships among these countries across time remain relatively constant.

many consider a developed small-cap market, has a relatively low percentage of free float traded monthly (13.6% vs. the Asia-Pacific regional average of 15.1%), which may be indicative of a cultural bias toward insider ownership. At the same time, at 40.5%, Japan's percentage of shares closely held is slightly less than the regional average.

In general, in addition to a higher percentage of closely held shares, the Asia-Pacific region shows a much lower average market cap vs. the other two regions. This combination suggests far less liquidity in small-cap stocks relative to the other regions, as evidenced by its \$64.5 million in average monthly dollar volume. This is just 20% of the monthly average dollar volume in the United States. However, similar to the evidence for Europe shown above, there does not appear to be a measurable relationship between recent liquidity-related factors and longer-term performance in the Asia-Pacific region. See Exhibit 24, which includes all six Asia-Pacific countries in the BIGSC universe.

**Exhibit 24: Liquidity Traits and Annualized Returns
for Select Asia-Pacific Small-Cap Universes, as of Dec. 2004**

		Annualized Returns				
		% of Shares Closely Held ²²	% of Free Float Traded Monthly ²²	5-Year	10-Year	20-Year
Mixed Liquidity	Asia Pacific	42.0%	15.1%	6.0%	2.4%	4.8%
	Australia	34.3%	9.9%	12.2%	13.1%	NA
	Hong Kong	59.0%	17.9%	10.1%	5.9%	NA
	Japan	40.5%	13.6%	4.8%	1.1%	3.7%
	Singapore	58.9%	13.1%	7.5%	5.3%	NA
	New Zealand	36.4%	5.7%	11.9%	NA	NA
More Liquid	South Korea	33.8%	32.6%	6.9%	(1.9%)	NA

Source: The Brandes Institute via FactSet; as of 12-31-04
Note that "NA" in a cell denotes that data is unavailable.

Differing trading-related "footprints" for North American small caps, especially in the United States, vs. non-North American small caps may reflect different market structures and perceptions, each of which may influence performance. As previously cited, North American small caps were the best-performing small caps during this study. Their outperformance explains the BIGSC's performance advantage vs. the larger-cap PMI. However, the link between performance and liquidity-related factors is ambiguous. (For complete, country-by-country performance histories, see Exhibit A-23 in the Appendix. For a country-by-country breakdown that compares liquidity traits for small caps and large caps, see Exhibit A-29 in the Appendix. Exhibit A-30 provides a sector-by-sector comparison of liquidity traits for small caps and large caps.)

Thus far, the evidence presented in this report on sector composition, market cap distribution, and liquidity-related factors confirms unique traits and performance patterns for North American small caps. These findings

suggest that expectations about North American small caps should not be identical to their non-North American siblings. But can the performance differences noted among North American small caps be better explained? Perhaps by factors beyond those already addressed here? In the next section, differences in company-level fundamental characteristics are explored to see if they reveal insights into the performance differences among the world's small-cap stocks.

Global Small Caps: Fundamental Analysis

In this section, traits such as sales growth, earnings before interest, taxes, depreciation, and amortization (“EBIT-DA”) growth, and return on equity (“ROE”) (aggregated by region) are analyzed with the goal of revealing structural, fundamentals-based differences in the small-cap universe across different regions.

As shown in Exhibit 25, North American small caps tended to have the highest absolute values among a number of the traits studied. Relative to their Asia-Pacific and European peers, they, in aggregate, have a higher 3-year sales compound annual growth rate (“CAGR”), higher 3-year EBITDA CAGR, and higher 3-year asset CAGR. In addition, they tend to be younger companies, as measured by years since incorporation (especially relative to European companies).

Exhibit 25: BIGSC Universe – Fundamental Traits²⁴, Segmented by Region, as of Dec. 2004

	Number of Companies	Sales Growth (3 Yr. CAGR)	Asset Growth (3 Yr. CAGR)	EBITDA Growth (3 Yr. CAGR)	Company Age Since Inc. (years)	Employee Growth (1 Yr.)	ROE (1 Yr.)	3 Yr. Change ROE	Capex/Sales (1 Yr.)	Capex/Sales (2 Yr. Avg.)	Capex/Depr. (2 Yr. Avg.)
Asia Pacific	1,061	11.9%	6.9%	15.7%	30.3	7.7%	8.6%	9.4%	0.07	0.08	1.5
Europe	954	12.0%	6.0%	13.0%	36.5	6.7%	12.5%	3.4%	0.09	0.10	1.3
North America	1,440	16.5%	18.4%	19.4%	27.1	8.3%	12.0%	8.6%	0.13	0.14	1.5
Average	3,455	14.0%	11.8%	16.7%	29.7	7.7%	11.1%	7.3%	0.10	0.11	1.5

Source: The Brandes Institute via FactSet, as of 12-31-04

Other fundamental measures such as capital expenditures as a percentage of sales (capex/sales) are significantly higher for North American companies. Note that the capex/depreciation ratio is highest among North American and Asia-Pacific companies. We believe mature businesses operating in a benign inflationary environment tend to exhibit capex/depreciation ratios of approximately 1.0, or just above to account for inflation. For high-growth companies, however, capex could be expected to exceed depreciation. Conversely, businesses characterized as deep cyclicals might exhibit ratios of less than 1.0, reflecting their tendency to conserve cash. (For historical fundamental breakdowns by regions, see Exhibits A-31 through A-33 in the Appendix.)

²⁴ Fundamental data was provided by Compustat and Worldscope. Note that the fundamentals featured in this exhibit are averages that include companies in the financials sector for the following traits: number of companies, sales growth, EBITDA growth, company age, and employee growth since inception. Financial companies were excluded when calculating asset growth, ROE, 3-year change in ROE, Capex/Sales, 2-year average of Capex/Sales, and 2-year average Capex/Depreciation due to these companies' unique balance sheet and capital expenditure characteristics. Financial companies include real estate investment trusts and, particularly in the Asia-Pacific region, other real estate-related equities that tend to skew select fundamental traits.

In aggregate, one might suspect that the generally higher absolute levels for these traits exhibited by North American small caps may reflect heavier concentrations in traditionally “high growth” sectors such as information technology and health care. However, when the regions are broken down into global sectors, North American small caps exhibit consistently higher characteristics across a majority of sectors, as well. To quantify this, the average numbers for six of the growth-focused fundamental characteristics cited above²⁵ were analyzed across sectors in all three regions. Using these six traits, we ranked each sector relative to its counterparts in the other regions. Our rankings reflected assigning each sector a number based on the following scale:

- 1 = the sector with the highest number for a trait vs. the other regions
- 2 = the sector with the second-highest number for a trait vs. the other regions
- 3 = the sector with the lowest number for a trait vs. the other regions

The sum of those ranked growth metrics determined the sector score for each region. For example, North American materials companies scored *highest* in five of the six fundamental traits examined (and second-highest in the other). Thus, the total “score” for this sector in North America is seven. Sectors with the lowest scores might be characterized with a *higher* aggregate growth bias relative to other regions. Applying this approach across all nine sectors in each region, we find that four sectors in North America had the lowest scores. In the consumer staples sector, North America was tied for the lowest score with the Asia-Pacific region. For complete results, see Exhibit 26. The sector with the lowest score in each region is shaded.

Exhibit 26: Relative Sector Growth Metric Scores^{24, 25}, BIGSC, as of Dec. 2004

	Asia-Pacific	Europe	North America
Consumer Discretionary	9	17	10
Consumer Staples	10	16	10
Energy	13	9	14
Health Care	13	14	9
Industrials	14	14	8
Information Technology	11	17	8
Materials	17	12	7
Telecom. Services	11	8	17
Utilities	6	13	17

Source: The Brandes Institute via FactSet, as of 12-31-04

For a complete breakdown of these traits for the BIGSC by region and sector as of year-end 2004, year-end 1994, and year-end 1984, see Exhibits A-34, A-35, and A-36, respectively, in the Appendix. In general, as these Appendix exhibits illustrate, North American small caps exhibit the highest numbers for sales, asset, and EBITDA increases. Asia-Pacific small caps show the highest numbers in employee increases and capex/depreciation. The latter may reflect regional accounting differences, given the asset growth profile of Asia-Pacific small caps. In Europe, the most consistent growth metric was capex/sales.

²⁵ The six growth-focused fundamental characteristics used in relative sector growth metric scores were 3-year sales CAGR, 3-year asset CAGR, 3-year EBITDA CAGR, 1-year employee growth, Capex/Sales (2-year average), and Capex/Depreciation (2-year average).

The fundamental traits of larger-cap stocks, as measured by PMI, also were analyzed. The aggregate results are shown in Exhibit 27. Large caps tend to exhibit similar traits vs. small caps. Note that sales growth, asset growth, and EBITDA growth are all greatest in North America. Large caps in Europe show the highest return on equity. Asia-Pacific large caps tend to be the youngest companies and are among the highest in terms of capex/sales and capex/depreciation ratios.

Exhibit 27: PMI – Fundamental Traits²⁴, Segmented by Region, as of Dec. 2004

	Number of Companies	Sales Growth (3 Yr. CAGR)	Asset Growth (3 Yr. CAGR)	EBITDA Growth (3 Yr. CAGR)	Company Age Since Inc. (years)	Employee Growth (1 Yr.)	ROE (1 Yr.)	3 Yr. Change ROE	Capex/Sales (1 Yr.)	Capex/Sales (2 Yr. Avg.)	Capex/Depr. (2 Yr. Avg.)
Asia Pacific	452	7.2%	5.1%	12.2%	38.8	5.9%	11.5%	10.1%	0.09	0.10	1.4
Europe	331	3.9%	2.3%	11.3%	43.6	1.8%	22.8%	13.0%	0.09	0.09	1.1
North America	562	10.6%	11.2%	16.6%	42.2	4.1%	17.5%	11.4%	0.10	0.10	1.2
Average	1,352	7.9%	7.1%	14.0%	41.6	4.1%	16.7%	11.2%	0.10	0.10	1.3

Source: S&P/Citigroup via FactSet, as of 12-31-04

Similar to the approach for small caps, each large-cap sector was ranked in each region to facilitate cross-regional comparisons. Again, the sector with the lowest score in each region is shaded. See Exhibit 28 below.

Exhibit 28: Relative Sector Growth Metric Scores^{24, 25}, PMI, as of Dec. 2004

	Asia-Pacific	Europe	North America
Consumer Discretionary	10	17	9
Consumer Staples	13	15	8
Energy	16	13	7
Health Care	18	11	7
Industrials	10	12	14
Information Technology	8	16	12
Materials	17	11	8
Telecom. Services	8	15	13
Utilities	11	12	13

Source: S&P/Citigroup via FactSet, as of 12-31-04

Similar to results for small caps, North American large caps show a higher growth bias across a number of sectors relative to the other regions. However, Asia-Pacific companies show noteworthy aggregate fundamentals in a number of sectors, including information technology, as well as industrials, and utilities.

To facilitate a comparison of the small-cap and large-cap traits across regions, two exhibits are provided. In Exhibit 29 the two, previously cited tables (Exhibits 25 and 27) featuring average fundamental traits, segmented by region for the BIGSC and PMI, are presented in close proximity.

Exhibit 29: Comparison of Fundamental Traits²⁴ – BIGSC vs. PMI, as of Dec. 2004

BIGSC	Number of Companies	Sales Growth (3 Yr. CAGR)	Asset Growth (3 Yr. CAGR)	EBITDA Growth (3 Yr. CAGR)	Company Age Since Inc. (years)	Employee Growth (1 Yr.)	ROE (1 Yr.)	3 Yr. Change ROE	Capex/Sales (1 Yr.)	Capex/Sales (2 Yr. Avg.)	Capex/Depr. (2 Yr. Avg.)
Asia Pacific	1,061	11.9%	6.9%	15.7%	30.3	7.7%	8.6%	9.4%	0.07	0.08	1.5
Europe	954	12.0%	6.0%	13.0%	36.5	6.7%	12.5%	3.4%	0.09	0.10	1.3
North America	1,440	16.5%	18.4%	19.4%	27.1	8.3%	12.0%	8.6%	0.13	0.14	1.5
Average	3,455	14.0%	11.8%	16.7%	29.7	7.7%	11.1%	7.3%	0.10	0.11	1.5
PMI											
Asia Pacific	450	7.2%	5.1%	12.2%	38.8	5.9%	11.5%	10.1%	0.09	0.10	1.4
Europe	331	3.9%	2.3%	11.3%	43.6	1.8%	22.8%	13.0%	0.09	0.09	1.1
North America	562	10.6%	11.2%	16.6%	42.2	4.1%	17.5%	11.4%	0.10	0.10	1.2
Average	1,352	7.9%	7.1%	14.0%	41.6	4.1%	16.7%	11.2%	0.10	0.10	1.3

Source: The Brandes Institute; S&P/Citigroup via FactSet, as of 12-31-04

To further help with relative comparisons, a number of illustrations are presented, starting with Exhibit 30-1. These are designed to show the following information for each fundamental trait examined:

- absolute values for BIGSC and PMI, segmented by region, presented in side-by-side columns
- the ratio of large caps to small caps (PMI/BIGSC), presented as a numbered data point between the columns. This is designed to illustrate the fundamental growth premium enjoyed by a region's small-cap stocks relative to large caps. The lower the ratio, the larger the difference between the small-cap and large-cap fundamental trait for the given region. Any ratio greater than one means that the fundamental growth trait is actually higher for the large-cap stocks than it is for the small caps in that region.

A review of Exhibits 30-1 to 30-6 yields the following observations:

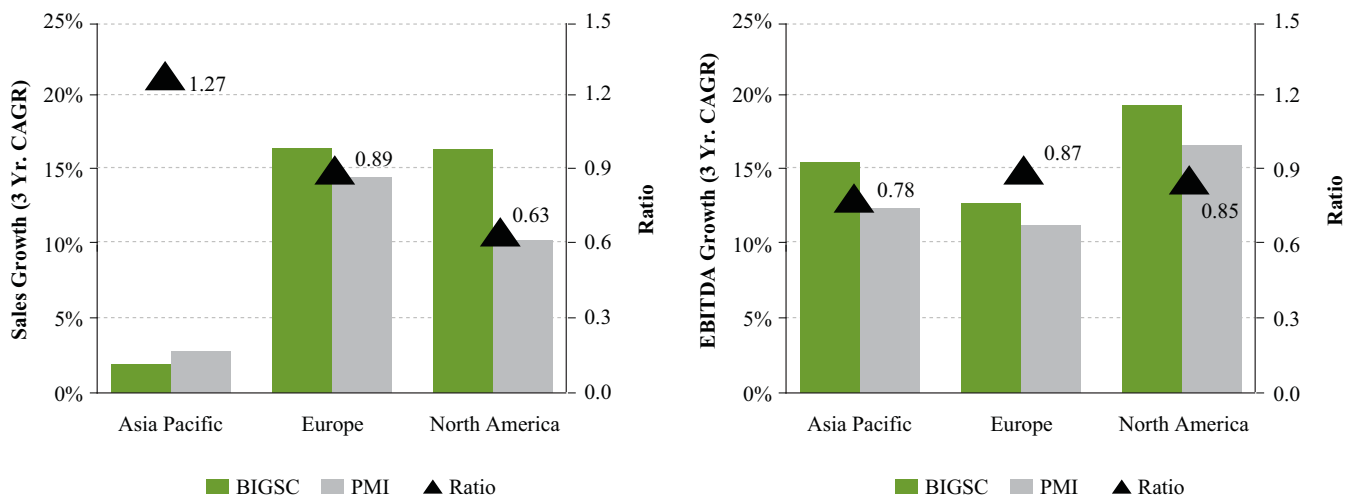
- In most cases, the absolute values for North American small caps are greater than their small-cap peers in Europe and the Asia-Pacific region. As already noted, this is especially true for traits such as sales growth, EBITDA growth, and asset growth. Also, this dynamic generally is evident among the capex-related metrics.
- These greater numbers for North American small caps might lead one to suspect that the ratio of large caps to small caps (PMI/BIGSC) for these traits would be lower in North America vs. other regions as a large denominator in the ratio produces a lower ratio. However, this is not always the case, as the ratio also is dependent upon the numerator (or the large-cap figure in this case). In many cases, the numbers for large caps in non-North American regions are so small, they tend to drive the ratio lower. This is particularly true for select European traits, such as sales growth, asset growth, and employee growth.

- For company age, a larger ratio suggests that smaller caps are much younger relative to large caps in that region. Note that European small caps are very close in age to European large caps, on average.

- Among the ROE-related traits, large absolute values for European large caps contribute to higher ratios vs. those in North America and the Asia-Pacific regions.

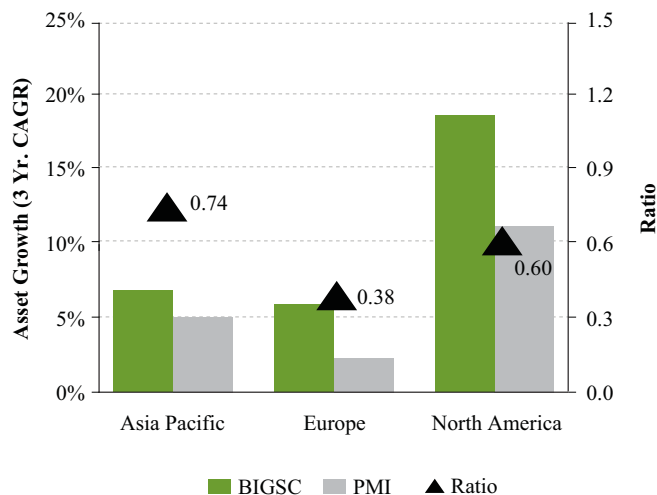
The relationships among these fundamental traits going back in time also were analyzed. While the numbers are different, the relationships tend to be similar. See Exhibits A-37 to A-42 in the Appendix for more details.

Exhibit 30-1: Sales Growth²⁴ (3-Year CAGR) and EBITDA Growth²⁴ (3-Year CAGR), as of Dec. 2004



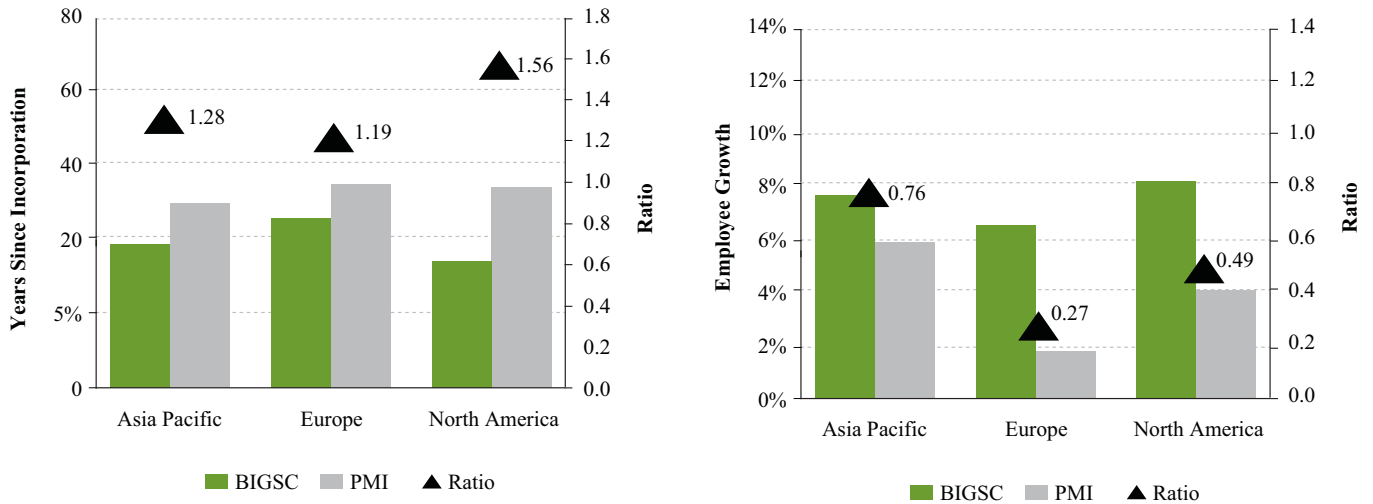
Source: The Brandes Institute; S&P/Citigroup via FactSet, as of 12-31-04

Exhibit 30-2: Asset Growth²⁴ (3-Year CAGR), as of Dec. 2004



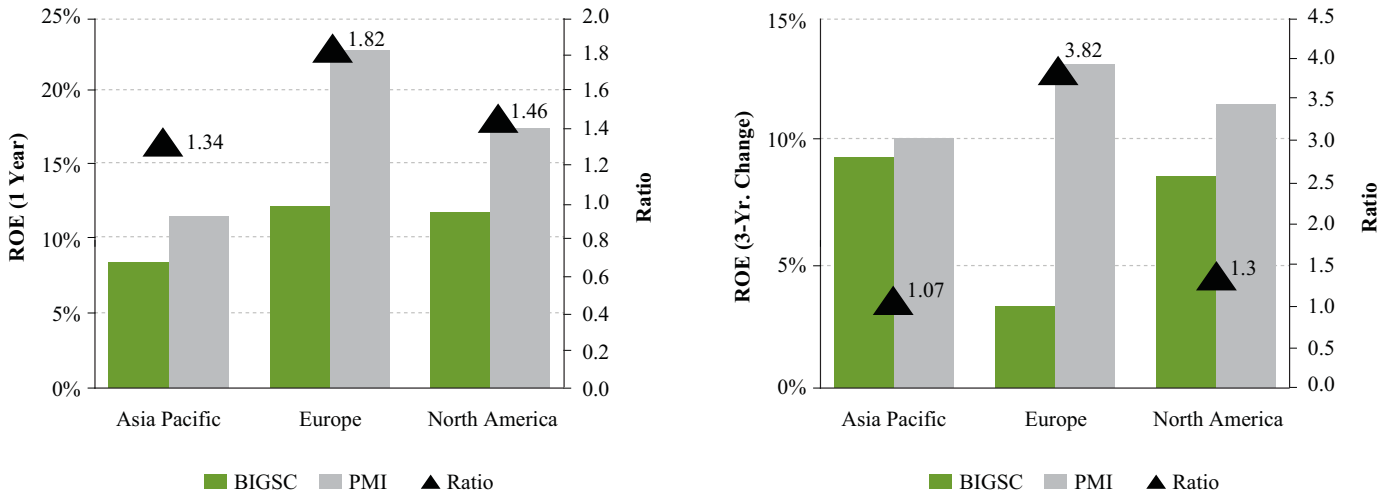
Source: The Brandes Institute; S&P/Citigroup via FactSet, as of 12-31-04

Exhibit 30-3: Years Since Incorporation and Employee Growth, as of Dec. 2004



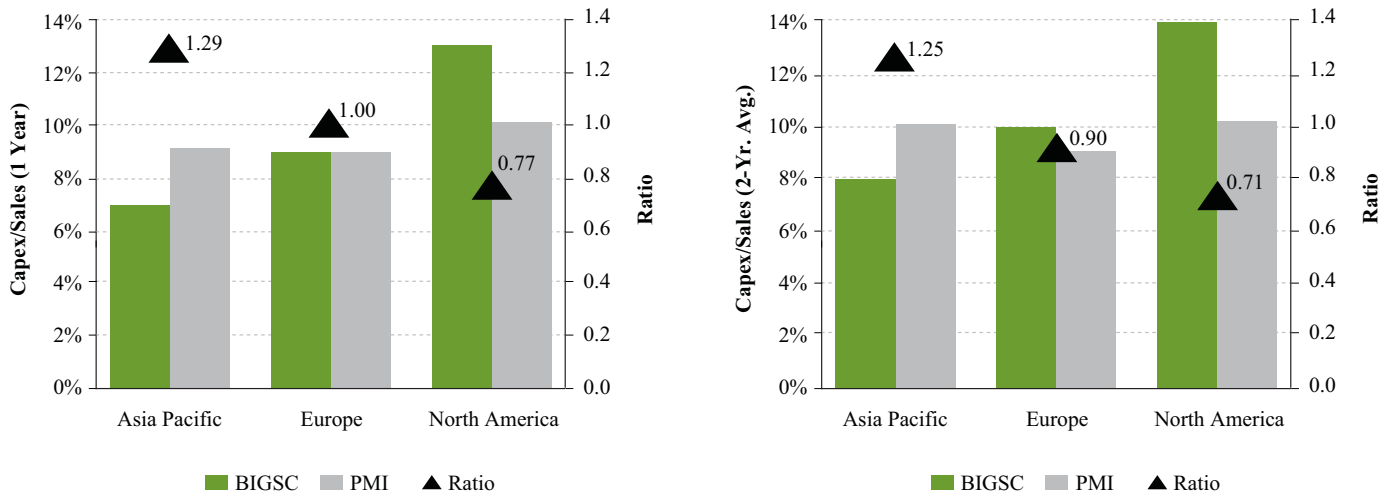
Source: The Brandes Institute; S&P/Citigroup via FactSet, as of 12-31-04

Exhibit 30-4: ROE²⁴ (1-Year) and ROE²⁴ (3-Year Change), as of Dec. 2004



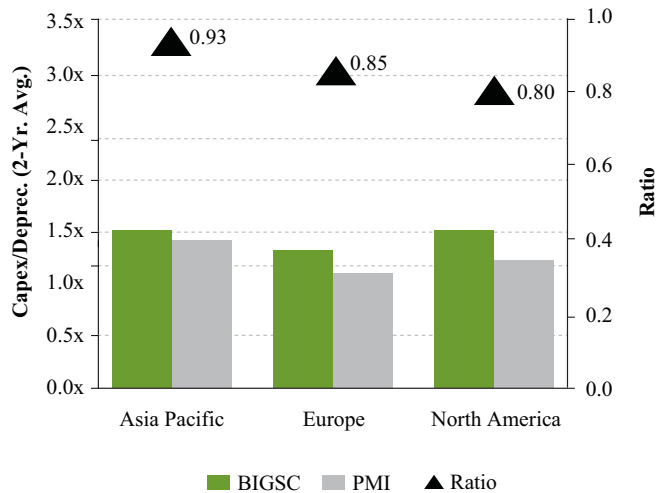
Source: The Brandes Institute; S&P/Citigroup via FactSet, as of 12-31-04

Exhibit 30-5: Capex/Sales²⁴ (1 Year) and Capex/Sales²⁴ (2-Year Average), as of Dec. 2004



Source: The Brandes Institute; S&P/Citigroup via FactSet, as of 12-31-04

Exhibit 30-6: Capex/Depreciation²⁴ (2-Year Average), as of Dec. 2004



Source: The Brandes Institute; S&P/Citigroup via FactSet, as of 12-31-04

Given the higher absolute levels for traits such as asset growth, EBITDA growth, and sales growth for North American small caps and their outperformance vs. other regions, one might conclude that “growth like” stocks are driving returns. Of course, this notion assumes greater absolute numbers are synonymous with growth stocks. But growth or value definitions hinge upon valuation measures. And when valuation metrics such as price to book and price to earnings ratios were studied, they were, on average, comparable across all three regions over the course of the study. Thus, North American small caps are no more “expensive” in aggregate than small caps in Europe or the Asia-Pacific region. At the same time, as other Brandes Institute studies have shown, when universes are

segmented using valuation metrics, the resulting deciles show significant performance discrepancies. For detailed analysis supporting value stocks' outperformance across countries and capitalization segments, please see the Brandes Institute reports, "Value vs. Glamour: Updated and Expanded" and "The Value Premium in Non-U.S. Markets" available at www.brandes.com/institute.

Overall, North American small caps exhibited differentiating fundamental traits vs. their non-U.S. small-cap peers, especially when viewed on an absolute basis. Their characteristics tend to be consistent with North American large caps: higher absolute values for sales, asset, and EBITDA growth. North American small caps also tend to have higher capex/sales and capex/depreciation ratios. However, the findings are less clear when making intra-regional, relative comparisons of small caps to large caps. Of course, as noted, the relative comparisons may be skewed by idiosyncrasies among large caps within select countries and/or sectors. Country and/or regional regulatory and economic factors also may play a part in structural differences among small-cap markets.

This analysis of small-cap fundamentals should be viewed as preliminary, rather than definitive. The findings underpin our conviction that additional work in this area may help better explain performance differences among small caps – and between small caps and large caps – in different regions of the world. Perhaps the origins of small-cap companies are different across regions. For example, within the small-cap segment in Europe, there may be a greater number of companies spun off from mature firms vs. businesses conceived and launched as start-ups. Results presented here confirm that European small caps are indeed the oldest of the world's small caps, as measured by average age since incorporation. Extending that theme, if one thinks in terms of a company's "lifecycle," there likely is a greater number of North American small-cap firms in the earlier, rapid-growth stages of their existence. In Phase II of our research on global small caps, the Brandes Institute intends to explore these notions by using these and other fundamental traits to group companies in terms of their lifecycle points – and then examine the performance characteristics of these groupings across regions and sectors. We share our thanks with Stephen McCourt of the Meketa Group for making the initial suggestion to analyze small caps globally based upon their lifecycle points. We appreciate his interest and input in this research.

Summary

Global small caps offer compelling reasons for investment, including the potential to enhance overall portfolio performance and minimize volatility through their lower correlations with other asset classes. The goal of the research described in this paper is to better understand the characteristics of this asset class, as small caps have exhibited performance differences when segmented by regions. We are mindful that, while historically, the performance of non-U.S. small caps has not reflected the traditional risk premium evident among U.S. small caps, this "historical" period to which we refer is relatively short. Of course, one might point to the last five years, in which non-U.S. small caps have delivered solid gains, as validation of their outperformance potential. This only serves to segment this short-term history into an even shorter-term window. While the most recent period may mark the start of an extended period of outperformance for non-U.S. small caps, we make no predictions regarding the frequency or duration of small-cap performance cycles. For more information on the recent performance cycle for non-U.S. small caps, see "Last Call for International Small," a white paper published by GMO in December 2005.²⁶

In this paper, we reviewed performance differences among small- and large-cap stocks in global markets with the goal of better understanding why the risk premium has not been apparent consistently for small caps in markets outside the United States since 1985. We examined non-U.S. small-cap indices and revealed differences in how

²⁶ Spangler, Drew. "Last Call for International Small." January 9, 2006.

this asset class is defined based upon characteristics such as market capitalization, number of constituents, sector and country weightings, and liquidity. There are a variety of factors that certainly influenced returns for these asset classes that were intentionally left unexplored in this paper, including political developments, socio-economic changes, cultural tendencies, and interest-rate fluctuations. Other influences such as shifts in currencies and market cycles were touched upon briefly. These factors, while important, were beyond the scope of our primary focus on fundamental traits.

We specifically sought to address the potential relationship between performance and fundamental characteristics. Toward that end, we introduced a series of country and regional small-cap universes constructed by the Brandes Institute. Using these universes, we analyzed regional and sector composition and constituent-level fundamentals and their influence on performance differences. Looking ahead, we plan to extend our fundamental analysis of the global small-cap universe using metrics that seek to define companies in terms of their point on a “lifecycle” and the relationship, if any, of these lifecycle points and performance.

Our lifecycle analysis will seek to address, for example, whether U.S. small-cap firms are indeed more often young, entrepreneurial companies while European small-cap companies, by comparison, tend to be mature divisions spun off by larger corporations, or late-lifecycle firms that have declined over time. In essence, are more U.S. firms in the early stages of their lifecycles? And is there a link between these lifecycle phases for a small-cap business and performance?

Endnotes

¹ Rolling periods represent a series of overlapping, smaller time periods within a single, longer-term time period. A hypothetical example is the 20-year period from 12-31-82 through 12-31-02. This long-term period consists of 16 smaller, five-year “rolling” segments. The first segment is the 5-year period from 12-31-82 to 12-31-87. The next rolling segment is the 5-year period from 12-31-83 to 12-31-88, and so on.

This material was prepared by the Brandes Institute, a division of Brandes Investment Partners®. It is intended for informational purposes only. It is not meant to be an offer, solicitation, or recommendation for any product or services. 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. The foregoing reflects the thoughts and opinions of the Brandes Institute. International and emerging markets securities entail risk such as currency fluctuation and political instability. Stocks of small companies usually experience more volatility than mid and large sized companies.

The Morgan Stanley Capital International EAFE Small Cap Index is an unmanaged index consisting of developed-market, small-cap companies from Europe, Australasia, and the Far East. The index is used as a benchmark for small-cap international equity portfolios and includes dividends and distributions net of corresponding withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing.

The Morgan Stanley Capital International EAFE Index is an unmanaged index consisting of equities from Europe, Australasia, and the Far East. The index is often used as a benchmark for international equity portfolios and includes dividends and distributions net of corresponding withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing.

The Morgan Stanley Capital International USA Small Cap Index is an unmanaged index consisting of U.S., small-cap securities. The index is used as a benchmark for small-cap U.S. equity portfolios and includes dividends and distributions, but does not reflect fees, brokerage commissions, or other expenses of investing.

The Morgan Stanley Capital International USA Large Cap Index is an unmanaged index consisting of U.S., large-cap securities. The index is used as a benchmark for large-cap U.S. equity portfolios and includes dividends and distributions, but does not reflect fees, brokerage commissions, or other expenses of investing.

The S&P/Citigroup Extended Market Index (EMI) is an unmanaged index that tracks small capitalization companies by relative-size, as opposed to the absolute-size cap-range index series, on a country-by-country basis. The Primary Market Index (PMI)/Extended Market Index (EMI) split is determined by first ranking all Broad Market Index (BMI) companies by total capitalization. The top 80% of each region's available capital becomes the PMI, and the remaining 20% represents the EMI.

The S&P/Citigroup Extended Market Index (EMI) World Index is an unmanaged index that tracks small capitalization companies from developed markets around the world, including the United States. It includes the reinvestment of dividends and income but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The S&P/Citigroup Extended Market Index World Ex-U.S. Index (EMI ex-U.S.) is an unmanaged index that tracks small-capitalization companies from developed markets around the world excluding those domiciled in the United States. It includes the reinvestment of dividends and income but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The S&P/Citigroup Primary Market Index (PMI) is an unmanaged index that tracks large capitalization companies by relative-size, as opposed to the absolute-size cap-range index series, on a country-by-country basis. The Primary Market Index (PMI)/Extended Market Index (EMI) split is determined by first ranking all Broad Market Index (BMI) companies by total capitalization. The top 80% of each region's available capital becomes the PMI, and the remaining 20% represents the EMI.

The S&P/Citigroup Primary Market Index (PMI) World Index is an unmanaged index that tracks large-capitalization companies from developed markets around the world. It includes the reinvestment of dividends and income but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The S&P/Citigroup Primary Market Index World Ex-U.S. Index (PMI ex-U.S.) is an unmanaged index that tracks large-capitalization companies from developed markets around the world, excluding those domiciled in the United States. It includes the reinvestment of dividends and income but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The S&P/Citigroup Extended Market Index North America (EMINA) Index is an unmanaged index that tracks small capitalization companies from North America. It includes the reinvestment of dividends and income but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The S&P/Citigroup Primary Market Index North America (PMINA) Index is an unmanaged index that tracks large-capitalization companies from North America. It includes the reinvestment of dividends and income but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The S&P/Citigroup Extended Market Index (EMI) Europe Index is an unmanaged index that tracks small capitalization companies from Europe. It includes the reinvestment of dividends and income but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The S&P/Citigroup Primary Market Index (PMI) Europe Index is an unmanaged index that tracks large-capitalization companies from Europe. It includes the reinvestment of dividends and income but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The S&P/Citigroup Extended Market Index (EMI) Asia Pacific Index is an unmanaged index that tracks small capitalization companies from the Asia Pacific region. It includes the reinvestment of dividends and income but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The S&P/Citigroup Primary Market Index (PMI) Asia Pacific Index is an unmanaged index that tracks large-capitalization companies from the Asia Pacific region. It includes the reinvestment of dividends and income but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The FTSE Global Small Cap Index is an unmanaged index that tracks small-cap stocks of developed countries around the world. It includes the reinvestment of dividends and income but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The FTSE Developed Large Cap Index is an unmanaged index that tracks large-cap stocks of developed countries around the world. It includes the reinvestment of dividends and income but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The MSCI World Small Cap Index is an unmanaged index that tracks the small-cap segment in 23 of the world's developed equity markets. It includes the reinvestment of dividends and income but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

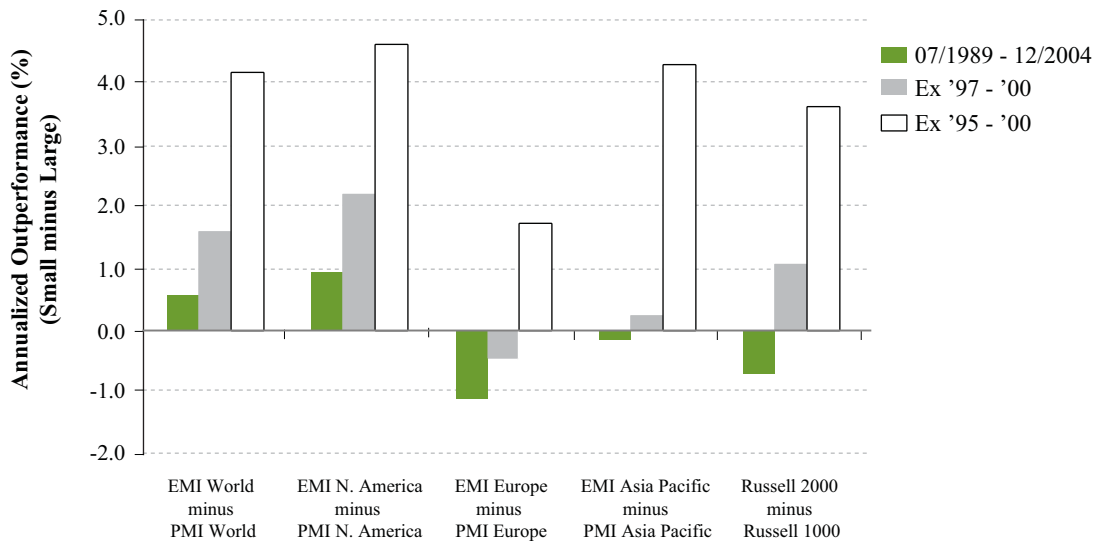
The Russell 2000 Index is an unmanaged index that measures the performance of the 2000 smallest of the 3000 largest U.S. companies based on total market capitalization. It includes the reinvestment of dividends and income, but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The Russell 1000 Index is an unmanaged index that measures the performance of the 1000 largest U.S. companies based on total market capitalization. It includes the reinvestment of dividends and income, but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The MSCI World Index is an unmanaged index designed to measure global developed market equity performance. It includes the reinvestment of dividends and income, but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

Appendix

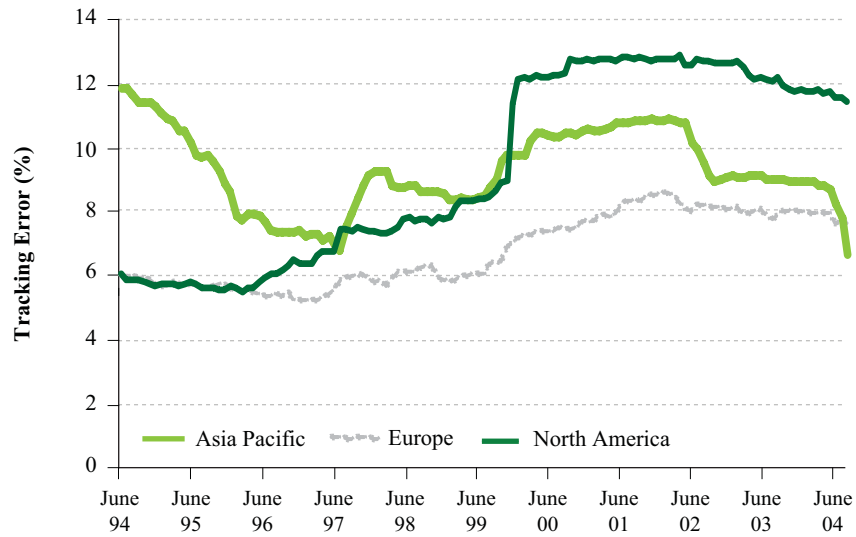
Exhibit A-1: Annualized Relative Performance for Global Small and Large Caps, July 1989 to Dec. 2004



Source: S&P/Citigroup, FTSE, Russell, and MSCI, 6-30-89 to 12-31-04

- Measured by S&P/Citigroup EMI and PMI World indices, small caps outperformed large caps during this study (1989-2004), as noted with the solid, darker bars. However, small-cap outperformance was not consistent across regions (note small-cap underperformance in Europe and Asia).
- When excluding certain years from the study in which large-caps delivered exceptional gains (1997-2000 and 1995-2000), small-cap outperformance became more evident across regions.

Exhibit A-2: Rolling 5-Year Tracking Error: EMI vs. PMI, Segmented by Region (Small Relative to Large), July 1989 to Dec. 2004



Source: S&P/Citigroup, 6-30-89 to 12-31-04; see Endnote i

- Tracking error for North American small caps relative to large caps showed a different pattern relative to Europe and the Asia-Pacific region. Coinciding with the robust gains among large-cap technology stocks, rolling 5-year tracking error spiked in North America in the late '90s.

Exhibit A-3: Regional and Country Exposure, as of Dec. 2004

	BIGSC (%)	EMI (%)	FTSE (%)	MSCI (%)	PMI (%)	MSCI World (%)
Asia-Pacific	20.3	14.2	10.1	21.9	14.4	13.2
Australia	2.2	2.4	1.1	4.3	2.2	2.2
Hong Kong	2.1	0.9	0.4	1.3	1.0	0.8
Japan	13.6	9.3	8.3	14.5	9.7	9.7
New Zealand	0.2	0.1	0.1	0.8	0.1	0.1
Singapore	0.8	0.4	0.2	1.1	0.4	0.4
South Korea	1.4	1.1	--	--	1.0	--
Emerging	--	0.5	--	0.4	0.6	0.6
Europe	29.8	29.4	26.3	25.5	29.5	30.8
Austria	0.2	0.1	0.4	0.5	0.2	0.2
Belgium	0.8	0.7	0.5	1.0	0.5	0.6
Denmark	0.6	0.5	0.6	0.8	0.4	0.3
Finland	0.7	0.6	0.9	1.3	0.6	0.6
France	4.4	3.7	1.8	2.1	3.6	4.1
Germany	2.8	3.0	1.8	2.0	2.9	3.1
Greece	0.5	0.2	0.5	0.5	0.3	0.2
Iceland	--	--	--	--	--	--
Ireland	0.2	0.4	0.6	0.5	0.4	0.4
Italy	3.3	1.9	1.8	1.4	1.9	1.9
Netherlands	2.3	2.1	1.5	1.5	2.1	1.9
Norway	0.5	0.3	0.8	0.9	0.3	0.3
Portugal	0.1	0.2	0.1	0.1	0.2	0.2
Slovenia	--	--	--	--	--	--
Spain	2.8	1.8	1.3	0.7	1.8	1.8
Sweden	1.6	1.0	1.3	1.8	1.1	1.1
Switzerland	1.8	2.8	2.1	1.8	2.8	3.0
United Kingdom	7.4	10.4	10.1	8.6	10.6	11.1
North America	49.9	55.9	63.5	52.1	55.5	55.5
Canada	4.3	3.0	5.5	4.9	3.3	2.9
United States	45.6	52.9	58.1	47.3	52.2	52.6

Source: Brandes Institute, S&P/Citigroup, FTSE, and MSCI via FactSet, as of 12-31-04

Note that "--" in a cell denotes no weighting.

- Note: "BIGSC" refers to the Brandes Institute Global Small Cap universe, an aggregate of country-specific, small-cap universes created by the Brandes Institute for this study. For more information about BIGSC, see page 15 of this report.
- Exhibits A-3 and A-4 illustrate the weighting within North America for each of these small-cap indices increased between 1995 and year-end 2004 and exposure in the Asia-Pacific region declined during the same period, most notably in Japan. Note that each of the popular indices is market-cap weighted while the BIGSC is equal weighted.
- When comparing indices, country/regional weights can show disparity over time. For example, the Asia-Pacific weight in FTSE was greater than EMI in 1995, but the opposite was true at year-end 2004. Similarly, at the individual country level, the Japan weighting in FTSE was greater than EMI in 1995, but less than EMI at year-end 2004.

Exhibit A-4: Regional and Country Exposure, as of Dec. 1994

	BIGSC (%)	EMI (%)	FTSE (%)	PMI (%)
Asia-Pacific	38.46	27.99	33.30	26.53
Australia	1.59	1.58	1.00	1.55
Hong Kong	1.79	1.46	1.07	1.32
Japan	33.05	24.12	30.39	22.80
New Zealand	--	0.12	0.21	0.19
Singapore	0.85	0.56	0.63	0.57
South Korea	1.19	0.16	--	0.10
Emerging	--	0.09	--	0.03
Europe	24.57	25.77	29.72	27.23
Austria	0.21	0.11	0.66	0.14
Belgium	0.73	0.39	0.51	0.50
Denmark	0.23	0.35	0.93	0.32
Finland	0.15	0.26	0.75	0.27
France	4.33	2.73	4.53	2.92
Germany	3.26	3.30	3.77	3.56
Greece	0.01	0.04	0.26	0.04
Ireland	--	0.14	0.32	0.17
Italy	1.38	0.91	2.45	1.03
Netherlands	1.75	2.01	1.21	2.24
Norway	0.13	0.15	0.59	0.15
Portugal	--	0.08	0.30	0.07
Spain	1.14	0.67	1.14	0.69
Sweden	1.28	0.88	1.11	0.89
Switzerland	1.51	2.46	1.76	2.42
United Kingdom	8.46	11.29	9.43	11.82
North America	36.97	45.99	36.98	45.99
Canada	2.81	1.82	6.39	2.06
United States	34.16	44.18	30.59	43.94

Source: Brandes Institute, S&P/Citigroup, and FTSE via FactSet, as of 12-31-94

Note that "--" in a cell denotes no weighting.

- Unavailability of data prevents illustration of larger-cap MSCI World and smaller-cap MSCI World Indices at year-end 1994.

Exhibit A-5: Global Sector Index Exposures, as of Dec. 2004

	EMI (%)	FTSE (%)	MSCI (%)	BIGSC (%)	PMI (%)	MSCI World (%)
Consumer Discretionary	18.89	16.83	18.72	18.34	10.50	12.60
Asia Pacific	2.51	2.27	5.00	4.39	2.42	2.40
Emerging	0.09	--	0.09	--	0.02	--
Europe	6.84	4.14	4.80	5.59	2.07	3.11
North America	9.45	10.42	8.83	8.35	5.99	7.09
Consumer Staples	4.79	4.38	5.74	5.46	9.04	8.61
Asia Pacific	1.34	0.91	2.28	1.98	0.68	0.77
Emerging	0.02	--	0.06	--	--	0.00
Europe	1.57	1.45	1.67	1.88	2.89	2.79
North America	1.86	2.02	1.73	1.60	5.47	5.04
Energy	5.10	5.05	4.39	5.63	8.55	7.68
Asia Pacific	0.21	0.20	0.28	0.32	0.23	0.16
Emerging	0.09	--	0.02	--	0.03	0.04
Europe	0.67	1.06	1.12	1.05	3.56	3.12
North America	4.13	3.79	2.97	4.26	4.73	4.37
Financials	21.26	21.74	18.29	23.06	27.02	24.62
Asia Pacific	2.99	1.41	2.91	3.60	4.11	3.47
Emerging	0.24	--	0.15	--	--	0.02
Europe	5.88	6.42	4.94	7.69	9.38	8.76
North America	12.15	13.91	10.28	11.77	13.54	12.38
Health Care	8.86	8.35	8.73	6.92	10.79	10.36
Asia Pacific	0.65	0.47	1.14	1.03	0.61	0.63
Europe	1.82	1.31	1.45	1.09	2.92	2.92
North America	6.39	6.57	6.14	4.81	7.26	6.81
Industrials	15.87	18.74	17.75	16.41	9.20	10.30
Asia Pacific	3.09	2.71	4.60	4.17	1.79	1.85
Emerging	0.02	--	0.07	--	0.37	0.35
Europe	6.32	7.41	6.30	6.05	1.50	2.33
North America	6.44	8.62	6.77	6.19	5.53	5.77
Information Technology	12.00	13.08	14.04	10.17	11.82	11.58
Asia Pacific	1.49	1.06	2.70	2.31	1.91	1.55
Emerging	0.03	--	0.05	--	0.14	0.09
Europe	1.95	2.05	2.25	1.99	1.01	1.26
North America	8.52	9.97	9.03	5.86	8.76	8.68
Materials	8.48	7.28	8.30	8.23	4.65	5.27
Asia Pacific	1.67	1.12	2.55	2.09	1.20	1.27
Emerging	--	--	--	--	0.07	0.05
Europe	3.07	1.53	1.85	2.32	1.46	1.88
North America	3.74	4.63	3.90	3.83	1.93	2.07
Telecom. Services	0.98	1.10	1.10	1.25	4.44	4.96
Asia Pacific	0.07	0.01	0.11	0.15	0.68	0.45
Emerging	0.03	--	--	--	--	--
Europe	0.27	0.29	0.36	0.28	3.11	2.93
North America	0.61	0.80	0.62	0.82	0.65	1.59
Utilities	3.76	3.43	2.83	3.90	3.97	3.96
Asia Pacific	0.15	0.08	0.25	0.26	0.72	0.65
Europe	1.00	0.69	0.73	1.25	1.62	1.67
North America	2.61	2.66	1.85	2.39	1.63	1.65

Source: Brandes Institute, S&P/Citigroup, FTSE, and MSCI via FactSet, as of 12-31-04

Note that "--" in a cell denotes no weighting.

Exhibit A-6: Global Sector Exposures, as of Dec. 1994

	BIGSC (%)	EMI (%)	FTSE (%)	PMI (%)
Consumer Discretionary	18.50	17.31	15.90	13.43
Asia Pacific	7.84	5.63	6.79	3.89
Emerging	--	--	--	--
Europe	3.85	4.64	4.38	3.25
North America	6.80	7.04	4.73	6.28
Consumer Staples	7.83	6.19	7.09	11.36
Asia Pacific	3.23	1.91	2.00	1.47
Emerging	--	--	--	--
Europe	2.36	2.40	2.56	3.57
North America	2.24	1.89	2.53	6.32
Energy	2.86	2.54	3.46	7.51
Asia Pacific	0.59	0.26	0.46	0.30
Emerging	--	0.02	--	--
Europe	0.34	0.26	0.42	3.12
North America	1.93	1.99	2.58	4.10
Financials	18.74	21.53	15.08	21.40
Asia Pacific	7.12	6.15	3.43	8.32
Emerging	--	--	--	--
Europe	4.50	5.04	7.16	6.24
North America	7.13	10.33	4.49	6.65
Health Care	4.65	6.35	4.81	8.36
Asia Pacific	1.45	1.18	1.05	0.60
Europe	0.76	0.77	1.03	2.61
North America	2.44	4.40	2.73	5.15
Industrials	19.37	18.59	27.12	13.05
Asia Pacific	9.22	6.62	11.19	4.85
Emerging	--	0.07	--	0.03
Europe	5.77	6.35	10.14	2.46
North America	4.39	5.55	5.79	5.72

continued on next page. . .

Exhibit A-6: Global Sector Exposures, as of Dec. 1994 (continued)

	BIGSC (%)	EMI (%)	FTSE (%)	PMI (%)
Information Technology	8.88	10.21	8.75	6.52
Asia Pacific	3.33	2.40	3.42	1.82
Emerging	--	--	--	--
Europe	1.12	1.25	0.98	0.44
North America	4.42	6.56	4.35	4.25
Materials	11.78	10.03	12.80	8.98
Asia Pacific	5.53	3.59	4.76	2.74
Emerging	--	--	--	--
Europe	2.45	2.63	2.26	2.72
North America	3.80	3.80	5.78	3.53
Telecom. Services	1.05	0.45	0.72	3.24
Asia Pacific	--	--	0.04	0.77
Emerging	--	--	--	--
Europe	0.09	0.02	0.01	1.41
North America	0.96	0.44	0.67	1.07
Utilities	5.16	6.46	4.27	6.03
Asia Pacific	0.15	0.22	0.15	1.70
Emerging	--	--	--	--
Europe	2.15	2.25	0.79	1.41
North America	2.86	3.99	3.33	2.92

Source: Brandes Institute, S&P/Citigroup, and FTSE via FactSet, as of 12-31-94

Note that "--" in a cell denotes no weighting.

- When comparing indices, sector weightings also can show disparity over time. For example, FTSE and EMI showed comparable weightings in financials at year-end 2004; but at year-end 1994, EMI's weighting was notably greater.
- Lack of data prevents illustration of larger-cap and smaller-cap MSCI Indices at year-end 1994.

Exhibit A-7: Global Sector Exposures for BIGSC, as of Dec. 1984

	BIGSC (%)
Consumer Discretionary	16.02
Asia Pacific	4.47
Europe	1.17
North America	10.38
Consumer Staples	9.25
Asia Pacific	1.83
Europe	1.56
North America	5.86
Energy	4.01
Asia Pacific	0.43
Europe	0.46
North America	3.11
Financials	15.79
Asia Pacific	3.36
Europe	2.01
North America	10.42
Health Care	5.26
Asia Pacific	2.28
Europe	0.38
North America	2.60
Industrials	17.90
Asia Pacific	5.74
Europe	1.39
North America	10.77
Information Technology	8.56
Asia Pacific	3.75
Europe	0.22
North America	4.59
Materials	11.84
Asia Pacific	3.85
Europe	1.09
North America	6.90
Telecom. Services	0.59
Asia Pacific	--
Europe	--
North America	0.59
Utilities	10.59
Asia Pacific	0.47
Europe	0.41
North America	9.70

Source: Brandes Institute, as of 12-31-84.

For more information about BIGSC, see page 15 of this report.

Note that "--" in a cell denotes no weighting.

- Over the 20 years since year-end 1984, small-cap exposure in the consumer staples and utilities sectors generally declined. Conversely, exposure to financials generally increased.

Exhibit A-8: Market Cap Distribution of EML, as of Dec. 2004

	Avg. Mkt.Cap (B)	# Companies	% in Market Capitalization Segments										Number of Companies in Market Capitalization Segments										NA
			<\$0.2B	\$0.2-\$0.5B	\$0.5-\$1.0B	\$1.0-\$2.5B	\$2.5-\$5.0B	\$5.0B+	<\$0.2B	\$0.2-\$0.5B	\$0.5-\$1.0B	\$1.0-\$2.5B	\$2.5-\$5.0B	\$5.0B+									
World	\$1.15	6,491	11%	30%	23%	24%	8%	3%	713	1,965	1,522	1,553	527	163	86								
Asia Pacific	\$0.71	1,668	10%	39%	26%	22%	1%	0%	163	656	436	363	22	1	27								
Australia	\$0.77	193	13%	35%	21%	24%	3%	0%	26	68	41	46	6	0	6								
Hong Kong	\$0.78	128	9%	34%	34%	21%	2%	0%	12	44	43	27	2	0	0								
Japan	\$0.70	1,115	8%	41%	27%	22%	1%	0%	94	458	299	246	13	0	5								
New Zealand	\$0.37	15	13%	47%	27%	0%	0%	0%	2	7	4	0	0	0	2								
Singapore	\$0.58	71	13%	39%	32%	15%	0%	0%	9	28	23	11	0	0	0								
South Korea	\$0.74	146	14%	35%	18%	23%	1%	1%	20	51	26	33	1	1	14								
Emerging	\$1.21	43	5%	32%	22%	29%	12%	0%	2	13	9	12	5	0	2								
Europe	\$1.59	1,611	9%	27%	22%	24%	11%	6%	141	432	363	382	182	104	7								
Austria	\$0.71	20	0%	25%	55%	15%	0%	0%	0	5	11	3	0	0	1								
Belgium	\$1.41	40	5%	35%	13%	33%	8%	8%	2	14	5	13	3	3	0								
Denmark	\$0.86	41	5%	37%	27%	29%	2%	0%	2	15	11	12	1	0	0								
Finland	\$0.96	62	10%	34%	19%	35%	2%	0%	6	21	12	22	1	0	0								
France	\$2.28	179	3%	19%	27%	22%	12%	15%	6	34	49	40	21	27	2								
Germany	\$2.32	148	2%	23%	22%	28%	9%	16%	3	34	33	42	13	23	0								
Greece	\$0.48	46	13%	54%	28%	4%	0%	0%	6	25	13	2	0	0	0								
Ireland	\$1.18	22	5%	27%	18%	45%	5%	0%	1	6	4	10	1	0	0								
Italy	\$1.88	125	2%	19%	22%	24%	26%	5%	3	24	27	30	32	6	3								
Netherlands	\$1.86	81	6%	22%	27%	28%	6%	10%	5	18	22	23	5	8	0								
Norway	\$0.59	42	12%	43%	26%	19%	0%	0%	5	18	11	8	0	0	0								
Portugal	\$1.41	15	7%	20%	27%	20%	27%	0%	1	3	4	3	4	0	0								
Spain	\$2.30	72	8%	17%	13%	28%	21%	14%	6	12	9	20	15	10	0								
Sweden	\$1.17	86	9%	24%	26%	29%	12%	0%	8	21	22	25	10	0	0								
Switzerland	\$2.30	126	11%	26%	18%	23%	13%	9%	14	33	23	29	16	11	0								
United Kingdom	\$1.22	506	14%	29%	21%	20%	12%	3%	73	149	107	100	60	16	1								
North America	\$1.15	3,169	13%	27%	23%	25%	10%	2%	407	864	714	796	318	58	12								
Canada	\$0.67	354	16%	33%	27%	22%	0%	0%	55	118	95	79	1	0	6								
United States	\$1.21	2,815	13%	27%	22%	25%	11%	2%	352	746	619	717	317	58	6								

Source: S&P/Citigroup via FactSet, as of 12-31-04

Note: Multiple sources were used to gather this data. Coverage between these sources is not consistent. The "NA" column illustrates gaps in coverage.

- North America and Europe had the greatest percentage of stocks outside the \$200 million to \$5 billion range.
- North America had the most stocks in the <\$200 million segment (measured by number and percentage of overall market capitalization).
- Generally, distribution across various regions was comparable.

Exhibit A-10: Market Cap Distribution of FTSE, as of Dec. 2004

	Avg. Mkt. Cap (B)	# Companies	% in Market Capitalization Segments							Number of Companies in Market Capitalization Segments							NA
			<\$0.2B	\$0.2-\$0.5B	\$0.5-\$1.0B	\$1.0-\$2.5B	\$2.5-\$5.0B	\$5.0B+	<\$0.2B	\$0.2-\$0.5B	\$0.5-\$1.0B	\$1.0-\$2.5B	\$2.5-\$5.0B	\$5.0B+			
World	\$0.89	3,981	5%	30%	34%	28%	3%	0%	191	1,195	1,340	1,122	132	1	0		
Asia Pacific	\$0.47	1,071	14%	53%	28%	6%	0%	0%	147	566	297	60	1	0	0		
Australia	\$0.34	96	25%	56%	17%	2%	0%	0%	24	54	16	2	0	0	0		
Hong Kong	\$0.31	73	27%	62%	11%	0%	0%	0%	20	45	8	0	0	0	0		
Japan	\$0.49	856	10%	52%	31%	7%	0%	0%	89	442	267	57	1	0	0		
New Zealand	\$0.29	9	11%	89%	0%	0%	0%	0%	1	8	0	0	0	0	0		
Singapore	\$0.35	37	35%	46%	16%	3%	0%	0%	13	17	6	1	0	0	0		
Europe	\$0.98	1,029	3%	26%	34%	32%	5%	0%	28	272	354	327	48	0	0		
Austria	\$1.13	15	0%	20%	40%	33%	7%	0%	0	3	6	5	1	0	0		
Belgium	\$0.92	29	0%	34%	21%	41%	3%	0%	0	10	6	12	1	0	0		
Denmark	\$1.06	23	0%	22%	35%	39%	4%	0%	0	5	8	9	1	0	0		
Finland	\$1.03	31	0%	23%	32%	45%	0%	0%	0	7	10	14	0	0	0		
France	\$1.36	67	1%	13%	34%	42%	9%	0%	1	9	23	28	6	0	0		
Germany	\$0.98	86	2%	23%	35%	37%	2%	0%	2	20	30	32	2	0	0		
Greece	\$0.53	49	14%	45%	33%	8%	0%	0%	7	22	16	4	0	0	0		
Ireland	\$1.19	18	0%	22%	17%	61%	0%	0%	0	4	3	11	0	0	0		
Italy	\$1.10	82	2%	28%	29%	30%	10%	0%	2	23	24	25	8	0	0		
Netherlands	\$1.04	48	0%	17%	40%	40%	4%	0%	0	8	19	19	2	0	0		
Norway	\$0.83	38	3%	29%	47%	18%	3%	0%	1	11	18	7	1	0	0		
Portugal	\$0.97	9	0%	22%	44%	22%	11%	0%	0	2	4	2	1	0	0		
Spain	\$1.55	38	0%	18%	21%	39%	21%	0%	0	7	8	15	8	0	0		
Sweden	\$0.93	56	2%	18%	43%	38%	0%	0%	1	10	24	21	0	0	0		
Switzerland	\$0.93	86	1%	35%	27%	34%	3%	0%	1	30	23	29	3	0	0		
United Kingdom	\$0.90	354	4%	29%	37%	27%	4%	0%	13	101	132	94	14	0	0		
North America	\$1.09	1,881	1%	19%	37%	39%	4%	0%	16	357	689	735	83	1	0		
Canada	\$1.05	168	1%	16%	42%	38%	4%	0%	2	27	70	63	6	0	0		
United States	\$1.10	1,713	1%	19%	36%	39%	4%	0%	14	330	619	672	77	1	0		

Source: FTSE, as of 12-31-04

Note: Multiple sources were used to gather this data. Coverage between these sources is not consistent. The "NA" column illustrates gaps in coverage.

Exhibit A-11: Market Cap Distribution of FTSE, as of Dec. 1994

	Avg. Mkt. Cap (B)	# Companies	% in Market Capitalization Segments							Number of Companies in Market Capitalization Segments							NA
			<\$0.2B	\$0.2-\$0.5B	\$0.5-\$1.0B	\$1.0-\$2.5B	\$2.5-\$5.0B	\$5.0B+	<\$0.2B	\$0.2-\$0.5B	\$0.5-\$1.0B	\$1.0-\$2.5B	\$2.5-\$5.0B	\$5.0B+			
World	\$0.44	2,433	29%	40%	24%	8%	0%	0%	696	962	589	185	1	0	0		
Asia Pacific	\$0.40	863	25%	43%	29%	3%	0%	0%	219	374	246	24	0	0	0		
Australia	\$0.18	58	67%	33%	0%	0%	0%	0%	39	19	0	0	0	0	0		
Hong Kong	\$0.99	113	94%	6%	0%	0%	0%	0%	106	7	0	0	0	0	0		
Japan	\$0.50	631	3%	54%	39%	4%	0%	0%	22	339	246	24	0	0	0		
New Zealand	\$0.15	15	87%	13%	0%	0%	0%	0%	13	2	0	0	0	0	0		
Singapore	\$0.14	46	85%	15%	0%	0%	0%	0%	39	7	0	0	0	0	0		
Europe	\$0.28	1,133	42%	47%	11%	0%	0%	0%	471	528	130	4	0	0	0		
Austria	\$0.24	29	41%	55%	3%	0%	0%	0%	12	16	1	0	0	0	0		
Belgium	\$0.30	18	44%	44%	6%	6%	0%	0%	8	8	1	1	0	0	0		
Denmark	\$0.26	37	43%	49%	8%	0%	0%	0%	16	18	3	0	0	0	0		
Finland	\$0.31	26	31%	50%	19%	0%	0%	0%	8	13	5	0	0	0	0		
France	\$0.31	152	36%	45%	19%	0%	0%	0%	55	68	29	0	0	0	0		
Germany	\$0.28	142	39%	49%	13%	0%	0%	0%	55	69	18	0	0	0	0		
Greece	\$0.35	8	38%	50%	13%	0%	0%	0%	3	4	1	0	0	0	0		
Ireland	\$0.28	12	67%	17%	17%	0%	0%	0%	8	2	2	0	0	0	0		
Italy	\$0.24	107	52%	38%	9%	0%	0%	0%	56	41	10	0	0	0	0		
Netherlands	\$0.33	38	39%	39%	21%	0%	0%	0%	15	15	8	0	0	0	0		
Norway	\$0.28	27	48%	41%	7%	4%	0%	0%	13	11	2	1	0	0	0		
Portugal	\$0.40	8	25%	50%	25%	0%	0%	0%	2	4	2	0	0	0	0		
Spain	\$0.31	38	29%	58%	13%	0%	0%	0%	11	22	5	0	0	0	0		
Sweden	\$0.29	40	40%	45%	13%	3%	0%	0%	16	18	5	1	0	0	0		
Switzerland	\$0.21	88	57%	34%	9%	0%	0%	0%	50	30	8	0	0	0	0		
United Kingdom	\$0.27	363	39%	52%	8%	0%	0%	0%	143	189	30	1	0	0	0		
North America	\$0.89	437	1%	14%	49%	36%	0%	0%	6	60	213	157	1	0	0		
Canada	\$0.76	92	3%	24%	47%	25%	1%	0%	3	22	43	23	1	0	0		
United States	\$0.93	345	1%	11%	49%	39%	0%	0%	3	38	170	134	0	0	0		

Source: FTSE, as of 12-31-94

Note: Multiple sources were used to gather this data. Coverage between these sources is not consistent. The "NA" column illustrates gaps in coverage.

■ Small-cap companies became larger in Europe during the 10 years ended year-end 2004. At year-end 2004, companies with market capitalizations <\$200 million comprised just 3% of all European small caps vs. 45% at year-end 1994.

■ A similar trend was evident in Asia where 14% of small caps had market caps <\$200 million at year-end 2004 vs. 25% at year-end 1994.

Exhibit A-12: Market Cap Distribution of MSCI, as of Dec. 2004

	Avg. Mkt. Cap (B)	# Companies	% in Market Capitalization Segments							Number of Companies in Market Capitalization Segments							NA
			<\$0.2B	\$0.2-\$0.5B	\$0.5-\$1.0B	\$1.0-\$2.5B	\$2.5-\$5.0B	\$5.0B+	<\$0.2B	\$0.2-\$0.5B	\$0.5-\$1.0B	\$1.0-\$2.5B	\$2.5-\$5.0B	\$5.0B+			
World	\$0.89	1,752	2%	27%	35%	34%	1%	0%	41	477	612	596	12	0	14		
Asia Pacific	\$0.79	495	3%	33%	35%	27%	1%	0%	15	164	172	135	3	0	6		
Australia	\$1.03	55	5%	20%	24%	47%	2%	0%	3	11	13	26	1	0	1		
Hong Kong	\$0.82	41	0%	29%	39%	27%	0%	0%	0	12	16	11	0	0	2		
Japan	\$0.74	355	3%	37%	35%	24%	1%	0%	11	130	124	85	2	0	3		
New Zealand	\$1.05	13	0%	15%	46%	38%	0%	0%	0	2	6	5	0	0	0		
Singapore	\$0.82	31	3%	29%	42%	26%	0%	0%	1	9	13	8	0	0	0		
Emerging	\$1.22	7	0%	0%	29%	71%	0%	0%	0	0	2	5	0	0	0		
Europe	\$0.97	460	1%	26%	33%	40%	0%	0%	5	120	150	183	2	0	0		
Austria	\$1.14	8	0%	13%	38%	50%	0%	0%	0	1	3	4	0	0	0		
Belgium	\$0.10	19	0%	26%	21%	53%	0%	0%	0	5	4	10	0	0	0		
Denmark	\$0.98	12	0%	17%	42%	42%	0%	0%	0	2	5	5	0	0	0		
Finland	\$1.16	22	0%	23%	27%	50%	0%	0%	0	5	6	11	0	0	0		
France	\$0.78	53	2%	36%	40%	23%	0%	0%	1	19	21	12	0	0	0		
Germany	\$1.05	40	3%	20%	30%	48%	0%	0%	1	8	12	19	0	0	0		
Greece	\$0.52	22	5%	55%	36%	5%	0%	0%	1	12	8	1	0	0	0		
Ireland	\$0.83	9	11%	22%	22%	44%	0%	0%	1	2	2	4	0	0	0		
Italy	\$1.10	34	0%	29%	24%	44%	3%	0%	0	10	8	15	1	0	0		
Netherlands	\$0.99	24	0%	21%	33%	46%	0%	0%	0	5	8	11	0	0	0		
Norway	\$0.84	17	0%	35%	29%	35%	0%	0%	0	6	5	6	0	0	0		
Portugal	\$0.97	4	0%	0%	50%	50%	0%	0%	0	0	2	2	0	0	0		
Spain	\$1.01	18	0%	28%	28%	44%	0%	0%	0	5	5	8	0	0	0		
Sweden	\$0.98	34	3%	21%	41%	35%	0%	0%	1	7	14	12	0	0	0		
Switzerland	\$0.94	36	0%	28%	36%	33%	3%	0%	0	10	13	12	1	0	0		
United Kingdom	\$1.04	108	0%	21%	31%	47%	0%	0%	0	23	34	51	0	0	0		
North America	\$0.90	790	3%	24%	37%	35%	1%	0%	21	193	290	278	7	0	1		
Canada	\$1.05	71	0%	25%	30%	41%	3%	0%	0	18	21	29	2	0	1		
United States	\$0.89	719	3%	24%	37%	35%	1%	0%	21	175	269	249	5	0	0		

Source: MSCI, as of 12-31-04

Note: Multiple sources were used to gather this data. Coverage between these sources is not consistent. The "NA" column illustrates gaps in coverage.

Exhibit A-13: Market Cap Distribution for BIGSC, as of Dec. 2004

	Mkt. Cap (B)			# Companies	% in Market Capitalization Segments								Number of Companies in Market Capitalization Segments								NA
	Max.	Min.	Avg.		<\$0.2B	\$0.2-\$0.5B	\$0.5-\$1.0B	\$1.0-\$2.5B	\$2.5-\$5.0B	\$5.0B+	<\$0.2B	\$0.2-\$0.5B	\$0.5-\$1.0B	\$1.0-\$2.5B	\$2.5-\$5.0B	\$5.0B+					
World	\$9.10	\$0.11	\$1.27	3,455	0%	12%	37%	41%	9%	0%	4	427	1,282	1,422	307	13	0				
Asia Pacific	\$2.23	\$0.15	\$0.84	1,061	0%	27%	42%	31%	0%	0%	3	284	448	326	0	0	0				
Australia	\$2.23	\$0.34	\$0.91	105	0%	28%	36%	36%	0%	0%	0	29	38	38	0	0	0				
Hong Kong	\$2.07	\$0.37	\$0.89	103	0%	22%	50%	27%	0%	0%	0	23	52	28	0	0	0				
Japan	\$1.10	\$0.36	\$0.86	700	0%	25%	43%	32%	0%	0%	0	176	301	223	0	0	0				
New Zealand	\$0.73	\$0.15	\$0.36	20	15%	60%	25%	0%	0%	0%	3	12	5	0	0	0	0				
Singapore	\$1.19	\$0.33	\$0.70	51	0%	31%	49%	20%	0%	0%	0	16	25	10	0	0	0				
South Korea	\$1.62	\$0.30	\$0.78	82	0%	34%	33%	33%	0%	0%	0	28	27	27	0	0	0				
Europe	\$9.10	\$0.18	\$1.37	954	0%	12%	38%	37%	11%	1%	1	118	361	355	106	13	0				
Austria	\$1.21	\$0.20	\$0.63	19	0%	37%	53%	11%	0%	0%	0	7	10	2	0	0	0				
Belgium	\$2.91	\$0.30	\$0.98	33	0%	39%	18%	36%	6%	0%	0	13	6	12	2	0	0				
Denmark	\$1.92	\$0.30	\$0.77	32	0%	41%	34%	25%	0%	0%	0	13	11	8	0	0	0				
Finland	\$1.77	\$0.32	\$0.83	34	0%	41%	29%	29%	0%	0%	0	14	10	10	0	0	0				
France	\$5.33	\$0.58	\$1.69	114	0%	0%	41%	39%	18%	2%	0	0	47	45	20	2	0				
Germany	\$4.78	\$0.55	\$1.62	75	0%	0%	37%	45%	17%	0%	0	0	28	34	13	0	0				
Greece	\$1.20	\$0.35	\$0.58	34	0%	50%	47%	3%	0%	0%	0	17	16	1	0	0	0				
Ireland	\$1.29	\$0.18	\$0.67	16	6%	38%	25%	31%	0%	0%	1	6	4	5	0	0	0				
Italy	\$4.50	\$0.68	\$2.17	65	0%	0%	22%	42%	37%	0%	0	0	14	27	24	0	0				
Netherlands	\$9.10	\$0.92	\$2.40	43	0%	0%	12%	63%	12%	14%	0	0	5	27	5	6	0				
Norway	\$1.35	\$0.37	\$0.71	28	0%	25%	61%	14%	0%	0%	0	7	17	4	0	0	0				
Portugal	\$0.64	\$0.25	\$0.46	7	0%	43%	57%	0%	0%	0%	0	3	4	0	0	0	0				
Spain	\$5.60	\$1.00	\$2.85	42	0%	0%	0%	50%	38%	12%	0	0	0	21	16	5	0				
Sweden	\$3.73	\$0.51	\$1.30	53	0%	0%	49%	42%	9%	0%	0	0	26	22	5	0	0				
Switzerland	\$3.22	\$0.54	\$1.31	62	0%	0%	42%	48%	10%	0%	0	0	26	30	6	0	0				
United Kingdom	\$2.97	\$0.41	\$1.10	297	0%	13%	46%	36%	5%	0%	0	38	137	107	15	0	0				
North America	\$3.91	\$0.40	\$1.53	1,440	0%	2%	33%	51%	14%	0%	0	25	473	741	201	0	0				
Canada	\$2.25	\$0.40	\$1.03	189	0%	13%	44%	43%	0%	0%	0	25	83	81	0	0	0				
United States	\$3.91	\$0.64	\$1.60	1,251	0%	0%	31%	53%	16%	0%	0	0	390	660	201	0	0				

Source: Brandes Institute, as of 12-31-04. For more information about BIGSC, see page 15 of this report.

Note: Multiple sources were used to gather this data. Coverage between these sources is not consistent. The "NA" column illustrates gaps in coverage.

■ The number of countries and companies in the BIGSC universes grew from seven and 883 at year-end 1984 to 24 and 2,302 at year-end 1994 and 3,455 at year-end 2004. Given its growth, the small-cap universe was a more robust universe for institutional investors in 2004 vs. 1994 and 1984. Generally, small-cap companies in Europe and North America became larger during the 20 years ending 2004. Small caps with market capitalizations <\$500 million comprised 59% of the total small-cap European BIGSC universe at year-end 1984 versus 29% at year-end 1994 and 12% at year-end 2004. Small caps with market caps <\$500 million comprised 28%, 16%, and 2% of the BIGSC North American universe in 1984, 1994, and 2004, respectively. In the Asia-Pacific region, small caps in the same market cap segment comprised 31% of the BIGSC Asia-Pacific universe at year-end 1984 and 9% at year-end 1994. However, by year-end 2004, this segment rebounded, climbing to 27%. (Average market cap measures also suggest small caps became larger.)

Exhibit A-14: Market Cap Distribution of BIGSC, as of Dec. 1994

	Mkt. Cap (B)			# Companies	% in Market Capitalization Segments							Number of Companies in Market Capitalization Segments							NA
	Max.	Min.	Avg.		<\$0.2B	\$0.2-\$0.5B	\$0.5-\$1.0B	\$1.0-\$2.5B	\$2.5-\$5.0B	\$5.0B+	<\$0.2B	\$0.2-\$0.5B	\$0.5-\$1.0B	\$1.0-\$2.5B	\$2.5-\$5.0B	\$5.0B+			
World	\$4.19	\$0.14	\$0.94	2,302	1%	16%	47%	35%	0%	0%	20	373	1,085	817	7	0	0		
Asia Pacific	\$2.75	\$0.14	\$1.01	871	0%	9%	51%	40%	0%	0%	1	79	445	345	1	0	0		
Australia	\$1.53	\$0.41	\$0.74	42	0%	29%	55%	17%	0%	0%	0	12	23	7	0	0	0		
Hong Kong	\$2.75	\$0.36	\$1.02	39	0%	18%	46%	33%	0%	0%	0	7	18	13	1	0	0		
Japan	\$2.41	\$0.49	\$1.09	694	0%	2%	52%	46%	0%	0%	0	14	362	318	0	0	0		
New Zealand	\$0.14	\$0.14	\$0.14	1	100%	0%	0%	0%	0%	0%	1	0	0	0	0	0	0		
Singapore	\$1.77	\$0.40	\$0.79	33	0%	27%	52%	21%	0%	0%	0	9	17	7	0	0	0		
South Korea	\$0.96	\$0.31	\$0.51	62	0%	60%	40%	0%	0%	0%	0	37	25	0	0	0	0		
Europe	\$4.19	\$0.15	\$0.87	638	3%	26%	40%	30%	1%	0%	19	167	257	189	6	0	0		
Austria	\$0.50	\$0.16	\$0.34	21	5%	86%	10%	0%	0%	0%	1	18	2	0	0	0	0		
Belgium	\$1.59	\$0.21	\$0.76	25	40%	32%	28%	0%	0%	0%	10	8	7	0	0	0	0		
Denmark	\$0.48	\$0.15	\$0.35	22	5%	95%	0%	0%	0%	0%	1	21	0	0	0	0	0		
Finland	\$0.62	\$0.16	\$0.41	12	8%	75%	17%	0%	0%	0%	1	9	2	0	0	0	0		
France	\$2.07	\$0.46	\$0.98	105	0%	6%	51%	43%	0%	0%	0	6	54	45	0	0	0		
Germany	\$2.22	\$0.45	\$1.06	66	0%	9%	48%	42%	0%	0%	0	6	32	28	0	0	0		
Greece	\$0.21	\$0.21	\$0.21	1	0%	100%	0%	0%	0%	0%	0	1	0	0	0	0	0		
Ireland	\$0.18	\$0.17	\$0.18	2	100%	0%	0%	0%	0%	0%	2	0	0	0	0	0	0		
Italy	\$1.86	\$0.45	\$0.89	46	0%	15%	57%	28%	0%	0%	0	7	26	13	0	0	0		
Netherlands	\$4.19	\$0.46	\$1.44	31	0%	6%	48%	26%	19%	0%	0	2	15	8	6	0	0		
Norway	\$0.45	\$0.19	\$0.33	10	10%	90%	0%	0%	0%	0%	1	9	0	0	0	0	0		
Portugal	\$0.23	\$0.16	\$0.18	4	75%	25%	0%	0%	0%	0%	3	1	0	0	0	0	0		
Spain	\$1.71	\$0.44	\$0.89	32	0%	13%	50%	38%	0%	0%	0	4	16	12	0	0	0		
Sweden	\$2.17	\$0.35	\$0.98	34	0%	21%	44%	35%	0%	0%	0	7	15	12	0	0	0		
Switzerland	\$2.05	\$0.41	\$0.88	42	0%	24%	40%	36%	0%	0%	0	10	17	15	0	0	0		
United Kingdom	\$2.11	\$0.35	\$0.83	185	0%	31%	38%	30%	0%	0%	0	58	71	56	0	0	0		
North America	\$2.14	\$0.38	\$0.93	793	0%	16%	48%	36%	0%	0%	0	127	383	283	0	0	0		
Canada	1.51	\$0.38	\$0.89	70	0%	16%	43%	41%	0%	0%	0	11	30	29	0	0	0		
United States	\$2.14	\$0.40	\$0.93	723	0%	16%	49%	35%	0%	0%	0	116	353	254	0	0	0		

Source: Brandes Institute, as of 12-31-94. For more information about BIGSC, see page 15 of this report.

Note: Multiple sources were used to gather this data. Coverage between these sources is not consistent. The "NA" column illustrates gaps in coverage.

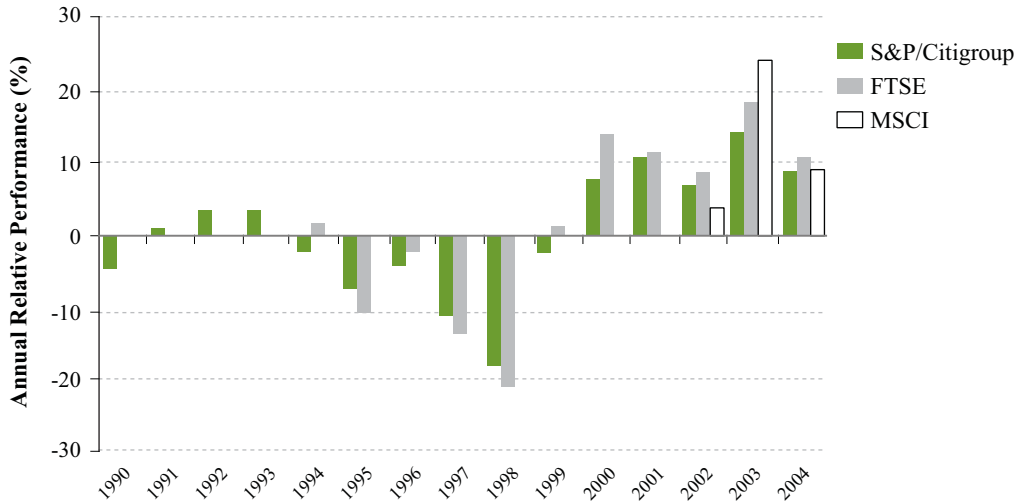
Exhibit A-15: Market Cap Distribution of BIGSC, as of Dec. 1984

	Mkt. Cap (B)			# Companies	% in Market Capitalization Segments							Number of Companies in Market Capitalization Segments							NA
	Max.	Min.	Avg.		<\$0.2B	\$0.2-\$0.5B	\$0.5-\$1.0B	\$1.0-\$2.5B	\$2.5-\$5.0B	\$5.0B+	<\$0.2B	\$0.2-\$0.5B	\$0.5-\$1.0B	\$1.0-\$2.5B	\$2.5-\$5.0B	\$5.0B+			
World	\$1.65	\$0.13	\$0.71	883	0%	33%	47%	20%	0%	0%	1	291	413	178	0	0	0		
Asia Pacific	\$1.48	\$0.13	\$0.71	222	0%	31%	48%	21%	0%	0%	1	69	106	46	0	0	0		
Australia	\$0.41	\$0.13	\$0.28	17	6%	94%	0%	0%	0%	0%	1	16	0	0	0	0	0		
Japan	\$1.48	\$0.38	\$0.74	205	0%	26%	52%	22%	0%	0%	0	53	106	46	0	0	0		
Europe	\$1.20	\$0.21	\$0.49	123	0%	59%	40%	1%	0%	0%	0	73	49	1	0	0	0		
France	\$0.56	\$0.21	\$0.27	16	0%	100%	0%	0%	0%	0%	0	16	0	0	0	0	0		
Germany	\$1.20	\$0.38	\$0.34	35	0%	80%	20%	0%	0%	0%	0	28	7	0	0	0	0		
United Kingdom	\$1.01	\$0.34	\$0.61	72	0%	40%	58%	1%	0%	0%	0	29	42	1	0	0	0		
North America	\$1.65	\$0.31	\$0.75	538	0%	28%	48%	24%	0%	0%	0	149	258	131	0	0	0		
Canada	\$1.21	\$0.31	\$0.58	35	0%	46%	43%	11%	0%	0%	0	16	15	4	0	0	0		
United States	\$1.65	\$0.37	\$0.77	503	0%	26%	48%	25%	0%	0%	0	133	243	127	0	0	0		

Source: Brandes Institute, as of 12-31-84; For more information about BIGSC, see page 15 of this report.

Note: Multiple sources were used to gather this data. Coverage between these sources is not consistent. The "NA" column illustrates gaps in coverage.

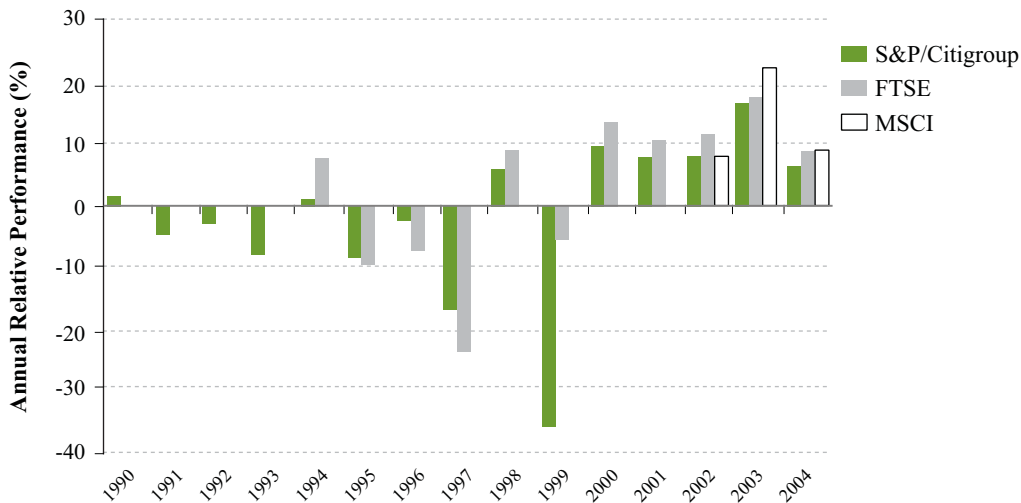
**Exhibit A-16: Annual, Relative Performance (Small Cap – Large Cap):
S&P/Citigroup, FTSE, and MSCI, 1990 to 2004**



Source: S&P/Citigroup, MSCI, and FTSE via FactSet, as of 12-31-04

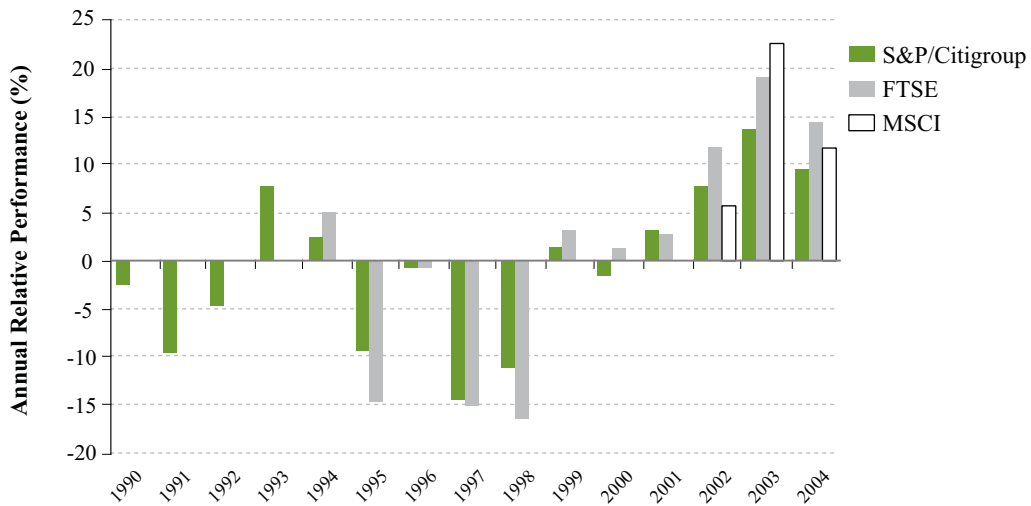
- In Exhibits A-16 through A-19, “S&P/Citigroup” refers to EMI returns minus PMI returns.
- Note that in Exhibits A-16 through A-19, bars in positive territory reflect small cap outperformance versus large caps.
- Exhibits A-16 through A-19 illustrate similar performance patterns for small caps relative to large caps (globally and on a regional basis) among the S&P/Citigroup, FTSE, and MSCI Indices reviewed in this paper.

**Exhibit A-17: Annual, Relative Performance (Small Cap – Large Cap):
S&P/Citigroup, FTSE, and MSCI – Asia-Pacific Region, 1990 to 2004**



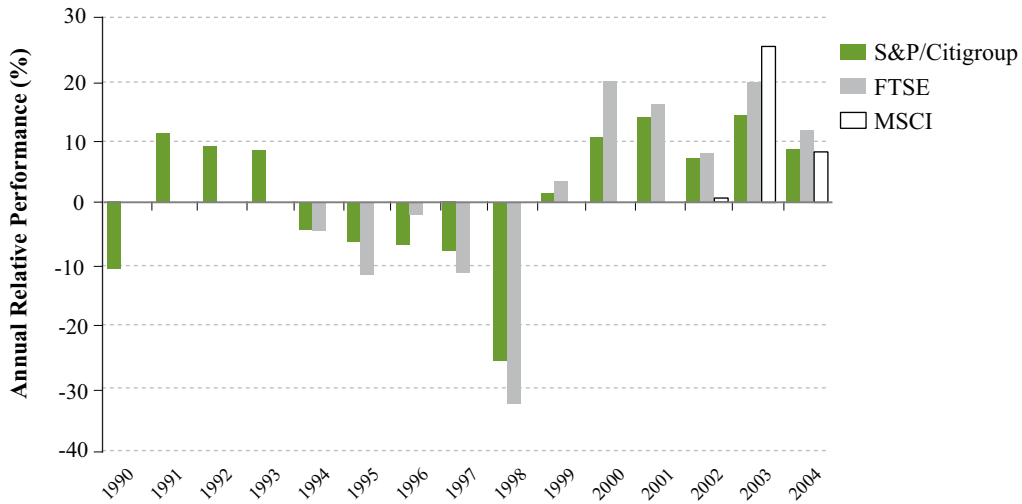
Source: S&P/Citigroup, MSCI, and FTSE via FactSet, as of 12-31-04

**Exhibit A-18: Annual, Relative Performance (Small Cap – Large Cap):
S&P/Citigroup, FTSE, and MSCI – Europe Region, 1990 to 2004**



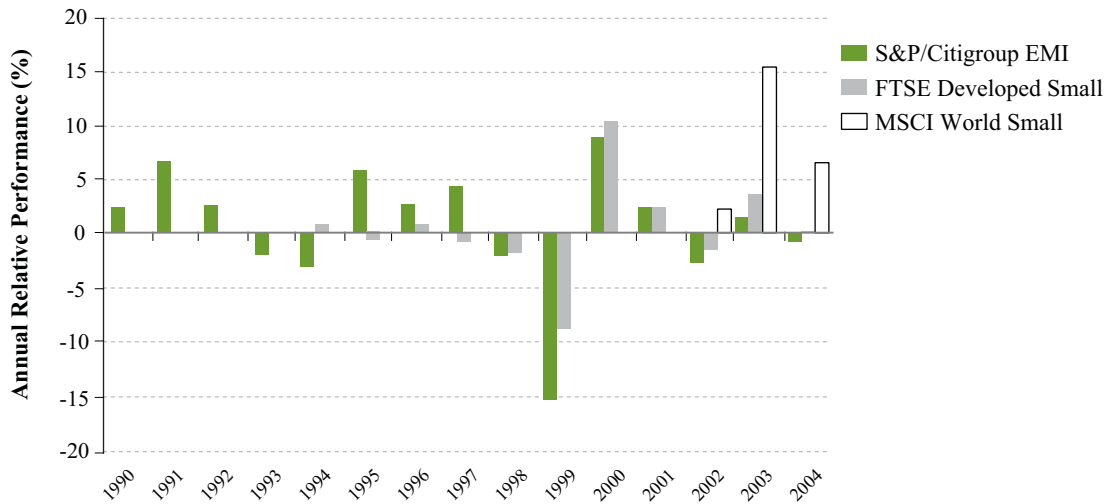
Source: S&P/Citigroup, MSCI, and FTSE via FactSet, as of 12-31-04

**Exhibit A-19: Annual, Relative Performance (Small Cap – Large Cap):
S&P/Citigroup, FTSE, and MSCI – North America Region, 1990 to 2004**



Source: S&P/Citigroup, MSCI, and FTSE via FactSet, as of 12-31-04

Exhibit A-20: EMI, FTSE Developed Small Cap, and MSCI World Small Cap Annual Returns Relative to BIGSC, 1990 to 2004



Source: Brandes Institute, S&P/Citigroup, MSCI, and FTSE via FactSet, as of 12-31-04

- Exhibit A-20 shows relative performance of the BIGSC versus EMI, FTSE, and MSCI. This was calculated by subtracting the annual return for BIGSC from these three indices. Thus, when the bars in this exhibit plot above zero, it reflects BIGSC underperformance.
- The BIGSC generally is comparable to these small-cap indices. There are years where the BIGSC exhibited sharply different performance, such as 1999, 2000, and 2003. However, these sharp differences tended to fade when comparing results over the long term with various indices.

**Exhibit A-21: BIGSC Contribution to Annualized Return,
Segmented by Region, July 1989 to Dec. 2004**

	Average Weight (%)	Annualized Total Return (%)	Contribution to Annualized Return (%)
Asia Pacific	28.41	1.54	-0.79
Consumer Discretionary	5.80	2.78	0.05
Consumer Staples	2.66	1.07	-0.06
Energy	0.48	5.39	0.09
Financials	5.39	2.83	0.11
Health Care	1.12	1.59	-0.04
Industrials	6.50	-2.10	-0.70
Information Technology	2.63	3.51	0.19
Materials	3.58	-1.59	-0.52
Telecom. Services	0.07	7.13	0.02
Utilities	0.18	3.78	0.04
Emerging	0.00	-0.33	0.00
Europe	26.82	9.44	3.40
Consumer Discretionary	4.71	9.94	0.79
Consumer Staples	2.17	8.58	0.34
Energy	0.56	9.00	0.07
Financials	6.01	10.42	1.01
Health Care	0.96	14.73	0.24
Industrials	5.49	7.40	0.60
Information Technology	1.60	7.12	0.11
Materials	2.49	8.17	0.27
Telecom. Services	0.29	7.21	0.08
Utilities	1.48	16.53	0.47
North America	44.63	13.00	7.01
Consumer Discretionary	8.13	12.69	1.89
Consumer Staples	2.50	12.20	0.59
Energy	2.46	10.91	0.49
Financials	9.26	17.42	3.03
Health Care	3.84	15.56	1.05
Industrials	5.13	8.61	0.90
Information Technology	5.73	10.61	1.05
Materials	3.93	9.62	0.78
Telecom. Services	1.03	2.25	0.11
Utilities	2.62	14.09	0.70

Source: Brandes Institute, S&P/Citigroup via FactSet, 6-30-89 to 12-31-04. For more information about BIGSC, see page 15 of this report.

**Exhibit A-22: PMI Contribution to Annualized Return,
Segmented by Region, July 1989 to Dec. 2004**

	Average Weight (%)	Annualized Total Return (%)	Contribution to Annualized Return (%)
Asia Pacific	18.16	-0.12	-1.71
Consumer Discretionary	2.79	1.52	-0.12
Consumer Staples	0.83	2.31	0.01
Energy	0.20	4.22	-0.01
Financials	5.53	-1.02	-0.56
Health Care	0.53	3.71	0.00
Industrials	3.15	-2.21	-0.53
Information Technology	1.64	2.76	-0.05
Materials	1.64	-0.06	-0.28
Telecom. Services	0.58	8.78	0.07
Utilities	1.24	0.67	-0.11
Emerging	0.56	1.66	0.04
Europe	27.41	10.14	3.84
Consumer Discretionary	2.79	5.67	0.35
Consumer Staples	3.20	10.38	0.65
Energy	3.24	12.57	0.67
Financials	7.28	11.67	1.27
Health Care	2.86	13.93	0.68
Industrials	1.96	5.15	0.17
Information Technology	0.98	15.07	0.14
Materials	1.90	8.56	0.33
Telecom. Services	1.99	11.31	0.32
Utilities	1.20	12.69	0.27
North America	53.24	10.78	6.71
Consumer Discretionary	6.06	7.64	0.95
Consumer Staples	6.68	12.89	1.66
Energy	4.43	11.66	0.90
Financials	9.42	13.88	1.87
Health Care	7.16	13.23	1.50
Industrials	5.69	11.53	1.22
Information Technology	7.65	10.37	0.99
Materials	2.54	7.53	0.46
Telecom. Services	1.20	5.76	0.17
Utilities	2.43	7.11	0.47

Source: Brandes Institute, S&P/Citigroup via FactSet, 6-30-89 to 12-31-04

- As shown in Exhibits A-21 and A-22, contribution to return results showed similar patterns for BIGSC and PMI. However, BIGSC's North American constituents showed a higher contribution to returns vs. PMI. In addition, declines among constituents in the Asia-Pacific region had a less adverse effect on overall BIGSC performance relative to the influence of Asia-Pacific constituent returns on overall results for PMI.
- Financials had the greatest positive influence on returns for BIGSC in North America and Europe. Similarly, financials delivered solid gains for PMI in North America and Europe.
- Performance of industrials in the Asia-Pacific region negatively affected overall results for both BIGSC and PMI.

Exhibit A-23: BIGSC Component Universes, Annualized Performance Histories, 1985 – 2004

Description	1 Year (%)	5 Year (%)	10 Year (%)	15 Year (%)	20 Year (%)
BIGSC Asia Pacific Small Cap Universe	26.42	6.50	2.07	0.12	9.33
BIGSC Austria Small Cap Universe	44.69	19.26	8.33	5.00	NA
BIGSC Australia Small Cap Universe	40.60	16.32	13.16	10.10	12.66
BIGSC Belgium Small Cap Universe	47.33	8.84	11.75	9.39	NA
BIGSC Canada Small Cap Universe	25.61	15.14	16.12	9.99	11.66
BIGSC Denmark Small Cap Universe	58.27	26.07	15.95	12.15	NA
BIGSC Developed World Small Cap Universe	24.38	5.69	9.55	7.38	12.14
BIGSC Emerging Small Cap Universe	14.48	0.32	-3.84	2.40	5.62
BIGSC Europe Small Cap Universe	30.56	5.94	11.65	8.93	13.49
BIGSC Finland Small Cap Universe	42.47	18.05	21.21	16.43	NA
BIGSC France Small Cap Universe	32.27	8.06	13.03	9.90	15.80
BIGSC Germany Small Cap Universe	22.15	2.03	5.35	5.09	10.76
BIGSC Greece Small Cap Universe	10.18	-18.99	11.87	NA	NA
BIGSC Hong Kong Small Cap Universe	19.79	9.75	5.68	11.00	NA
BIGSC Ireland Small Cap Universe	32.92	14.42	18.37	NA	NA
BIGSC Italy Small Cap Universe	29.48	7.29	14.47	6.63	NA
BIGSC Japan Small Cap Universe	24.80	4.76	0.80	-1.21	8.44
BIGSC Korea Small Cap Universe	26.44	8.86	-4.56	-5.62	NA
BIGSC North America Small Cap Universe	20.59	5.12	13.17	12.61	13.71
BIGSC Netherlands Small Cap Universe	24.54	-1.44	11.54	10.22	NA
BIGSC Norway Small Cap Universe	54.53	11.13	10.94	3.04	NA
BIGSC New Zealand Small Cap Universe	38.07	19.34	NA	NA	NA
BIGSC Portugal Small Cap Universe	44.81	7.11	7.27	NA	NA
BIGSC Singapore Small Cap Universe	35.55	7.77	4.14	7.87	NA
BIGSC Spain Small Cap Universe	34.21	18.15	16.69	9.31	NA
BIGSC Sweden Small Cap Universe	33.36	8.10	15.23	10.35	NA
BIGSC Switzerland Small Cap Universe	28.46	2.76	8.19	6.85	NA
BIGSC U.K. Small Cap Universe	30.35	6.22	11.54	10.55	14.13
BIGSC U.S. Small Cap Universe	20.14	4.07	12.76	12.76	13.80

Source: FactSet, Brandes Institute, 12-31-84 to 12-31-04. For more information about BIGSC, see page 15 of this report. Note that "NA" in a cell denotes that data is unavailable.

Exhibit A-24: Calendar Year Performance for BIGSC and Small- and Large-Cap Indices (in %), 1985 to 2004

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
BIGSC	37.01	35.25	19.11	23.55	24.49	-21.15	15.39	-3.01	24.85	6.14	10.92	9.88	4.05	8.00	37.83	-11.17	-9.28	-9.90	46.05	24.38
EMI	NA	NA	NA	NA	NA	-18.71	21.98	-0.37	22.77	3.18	16.77	12.54	8.41	5.92	22.37	-2.29	-6.78	-12.51	47.46	23.53
FTSE	NA	NA	NA	NA	NA	NA	NA	NA	NA	7.15	10.42	10.74	3.61	6.29	29.10	-0.69	-6.97	-11.47	49.65	24.54
MSCI	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-16.01	57.79	24.31
PMI	NA	NA	NA	NA	NA	-14.22	21.06	-3.61	19.65	5.18	23.87	16.43	19.18	24.18	24.54	-9.43	-17.11	-19.78	33.52	15.14
MSCI World Index	40.56	41.89	16.16	23.29	16.61	-17.02	18.28	-5.23	22.50	5.08	20.72	13.48	15.76	24.34	24.93	-13.18	-16.82	-19.89	33.11	14.72
FTSE Developed Large Cap	NA	NA	NA	NA	NA	NA	NA	NA	NA	5.81	21.31	12.97	17.32	27.62	28.27	-14.70	-18.38	-20.58	31.19	13.61

Source: Brandes Institute, S&P/Citigroup, MSCI and FTSE via FactSet, as of 12-31-04. For key aspects of index construction, including inception dates, see Exhibit 5 in the paper. For more information about BIGSC, see page 15 of this report. Note that "NA" in a cell denotes that data is unavailable.

Exhibit A-25: Sharpe Ratios for BIGSC and Small- and Large-Cap Indices (in %), Annualized as of Dec. 31, 2004

	1 Year	3 Year	5 Year	7 Year	10 Year	15 Year	20 Year
BIGSC	2.14	1.22	0.18	0.41	0.37	0.20	0.47
EMI	1.98	1.02	0.28	0.35	0.41	0.27	NA
FTSE	1.91	1.11	0.36	0.46	0.42	NA	NA
MSCI	1.84	1.01	NA	NA	NA	NA	NA
PMI	1.79	0.41	-0.28	0.12	0.37	0.24	NA
MSCI World Index	1.73	0.38	-0.34	0.08	0.28	0.16	0.43
FTSE Developed Large Cap	1.71	0.30	-0.42	0.06	0.27	NA	NA

Source: Brandes Institute, S&P/Citigroup, MSCI and FTSE via FactSet, as of 12-31-04. For more information about BIGSC, see page 15 of this report. Note that "NA" in a cell denotes that data is unavailable.

Exhibit A-26: Standard Deviations for BIGSC and Small- and Large-Cap Indices (in %), Annualized as of Dec. 31, 2004

	1 Year	3 Year	5 Year	7 Year	10 Year	15 Year	20 Year
BIGSC	10.83	13.57	16.02	16.45	14.83	15.36	15.37
EMI	11.25	15.18	17.43	17.39	15.44	15.45	NA
FTSE	12.73	15.36	16.81	16.96	15.00	NA	NA
MSCI	12.51	16.63	NA	NA	NA	NA	NA
PMI	7.78	14.49	15.61	15.98	14.62	14.49	NA
MSCI World Index	7.81	14.74	15.48	15.86	14.49	14.58	14.90
FTSE Developed Large Cap	7.56	15.02	15.93	16.37	14.98	NA	NA

Source: Brandes Institute, S&P/Citigroup, MSCI and FTSE via FactSet, as of 12-31-04. For more information about BIGSC, see page 15 of this report. Note that "NA" in a cell denotes that data is unavailable.

**Exhibit A-27: Correlations of BIGSC Country Universes with PMI Regions,
Annualized as of Dec. 31, 2004**

...to PMI Asia Pacific	Country Correlations – Annualized					
	1 Year	3 Year	5 Year	7 Year	10 Year	15 Year
BIGSC Australia Small Cap Universe	0.36	0.52	0.62	0.64	0.64	0.52
BIGSC Hong Kong Small Cap Universe	0.24	0.59	0.62	0.54	0.53	0.40
BIGSC Japan Small Cap Universe	0.88	0.87	0.84	0.85	0.83	0.89
BIGSC Korea Small Cap Universe	0.67	0.47	0.54	0.60	0.58	0.45
BIGSC New Zealand Small Cap Universe	0.09	0.33	0.36	NA	NA	NA
BIGSC Singapore Small Cap Universe	0.53	0.38	0.50	0.50	0.51	0.49
...to PMI Europe						
BIGSC Austria Small Cap Universe	0.74	0.57	0.50	0.48	0.46	0.45
BIGSC Belgium Small Cap Universe	0.91	0.81	0.77	0.76	0.76	0.72
BIGSC Denmark Small Cap Universe	0.90	0.72	0.73	0.63	0.61	0.63
BIGSC Finland Small Cap Universe	0.78	0.64	0.63	0.69	0.64	0.54
BIGSC France Small Cap Universe	0.89	0.93	0.84	0.83	0.79	0.79
BIGSC Germany Small Cap Universe	0.92	0.83	0.74	0.72	0.69	0.72
BIGSC Greece Small Cap Universe	0.73	0.69	0.48	0.38	0.35	NA
BIGSC Ireland Small Cap Universe	0.76	0.64	0.64	0.64	0.57	NA
BIGSC Italy Small Cap Universe	0.90	0.90	0.77	0.75	0.66	0.58
BIGSC Netherlands Small Cap Universe	0.92	0.88	0.87	0.87	0.85	0.83
BIGSC Norway Small Cap Universe	0.84	0.83	0.82	0.74	0.68	0.58
BIGSC Portugal Small Cap Universe	0.74	0.76	0.67	0.62	0.61	NA
BIGSC Spain Small Cap Universe	0.89	0.81	0.76	0.71	0.67	0.68
BIGSC Sweden Small Cap Universe	0.91	0.90	0.86	0.84	0.78	0.68
BIGSC Switzerland Small Cap Universe	0.83	0.79	0.76	0.78	0.76	0.75
BIGSC U.K. Small Cap Universe	0.82	0.85	0.79	0.79	0.76	0.82
...to PMI North America						
BIGSC Canada Small Cap Universe	0.60	0.69	0.64	0.70	0.68	0.66
BIGSC U.S. Small Cap Universe	0.92	0.88	0.77	0.80	0.79	0.80

Source: Brandes Institute, S&P/Citigroup via FactSet, as of 12-31-04. For more information about BIGSC, see page 15 of this report.
Note that "NA" in a cell denotes that data is unavailable.

**Exhibit A-28: Correlations of BIGSC Country Universes with PMI World Index,
Annualized as of Dec. 31, 2004**

...to PMI Asia Pacific	Country Correlations – Annualized					
	1 Year	3 Year	5 Year	7 Year	10 Year	15 Year
BIGSC Austria Small Cap Universe	0.85	0.49	0.35	0.33	0.29	0.29
BIGSC Australia Small Cap Universe	0.60	0.63	0.64	0.63	0.61	0.57
BIGSC Belgium Small Cap Universe	0.82	0.74	0.66	0.64	0.64	0.63
BIGSC Canada Small Cap Universe	0.67	0.76	0.69	0.73	0.71	0.65
BIGSC Denmark Small Cap Universe	0.87	0.68	0.69	0.56	0.52	0.53
BIGSC Finland Small Cap Universe	0.83	0.57	0.55	0.59	0.54	0.50
BIGSC France Small Cap Universe	0.95	0.89	0.75	0.71	0.64	0.65
BIGSC Germany Small Cap Universe	0.94	0.77	0.67	0.63	0.58	0.57
BIGSC Greece Small Cap Universe	0.65	0.66	0.37	0.32	0.30	NA
BIGSC Hong Kong Small Cap Universe	0.64	0.54	0.60	0.53	0.53	0.49
BIGSC Ireland Small Cap Universe	0.73	0.57	0.56	0.55	0.51	NA
BIGSC Italy Small Cap Universe	0.81	0.86	0.66	0.62	0.55	0.50
BIGSC Japan Small Cap Universe	0.26	0.30	0.40	0.44	0.39	0.53
BIGSC Korea Small Cap Universe	0.66	0.70	0.59	0.60	0.49	0.44
BIGSC Netherlands Small Cap Universe	0.90	0.92	0.86	0.82	0.80	0.76
BIGSC Norway Small Cap Universe	0.81	0.83	0.77	0.70	0.61	0.55
BIGSC New Zealand Small Cap Universe	0.20	0.61	0.55	NA	NA	NA
BIGSC Portugal Small Cap Universe	0.69	0.70	0.58	0.49	0.48	NA
BIGSC Singapore Small Cap Universe	0.68	0.60	0.55	0.55	0.54	0.56
BIGSC Spain Small Cap Universe	0.86	0.76	0.68	0.60	0.56	0.60
BIGSC Sweden Small Cap Universe	0.80	0.87	0.80	0.75	0.69	0.63
BIGSC Switzerland Small Cap Universe	0.89	0.76	0.69	0.67	0.65	0.65
BIGSC U.K. Small Cap Universe	0.91	0.86	0.81	0.76	0.71	0.73
BIGSC U.S. Small Cap Universe	0.94	0.90	0.81	0.83	0.82	0.74

Source: Brandes Institute, S&P/Citigroup via FactSet, as of 12-31-04; For more information about BIGSC, see page 15 of this report. Note that “NA” in a cell denotes that data is unavailable.

Exhibit A-29: Liquidity Comparison Between Global Small- and Large-Cap Markets* Across Regions and Countries, 12 Months Ended Dec. 31, 2004

	BIGSC					Global Large Cap*						
	Mkt. Cap (M)	Free Float Mkt. Cap (M)	% of Shares Closely Held	% Shares OUT Traded Monthly	% of free float traded monthly	Monthly Dollar Volume (M)	Mkt Cap (M)	Free Float Mkt. Cap (M)	% of Shares Closely Held	% Shares OUT Traded Monthly	% of free float traded monthly	Monthly Dollar Volume (M)
Asia Pacific	\$827.10	\$503.30	42.00%	8.70%	15.10%	\$64.50	\$8,359.70	\$5,409.00	38.50%	9.00%	14.90%	\$638.20
Australia	\$899.20	\$605.10	34.30%	6.10%	9.90%	\$52.60	\$10,573.70	\$7,653.70	35.00%	6.80%	11.40%	\$599.80
Hong Kong	\$864.50	\$350.40	59.00%	8.00%	17.90%	\$53.60	\$6,786.40	\$3,214.90	61.30%	4.70%	15.10%	\$357.30
Japan	\$848.40	\$541.70	40.50%	8.00%	13.60%	\$63.60	\$8,667.00	\$5,955.60	33.20%	8.80%	12.80%	\$687.60
New Zealand	\$333.60	\$187.70	36.40%	3.10%	5.70%	\$10.50	\$1,915.40	\$872.50	56.30%	3.00%	7.90%	\$80.70
Singapore	\$690.50	\$272.70	58.90%	4.90%	13.10%	\$32.90	\$5,089.30	\$1,187.20	59.60%	6.50%	17.50%	\$291.50
South Korea	\$731.60	\$485.80	33.80%	21.20%	32.60%	\$130.00	\$7,000.20	\$4,886.70	35.00%	22.70%	36.40%	\$1,077.40
Europe	\$1,365.70	\$853.40	36.50%	7.10%	12.00%	\$99.00	\$18,629.00	\$13,091.70	29.60%	10.20%	14.10%	\$1,754.80
Austria	\$649.90	\$373.20	53.20%	3.20%	6.80%	\$21.50	\$4,881.20	\$2,232.20	55.40%	2.90%	5.80%	\$149.80
Belgium	\$1,020.20	\$493.10	39.60%	2.90%	4.30%	\$29.50	\$12,630.50	\$6,221.50	49.50%	3.40%	6.70%	\$384.30
Denmark	\$756.80	\$473.70	34.10%	6.20%	8.20%	\$53.00	\$7,531.00	\$3,499.20	35.20%	8.10%	12.70%	\$484.60
Finland	\$829.10	\$470.80	37.00%	5.40%	9.00%	\$43.80	\$9,625.30	\$4,730.40	20.90%	8.40%	10.50%	\$1,241.90
France	\$1,691.00	\$835.90	53.50%	5.50%	10.30%	\$91.80	\$23,818.10	\$14,599.30	38.80%	8.00%	11.90%	\$1,938.30
Germany	\$1,645.10	\$674.50	52.70%	4.50%	7.90%	\$77.20	\$21,745.40	\$10,314.70	45.90%	9.60%	13.20%	\$2,253.10
Greece	\$568.60	\$284.00	49.90%	6.70%	16.00%	\$34.20	\$5,349.10	\$3,371.10	50.40%	3.00%	6.60%	\$197.70
Ireland	\$604.20	\$388.60	30.30%	4.10%	5.90%	\$23.90	\$6,803.30	\$6,868.00	17.60%	5.20%	6.40%	\$343.50
Italy	\$2,167.40	\$1,219.10	40.00%	5.70%	11.20%	\$121.30	\$20,678.10	\$17,223.00	33.30%	11.80%	19.50%	\$2,470.10
Netherlands	\$2,545.00	\$1,593.10	34.70%	11.10%	16.80%	\$256.10	\$40,280.80	\$18,216.30	29.30%	7.10%	12.50%	\$2,430.90
Norway	\$691.50	\$396.90	44.20%	7.60%	13.20%	\$50.10	\$7,599.70	\$4,071.70	43.00%	11.60%	17.90%	\$765.40
Portugal	\$404.20	\$170.10	55.80%	14.90%	30.50%	\$14.00	\$4,654.70	\$1,799.50	52.50%	3.60%	9.40%	\$227.20
Spain	\$2,845.20	\$1,432.70	51.20%	7.00%	15.90%	\$225.90	\$25,833.40	\$17,047.50	41.30%	11.10%	16.90%	\$3,338.30
Sweden	\$1,294.30	\$877.20	32.60%	6.40%	8.50%	\$80.50	\$12,826.80	\$10,439.50	17.50%	11.20%	13.40%	\$1,593.70
Switzerland	\$1,363.90	\$818.90	45.00%	4.50%	16.90%	\$65.00	\$22,055.90	\$5,397.60	37.60%	7.10%	9.80%	\$1,492.80
United Kingdom	\$1,094.10	\$880.50	21.30%	9.80%	13.20%	\$116.90	\$21,189.50	\$16,951.50	11.20%	15.70%	18.50%	\$2,268.50
North America	\$1,497.40	\$1,221.00	22.10%	18.70%	26.90%	\$274.50	\$18,728.10	\$18,149.60	15.10%	15.40%	20.70%	\$2,172.00
Canada	\$974.50	\$726.10	23.00%	6.70%	9.20%	\$56.80	\$8,621.90	\$8,405.70	19.20%	8.70%	21.50%	\$461.40
United States	\$1,578.10	\$1,259.90	22.00%	20.60%	28.40%	\$308.00	\$20,319.20	\$18,875.60	14.70%	16.40%	20.60%	\$2,441.30
Average	\$1,257.80	\$891.10	32.10%	12.50%	19.20%	\$163.30	\$15,510.50	\$12,377.30	26.70%	11.90%	17.00%	\$1,581.00

Source: FactSet, Brandes Institute, S&P/Citigroup as of 12-31-04.

*In Exhibits A-29 and A-30, "Global Large Cap" includes all stocks in percentiles 1 through 15 of the Brandes Institute universes, as defined on page 15 of this report. The BIGSC includes all stocks in the 16th through 50th percentiles.

Exhibit A-30: Liquidity Comparison Between Global Small- and Large-Cap Markets* Across Regions and Sectors, 12 Months Ended Dec. 31, 2004

	BIGSC					Global Large Cap*						
	Mkt. Cap (M)	Free Float Mkt. Cap (M)	% of Shares Closely Held	% Shares OUT Traded Monthly	% of free float traded monthly	Monthly Dollar Volume (M)	Mkt Cap (M)	Free Float Mkt. Cap (M)	% of Shares Closely Held	% Shares OUT Traded Monthly	% of free float traded monthly	Monthly Dollar Volume (M)
Consumer Discretionary	\$1,223.40	\$777.20	38.20%	12.50%	21.50%	\$159.90	\$14,239.40	\$7,569.80	29.00%	13.40%	19.90%	\$1,355.20
Asia Pacific	\$787.90	\$451.70	45.10%	8.20%	15.00%	\$66.90	\$7,947.80	\$5,282.40	41.20%	7.50%	12.80%	\$518.40
Europe	\$1,495.60	\$875.00	38.50%	8.10%	14.60%	\$128.00	\$11,234.40	\$7,858.30	23.20%	13.30%	17.00%	\$1,293.90
North America	\$1,465.70	\$1,098.50	31.20%	19.70%	32.80%	\$283.70	\$13,624.10	\$9,559.00	23.20%	17.90%	27.00%	\$1,997.50
Consumer Staples	\$1,153.00	\$742.80	41.60%	7.70%	11.10%	\$87.10	\$18,082.10	\$14,572.70	29.00%	8.20%	11.80%	\$1,354.60
Asia Pacific	\$904.90	\$529.50	45.10%	6.50%	9.10%	\$51.50	\$6,558.50	\$4,181.70	35.30%	5.70%	9.00%	\$361.60
Europe	\$1,290.80	\$900.70	43.40%	4.90%	7.60%	\$67.30	\$19,459.20	\$14,799.10	30.00%	9.80%	14.50%	\$1,713.40
North America	\$1,443.80	\$1,088.90	31.80%	12.90%	19.70%	\$171.40	\$24,726.80	\$23,363.20	23.90%	8.50%	11.60%	\$1,717.60
Energy	\$1,276.60	\$1,025.00	26.80%	13.30%	18.80%	\$179.20	\$25,177.70	\$17,674.30	23.10%	12.70%	17.00%	\$2,088.40
Asia Pacific	\$808.30	\$418.30	51.10%	6.90%	15.40%	\$55.70	\$6,256.50	\$3,612.60	42.30%	9.90%	13.10%	\$558.60
Europe	\$1,093.30	\$693.80	39.00%	11.40%	16.90%	\$101.50	\$59,172.00	\$27,335.00	43.80%	9.20%	16.30%	\$4,139.70
North America	\$1,394.80	\$1,249.30	18.20%	14.70%	20.10%	\$218.90	\$17,976.50	\$19,496.50	11.30%	14.70%	18.20%	\$1,759.70
Financials	\$1,350.40	\$953.70	31.70%	7.40%	12.30%	\$94.70	\$17,107.60	\$14,413.10	27.70%	9.20%	14.70%	\$1,433.90
Asia Pacific	\$890.70	\$567.50	39.10%	6.80%	12.10%	\$52.30	\$9,486.50	\$6,256.70	41.30%	7.40%	14.90%	\$774.90
Europe	\$1,362.80	\$811.70	39.10%	4.20%	9.90%	\$54.30	\$19,882.60	\$16,895.70	29.10%	8.90%	11.60%	\$1,881.10
North America	\$1,608.40	\$1,276.90	21.90%	10.10%	14.20%	\$150.60	\$20,812.80	\$20,234.90	14.40%	10.90%	17.30%	\$1,572.50
Health Care	\$1,278.00	\$995.20	26.80%	18.20%	25.20%	\$255.70	\$21,553.70	\$19,668.70	22.20%	12.80%	16.10%	\$2,106.30
Asia Pacific	\$774.30	\$514.70	42.40%	8.00%	12.70%	\$55.10	\$7,846.20	\$5,528.20	34.50%	5.90%	9.40%	\$452.40
Europe	\$1,091.80	\$656.70	36.10%	6.10%	9.10%	\$65.40	\$24,557.60	\$20,378.20	32.90%	7.70%	10.40%	\$1,771.40
North America	\$1,523.60	\$1,249.10	18.80%	25.60%	34.10%	\$386.90	\$24,301.00	\$24,145.60	13.20%	17.30%	21.00%	\$2,775.30
Industrials	\$1,159.20	\$811.80	31.80%	10.90%	16.00%	\$126.30	\$10,904.20	\$8,918.20	27.00%	10.20%	14.40%	\$936.20
Asia Pacific	\$811.20	\$501.00	39.60%	8.30%	14.40%	\$63.20	\$5,708.40	\$3,719.60	35.90%	8.50%	14.60%	\$381.90
Europe	\$1,351.10	\$908.00	34.20%	8.40%	11.90%	\$109.00	\$9,063.90	\$5,689.70	28.90%	11.20%	15.00%	\$941.60
North America	\$1,371.80	\$1,140.50	19.70%	16.50%	22.20%	\$218.50	\$21,038.10	\$21,106.00	9.20%	11.60%	13.30%	\$1,798.80
Information Technology	\$1,264.70	\$952.30	27.70%	25.60%	36.20%	\$357.50	\$16,573.20	\$14,278.40	22.80%	24.00%	30.60%	\$3,331.10
Asia Pacific	\$807.60	\$467.20	44.10%	14.40%	24.40%	\$103.30	\$8,598.70	\$5,877.10	38.40%	20.10%	29.10%	\$1,282.40
Europe	\$1,304.70	\$964.90	25.00%	12.90%	16.90%	\$212.60	\$21,196.20	\$5,902.10	22.80%	15.80%	20.90%	\$3,462.90
North America	\$1,507.90	\$1,211.00	20.10%	36.40%	49.20%	\$552.20	\$21,345.30	\$20,738.60	12.90%	27.90%	33.00%	\$4,716.70
Materials	\$1,235.80	\$837.50	31.70%	11.10%	17.10%	\$129.20	\$9,675.80	\$7,456.10	24.00%	11.20%	15.90%	\$959.30
Asia Pacific	\$834.70	\$553.70	37.00%	10.40%	18.00%	\$82.10	\$7,921.60	\$5,658.60	29.40%	9.40%	14.20%	\$590.10
Europe	\$1,534.20	\$827.80	37.90%	6.30%	11.50%	\$93.60	\$11,464.60	\$7,068.40	29.50%	9.40%	15.40%	\$996.50
North America	\$1,476.30	\$1,213.70	21.60%	14.40%	19.30%	\$195.50	\$9,559.00	\$10,283.20	11.00%	14.90%	18.50%	\$1,297.30
Telecom. Services	\$1,292.00	\$755.10	41.80%	13.70%	27.00%	\$184.10	\$27,880.00	\$21,333.00	36.00%	9.80%	16.70%	\$2,341.10
Asia Pacific	\$792.60	\$385.10	57.50%	7.90%	17.90%	\$48.40	\$25,065.10	\$11,620.50	53.60%	5.40%	14.90%	\$964.10
Europe	\$1,298.40	\$630.90	47.50%	12.70%	30.50%	\$179.20	\$33,748.00	\$25,227.50	34.70%	9.70%	15.10%	\$3,517.30
North America	\$1,481.20	\$962.90	33.50%	16.40%	29.00%	\$238.60	\$22,503.30	\$26,995.80	19.50%	13.50%	21.80%	\$1,913.60
Utilities	\$1,688.60	\$1,393.20	23.00%	7.80%	10.30%	\$131.80	\$11,766.30	\$9,344.30	24.40%	7.70%	9.40%	\$987.30
Asia Pacific	\$813.80	\$450.40	44.20%	7.30%	15.70%	\$68.80	\$8,544.60	\$5,728.00	40.10%	4.90%	6.20%	\$329.70
Europe	\$1,995.60	\$1,069.50	55.70%	3.60%	6.30%	\$79.80	\$16,006.70	\$11,369.00	35.20%	8.80%	11.90%	\$1,571.10
North America	\$1,705.20	\$1,699.40	4.80%	9.70%	11.00%	\$168.20	\$10,125.80	\$10,699.50	1.60%	8.60%	9.30%	\$917.20
Total	\$1,257.80	\$891.10	32.10%	12.50%	19.20%	\$163.30	\$15,510.50	\$12,377.30	26.70%	11.90%	17.00%	\$1,581.00

Source: FactSet, Brandes Institute, S&P/Citigroup as of 12-31-04.

*In Exhibits A-29 and A-30, "Global Large Cap" includes all stocks in percentiles 1 through 15 of the Brandes Institute universes, as defined on page 15 of this report. The BIGSC includes all stocks in the 16th through 50th percentiles.

**Exhibit A-31: Average Fundamental Traits* for BIGSC, PMI,
and MSCI World, Segmented by Region, as of Dec. 2004**

	# of Cos.	Sales Growth (3 Yr. CAGR)	Asset Growth (3 Yr. CAGR)	EBITDA Growth (3 Yr. CAGR)	Company Age Since Inc. (years)	Employee Growth (1 Yr.)	ROE (1 Yr.)	3 Yr. Change ROE	Capex/Sales (1 Yr.)	Capex/Sales (2-Yr. Avg.)	Capex/Depr. (2-Yr Avg.)
BIGSC	3,455	14.00%	11.80%	16.70%	29.7	7.70%	11.10%	7.30%	10.10%	11.50%	1.46
Asia Pacific	1,061	11.90%	6.90%	15.70%	30.3	7.70%	8.60%	9.40%	7.30%	8.30%	1.53
Europe	954	12.00%	6.00%	13.00%	36.5	6.70%	12.50%	3.40%	9.10%	10.30%	1.26
North America	1,440	16.50%	18.40%	19.40%	27.1	8.30%	12.00%	8.60%	12.60%	14.40%	1.54
S&P/Citigroup PMI	1,352	7.90%	7.10%	14.00%	41.6	4.10%	16.70%	11.20%	9.60%	9.60%	1.27
Asia Pacific	452	7.20%	5.10%	12.20%	38.8	5.90%	11.50%	10.10%	9.40%	9.60%	1.39
Europe	331	3.90%	2.30%	11.30%	43.6	1.80%	22.80%	13.00%	8.80%	8.80%	1.12
North America	562	10.60%	11.20%	16.60%	42.2	4.10%	17.50%	11.40%	9.60%	9.70%	1.25
Emerging	7	12.00%	-2.70%	9.30%	16.7	10.90%	22.10%	-2.90%	35.50%	31.70%	1.18
MSCI World	1,662	7.30%	6.00%	12.40%	42.3	3.10%	15.50%	11.30%	7.80%	7.90%	1.20
Asia Pacific	496	3.70%	2.00%	10.90%	39.9	3.50%	11.00%	11.60%	6.90%	6.90%	1.29
Europe	564	6.20%	2.20%	10.60%	44.0	2.50%	16.00%	11.90%	7.80%	7.80%	1.14
North America	597	10.80%	10.90%	15.00%	42.6	3.40%	18.80%	10.60%	8.50%	8.70%	1.20
Emerging	5	29.70%	1.70%	8.30%	16.7	15.70%	28.20%	11.40%	8.80%	8.30%	0.95

Source: FactSet, Brandes Institute, S&P/Citigroup, MSCI as of 12-31-04

**Exhibit A-32: Average Fundamental Traits* for BIGSC and PMI,
Segmented by Region, as of Dec. 1994**

	# of Cos.	Sales Growth (3 Yr. CAGR)	Asset Growth (3 Yr. CAGR)	EBITDA Growth (3 Yr. CAGR)	Company Age Since Inc. (years)	Employee Growth (1 Yr.)	ROE (1 Yr.)	3 Yr. Change ROE	Capex/Sales (1 Yr.)	Capex/Sales (2-Yr. Avg.)	Capex/Depr. (2-Yr Avg.)
BIGSC	2,302	11.60%	11.40%	11.50%	37.2	6.70%	11.10%	-1.70%	11.80%	11.40%	2.02
Asia Pacific	871	2.00%	4.90%	-4.00%	29.9	2.20%	4.80%	-12.30%	11.70%	12.50%	3.22
Europe	638	16.30%	9.90%	12.00%	53.7	3.60%	11.30%	0.30%	9.90%	9.50%	1.74
North America	793	16.20%	18.10%	23.30%	33.4	12.40%	16.50%	6.40%	13.10%	12.20%	1.83
S&P/Citigroup PMI	1,575	9.70%	8.60%	10.10%	44.5	3.50%	5.50%	-1.90%	10.80%	10.80%	1.79
Asia Pacific	437	2.50%	4.70%	-4.50%	45.5	2.70%	5.20%	-16.20%	9.70%	9.60%	2.24
Europe	458	14.50%	7.90%	11.40%	52.2	2.20%	13.20%	-1.90%	8.80%	9.90%	1.55
North America	610	10.30%	11.10%	18.60%	46.0	4.80%	-0.40%	9.60%	12.00%	11.40%	1.54
Emerging	70	19.80%	16.90%	21.60%	24.0	6.80%	16.90%	-6.20%	17.40%	17.20%	3.93

Source: FactSet, Brandes Institute, S&P/Citigroup as of 12-31-94

* Fundamental data was provided by Compustat and Worldscope. Note that the fundamentals featured in this exhibit are averages that include companies in the financials sector for the following traits: number of companies, sales growth, earnings before interest, taxes, depreciation, and amortization ("EBITDA") growth, company age, and employee growth since inception. Financial companies were excluded when calculating asset growth, return on equity ("ROE"), 3-year change in ROE, capital expenditures ("Capex")/Sales, 2-year average of Capex/Sales, and 2-year average Capex/Depreciation due to these companies' unique balance sheet and capital expenditure characteristics. Financial companies include real estate investment trusts and, particularly in the Asia-Pacific region, other real estate-related equities that tend to skew select fundamental traits.

**Exhibit A-33: Average Fundamental Traits* for BIGSC,
Segmented by Region, as of Dec. 1984**

	# of Cos.	Sales Growth (3 Yr. CAGR)	Asset Growth (3 Yr. CAGR)	EBITDA Growth (3 Yr. CAGR)	Company Age Since Inc. (years)	Employee Growth (1 Yr.)	ROE (1 Yr.)	3 Yr. Change ROE	Capex/Sales (1 Yr.)	Capex/Sales (2-Yr. Avg)	Capex/Depr. (2-Yr Avg.)
BIGSC	883	12.50%	13.40%	12.70%	46.6	5.60%	14.20%	1.80%	12.40%	12.80%	2.40
Asia Pacific	222	9.00%	7.90%	7.10%	51.1	3.20%	7.70%	-4.70%	11.40%	11.10%	2.21
Europe	123	10.00%	12.70%	13.80%	54.1	-0.30%	15.40%	15.80%	13.40%	13.30%	1.93
North America	538	14.10%	15.30%	14.10%	44.7	7.40%	16.40%	1.60%	12.40%	13.10%	2.52

Source: FactSet, Brandes Institute as of 12-31-84. For more information about BIGSC, see page 15 of this report.

- Generally, North American small caps exhibited the highest sales, asset, EBITDA, and employee growth over all three periods. They also tended to have the lowest company age and highest capex/sales percentages.
- These characteristics illustrated differences in company fundamentals across regions.

* Fundamental data was provided by Compustat and Worldscope. Note that the fundamentals featured in this exhibit are averages that include companies in the financials sector for the following traits: number of companies, sales growth, earnings before interest, taxes, depreciation, and amortization ("EBITDA") growth, company age, and employee growth since inception. Financial companies were excluded when calculating asset growth, return on equity ("ROE"), 3-year change in ROE, capital expenditures ("Capex")/Sales, 2-year average of Capex/Sales, and 2-year average Capex/Depreciation due to these companies' unique balance sheet and capital expenditure characteristics. Financial companies include real estate investment trusts and, particularly in the Asia-Pacific region, other real estate-related equities that tend to skew select fundamental traits.

**Exhibit A-34: Average Fundamental Traits* for BIGSC,
Segmented by Region and Sector, as of Dec. 2004**

	# of Cos.	Sales Growth (3 Yr. CAGR)	Asset Growth (3 Yr. CAGR)	EBITDA Growth (3 Yr. CAGR)	Company Age Since Inc. (years)	Employee Growth (1 Yr.)	ROE (1 Yr.)	3 Yr. Change ROE	Capex/Sales (1 Yr.)	Capex/Sales (2-Yr. Avg.)	Capex/Depr. (2-Yr. Avg.)
Asia Pacific	1,061	11.90%	6.90%	15.70%	30.3	7.70%	8.60%	9.40%	7.30%	8.30%	1.5
Consumer Discretionary	230	15.70%	9.40%	19.60%	21.8	8.70%	14.40%	7.60%	4.60%	4.60%	1.7
Consumer Staples	103	9.50%	7.70%	11.40%	32.0	8.60%	9.00%	7.70%	4.80%	4.80%	1.5
Energy	17	34.20%	24.10%	19.80%	26.8	18.50%	-3.80%	17.60%	49.80%	94.20%	4.3
Financials	188	8.00%	7.60%	12.00%	34.4	5.90%	15.70%	9.60%	36.30%	33.30%	7.6
Health Care	54	33.20%	9.10%	15.40%	31.9	10.20%	17.30%	3.80%	5.70%	5.90%	1.8
Industrials	218	6.40%	2.40%	11.90%	31.2	4.30%	9.60%	11.50%	7.60%	7.10%	1.4
Information Technology	121	11.80%	9.90%	21.80%	27.2	13.80%	19.40%	19.20%	4.70%	4.80%	1.3
Materials	109	7.20%	2.70%	15.00%	44.5	2.90%	-22.00%	13.10%	10.20%	9.00%	1.3
Telecom. Svcs.	8	26.40%	10.00%	15.80%	7.6	4.30%	18.30%	-3.30%	10.60%	14.10%	0.9
Utilities	14	19.50%	22.90%	22.30%	15.0	32.10%	14.80%	4.80%	59.20%	68.40%	4.3
Europe	954	12.00%	6.00%	13.00%	36.5	6.70%	12.50%	3.40%	9.10%	10.30%	1.3
Consumer Discretionary	179	8.60%	6.00%	11.80%	30.0	3.50%	20.10%	5.70%	4.50%	4.70%	1.1
Consumer Staples	60	2.90%	2.30%	7.90%	37.3	0.00%	23.40%	3.00%	4.50%	5.00%	1.1
Energy	33	90.60%	30.10%	67.60%	17.6	24.60%	20.50%	6.40%	47.30%	57.20%	3.5
Financials	246	8.60%	11.90%	15.00%	26.9	9.00%	12.40%	8.10%	32.10%	28.90%	6.5
Health Care	35	18.60%	14.30%	16.00%	27.6	9.90%	10.90%	-5.40%	16.50%	24.20%	1.4
Industrials	194	5.40%	3.90%	6.60%	40.4	4.90%	15.10%	1.30%	7.30%	7.80%	1.2
Information Technology	64	12.30%	7.00%	14.60%	33.6	8.20%	15.10%	-8.20%	4.30%	4.30%	0.7
Materials	74	11.40%	7.30%	5.90%	32.9	5.40%	11.40%	7.60%	12.10%	10.40%	1.5
Telecom. Svcs.	9	27.50%	-10.70%	27.50%	9.8	12.10%	-26.10%	-22.40%	14.80%	20.70%	1.0
Utilities	40	16.10%	10.40%	14.00%	25.8	4.60%	14.50%	5.20%	13.80%	15.30%	1.5
North America	1,440	16.50%	18.70%	19.40%	27.1	8.30%	11.10%	7.30%	10.10%	11.50%	1.5
Consumer Discretionary	241	14.00%	16.00%	14.60%	28.7	8.30%	4.00%	6.70%	7.00%	6.90%	1.6
Consumer Staples	46	13.50%	11.80%	15.70%	41.6	5.50%	13.60%	8.30%	2.60%	2.90%	1.2
Energy	123	37.10%	34.90%	27.40%	20.1	15.30%	49.00%	4.10%	45.70%	55.80%	2.3
Financials	340	14.00%	19.60%	21.40%	18.3	9.40%	15.90%	3.70%	4.80%	4.50%	0.9
Health Care	139	28.00%	27.30%	25.60%	16.5	11.30%	4.50%	11.40%	18.70%	18.30%	1.7
Industrials	179	10.10%	12.30%	15.00%	40.1	6.80%	6.90%	9.10%	6.80%	7.10%	1.2
Information Technology	169	12.70%	18.10%	24.50%	18.5	9.30%	18.90%	5.40%	5.10%	5.20%	0.9
Materials	111	12.80%	20.70%	22.20%	43.0	3.30%	18.60%	31.40%	10.30%	17.10%	2.5
Telecom. Svcs.	24	16.00%	3.60%	-2.50%	14.9	2.00%	-21.30%	-19.30%	10.30%	9.90%	0.7
Utilities	69	-1.50%	6.30%	5.30%	52.6	-3.30%	7.90%	3.80%	12.90%	12.30%	1.6

Source: FactSet, Brandes Institute as of 12-31-04. For more information about BIGSC, see page 15 of this report.

- Higher absolute “growth” traits in North America were not specific to one or a few sectors, suggesting a broad-based fundamental difference between North American small-cap companies and their non-North American peers.
- Data for financials was not included in the regional averages. Data for financials is provided to provide comparisons across regions.
- The number of companies in each region, when segmented by sector, may not sum to the regional total due to companies not being assigned a sector classification by Global Industry Classification Standard (“GICS”). These “unassigned” companies were, however, included in the regional totals for all fundamental metrics.

* Fundamental data was provided by Compustat and Worldscope. Note that the fundamentals featured in this exhibit are averages that include companies in the financials sector for the following traits: number of companies, sales growth, earnings before interest, taxes, depreciation, and amortization (“EBITDA”) growth, company age, and employee growth since inception. Financial companies were excluded when calculating asset growth, return on equity (“ROE”), 3-year change in ROE, capital expenditures (“Capex”)/Sales, 2-year average of Capex/Sales, and 2-year average Capex/Depreciation due to these companies’ unique balance sheet and capital expenditure characteristics. Financial companies include real estate investment trusts and, particularly in the Asia-Pacific region, other real estate-related equities that tend to skew select fundamental traits.

**Exhibit A-35: Average Fundamental Traits* for BIGSC,
Segmented by Region and Sector, as of Dec. 1994**

	# of Cos.	Sales Growth (3 Yr. CAGR)	Asset Growth (3 Yr. CAGR)	EBITDA Growth (3 Yr. CAGR)	Company Age Since Inc. (years)	Employee Growth (1 Yr.)	ROE (1 Yr.)	3 Yr. Change ROE	Capex/Sales (1 Yr.)	Capex/Sales (2-Yr. Avg.)	Capex/Depr. (2-Yr. Avg.)
Asia Pacific	871	2.00%	4.90%	-4.00%	29.9	2.20%	4.80%	-12.30%	11.70%	12.50%	3.2
Consumer Discretionary	178	3.50%	7.20%	-4.70%	21.0	2.60%	7.20%	-14.80%	8.50%	8.30%	3.5
Consumer Staples	73	3.50%	4.50%	-2.60%	41.4	2.00%	4.70%	-7.80%	5.90%	5.70%	2.0
Energy	13	3.00%	7.20%	5.50%	39.2	-0.20%	6.10%	-4.30%	20.30%	19.70%	3.3
Financials	161	1.10%	4.90%	3.20%	24.0	1.10%	4.30%	-9.30%	27.50%	26.10%	15.5
Health Care	33	6.10%	6.60%	3.80%	20.0	5.70%	7.10%	2.40%	8.10%	7.40%	2.9
Industrials	209	0.80%	3.80%	-6.50%	32.2	1.50%	3.60%	-16.70%	6.50%	6.70%	2.6
Information Technology	76	2.00%	5.60%	-8.90%	20.2	5.30%	0.90%	-27.30%	5.40%	5.60%	1.5
Materials	125	0.90%	2.80%	-8.20%	51.8	1.10%	5.40%	-13.50%	27.60%	27.30%	2.4
Utilities	3	1.60%	0.90%	1.90%	89.0	3.00%	6.70%	37.20%	15.90%	18.60%	5.4
Europe	638	16.30%	9.90%	12.00%	53.7	3.60%	11.30%	0.30%	9.90%	9.50%	1.7
Consumer Discretionary	100	30.80%	6.70%	16.60%	41.1	2.40%	3.00%	6.00%	4.70%	4.70%	1.4
Consumer Staples	61	12.00%	8.70%	6.50%	48.9	6.20%	14.80%	-3.60%	6.10%	6.00%	1.7
Energy	9	5.90%	12.50%	32.60%	2.0	4.00%	13.90%	-8.60%	52.20%	41.00%	2.1
Financials	117	14.80%	16.80%	10.80%	63.8	2.10%	9.50%	-2.40%	31.20%	26.60%	5.5
Health Care	20	15.40%	14.70%	21.20%	28.3	10.20%	12.80%	3.90%	17.30%	13.90%	2.6
Industrials	151	17.90%	10.50%	12.50%	56.4	4.90%	10.50%	-3.50%	8.20%	7.90%	1.5
Information Technology	29	8.80%	10.50%	15.60%	53.6	2.20%	-2.70%	9.60%	4.80%	5.00%	1.2
Materials	62	8.40%	7.50%	6.60%	48.6	2.20%	22.90%	1.90%	7.30%	7.90%	1.2
Telecom. Svcs.	2	5.00%	5.40%	-8.80%	NA	4.80%	7.20%	-20.90%	88.10%	88.00%	3.8
Utilities	56	8.00%	9.60%	10.40%	19.0	-0.90%	14.50%	5.30%	21.50%	20.80%	2.5
North America	793	16.20%	18.10%	23.30%	33.4	12.40%	16.50%	6.40%	13.10%	12.20%	1.8
Consumer Discretionary	146	19.50%	20.40%	23.00%	33.3	18.40%	21.20%	4.80%	8.70%	10.20%	2.3
Consumer Staples	48	8.90%	11.70%	11.10%	49.7	8.30%	15.10%	3.90%	3.60%	3.80%	1.6
Energy	41	15.50%	15.80%	17.00%	30.7	16.50%	8.30%	-0.30%	41.90%	39.10%	1.9
Financials	153	13.80%	17.40%	31.40%	20.9	9.80%	15.70%	3.80%	4.80%	4.90%	1.2
Health Care	52	29.90%	31.50%	28.90%	23.1	25.10%	28.70%	-3.30%	6.00%	6.90%	1.9
Industrials	94	12.40%	12.90%	20.60%	43.0	7.90%	15.60%	9.40%	9.30%	8.90%	1.5
Information Technology	95	27.70%	28.50%	34.10%	18.3	19.00%	22.10%	15.20%	9.00%	7.80%	1.8
Materials	81	9.90%	10.10%	22.10%	49.2	0.10%	5.70%	24.40%	9.80%	9.80%	1.6
Telecom. Svcs.	21	14.50%	40.50%	17.10%	29.5	40.10%	10.20%	-1.40%	74.20%	37.80%	1.5
Utilities	61	6.90%	7.10%	7.80%	47.7	-1.20%	11.00%	-0.50%	16.10%	16.80%	2.0

Source: FactSet, Brandes Institute as of 12-31-94. For more information about BIGSC, see page 15 of this report.

Note that "NA" in a cell denotes that data is unavailable.

- Data for financials was not included in the regional averages. Data for financials is provided to provide comparisons across regions.
- The number of companies in each region, when segmented by sector, may not sum to the regional total due to companies not being assigned a sector classification by GICS. These "unassigned" companies were, however, included in the regional totals for all fundamental metrics.

* Fundamental data was provided by Compustat and Worldscope. Note that the fundamentals featured in this exhibit are averages that include companies in the financials sector for the following traits: number of companies, sales growth, earnings before interest, taxes, depreciation, and amortization ("EBITDA") growth, company age, and employee growth since inception. Financial companies were excluded when calculating asset growth, return on equity ("ROE"), 3-year change in ROE, capital expenditures ("Capex")/Sales, 2-year average of Capex/Sales, and 2-year average Capex/Depreciation due to these companies' unique balance sheet and capital expenditure characteristics. Financial companies include real estate investment trusts and, particularly in the Asia-Pacific region, other real estate-related equities that tend to skew select fundamental traits.

**Exhibit A-36: Average Fundamental Traits* for BIGSC,
Segmented by Region and Sector, as of Dec. 1984**

	# of Cos.	Sales Growth (3 Yr. CAGR)	Asset Growth (3 Yr. CAGR)	EBITDA Growth (3 Yr. CAGR)	Company Age Since Inc. (years)	Employee Growth (1 Yr.)	ROE (1 Yr.)	3 Yr. Change ROE	Capex/Sales (1 Yr.)	Capex/Sales (2-Yr. Avg.)	Capex/Depr. (2-Yr Avg.)
Asia Pacific	222	9.00%	7.90%	7.10%	51.1	3.20%	7.70%	-4.70%	11.40%	11.10%	2.2
Consumer Discretionary	38	6.90%	8.20%	5.30%	57.0	0.30%	6.10%	-4.70%	4.60%	4.60%	1.7
Consumer Staples	16	7.80%	7.70%	8.80%	1.0	2.40%	10.90%	7.00%	5.40%	5.60%	2.1
Energy	4	4.30%	-10.40%	-4.20%	NA	-2.20%	3.20%	6.60%	0.80%	0.60%	0.8
Financials	29	12.60%	17.20%	10.80%	68.8	4.00%	11.20%	2.50%	29.90%	32.80%	9.9
Health Care	19	10.50%	11.90%	3.90%	62.3	1.00%	10.00%	-16.70%	9.50%	9.50%	1.8
Industrials	49	7.60%	9.00%	5.10%	37.5	3.90%	9.00%	-6.80%	5.80%	5.50%	2.0
Information Technology	32	13.20%	17.00%	13.50%	35.0	3.80%	14.10%	-10.70%	9.60%	9.10%	1.9
Materials	33	9.30%	4.90%	8.00%	47.0	7.20%	10.80%	-1.10%	32.10%	32.30%	3.6
Utilities	4	6.40%	6.90%	31.10%	NA	0.30%	12.40%	2.50%	23.20%	28.10%	1.9
Europe	123	10.00%	12.70%	13.80%	54.1	-0.30%	15.40%	15.80%	13.40%	13.30%	1.9
Consumer Discretionary	16	7.20%	7.30%	11.80%	43.8	-2.60%	10.80%	59.00%	5.20%	5.30%	2.1
Consumer Staples	22	18.10%	16.70%	20.90%	53.2	10.40%	18.90%	5.10%	4.60%	4.50%	2.3
Energy	6	8.50%	14.00%	2.10%	NA	2.20%	13.50%	-27.20%	16.80%	17.30%	1.9
Financials	28	8.60%	15.40%	10.00%	39.2	1.00%	19.30%	-0.70%	2.30%	2.00%	0.7
Health Care	5	10.90%	12.60%	21.60%	47.0	4.30%	21.90%	26.20%	5.30%	5.50%	1.8
Industrials	19	6.70%	8.00%	11.40%	68.4	-4.40%	15.70%	5.80%	5.20%	5.10%	1.5
Information Technology	3	20.10%	14.60%	31.50%	24.0	4.00%	-9.20%	69.30%	8.40%	7.60%	2.7
Materials	15	10.40%	10.00%	13.10%	64.5	-3.00%	13.90%	7.40%	5.70%	5.90%	1.4
Utilities	6	3.60%	4.70%	7.80%	NA	-6.20%	9.80%	0.10%	19.90%	18.60%	1.4
North America	538	12.50%	15.30%	12.70%	46.6	5.60%	16.40%	1.60%	12.40%	13.10%	2.5
Consumer Discretionary	86	17.20%	19.00%	24.50%	47.3	9.50%	21.50%	7.00%	7.10%	7.90%	2.5
Consumer Staples	49	11.70%	14.70%	14.60%	49.2	8.90%	18.90%	-1.00%	3.50%	3.60%	1.9
Energy	26	-4.10%	7.80%	-4.30%	40.1	-1.00%	8.70%	-19.30%	29.60%	27.50%	1.8
Financials	86	11.90%	15.70%	14.80%	25.6	7.70%	14.70%	-2.40%	3.00%	3.60%	2.4
Health Care	22	18.60%	20.10%	23.50%	35.4	10.00%	13.50%	8.10%	8.90%	10.20%	3.7
Industrials	89	5.90%	8.50%	9.90%	50.2	6.00%	15.10%	2.50%	9.40%	9.80%	2.2
Information Technology	38	33.30%	43.40%	24.70%	33.7	30.30%	28.60%	-6.20%	13.50%	17.20%	3.9
Materials	57	29.00%	12.30%	4.80%	52.5	1.10%	20.70%	-2.00%	9.30%	9.70%	1.6
Telecom. Svcs.	5	23.00%	23.30%	20.50%	23.0	4.90%	12.80%	-5.80%	23.70%	25.90%	2.1
Utilities	80	7.80%	8.30%	11.20%	51.2	1.30%	13.50%	1.50%	22.40%	23.50%	3.5

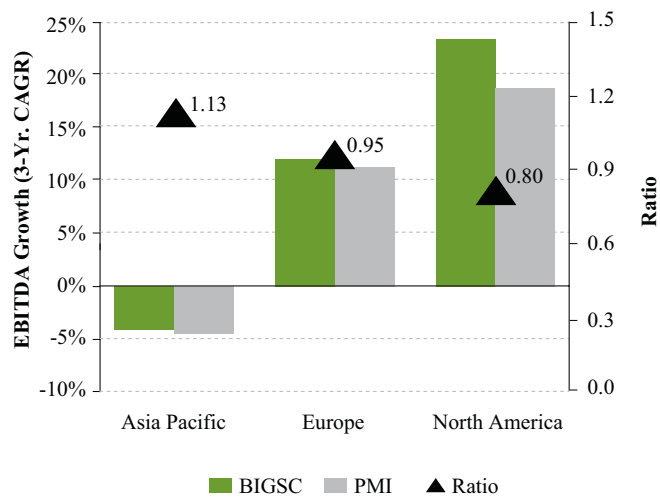
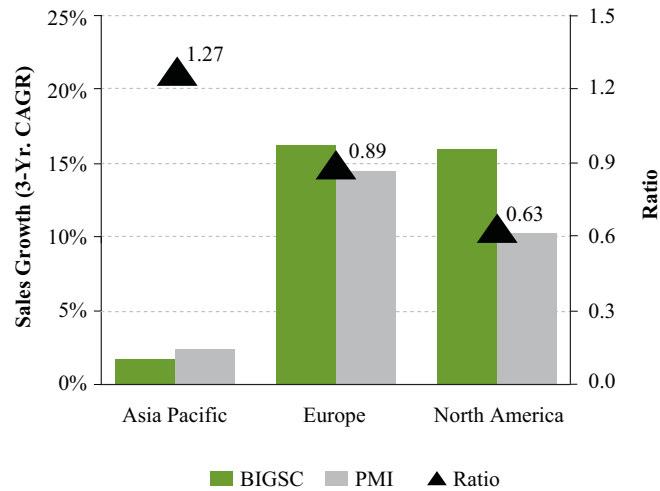
Source: FactSet, Brandes Institute as of 12-31-84. For more information about BIGSC, see page 15 of this report.

Note that "NA" in a cell denotes that data is unavailable.

- Data for financials was not included in the regional averages. Data for financials is provided to provide comparisons across regions.
- The number of companies in each region, when segmented by sector, may not sum to the regional total due to companies not being assigned a sector classification by GICS. These "unassigned" companies were, however, included in the regional totals for all fundamental metrics.

* Fundamental data was provided by Compustat and Worldscope. Note that the fundamentals featured in this exhibit are averages that include companies in the financials sector for the following traits: number of companies, sales growth, earnings before interest, taxes, depreciation, and amortization ("EBITDA") growth, company age, and employee growth since inception. Financial companies were excluded when calculating asset growth, return on equity ("ROE"), 3-year change in ROE, capital expenditures ("Capex")/Sales, 2-year average of Capex/Sales, and 2-year average Capex/Depreciation due to these companies' unique balance sheet and capital expenditure characteristics. Financial companies include real estate investment trusts and, particularly in the Asia-Pacific region, other real estate-related equities that tend to skew select fundamental traits.

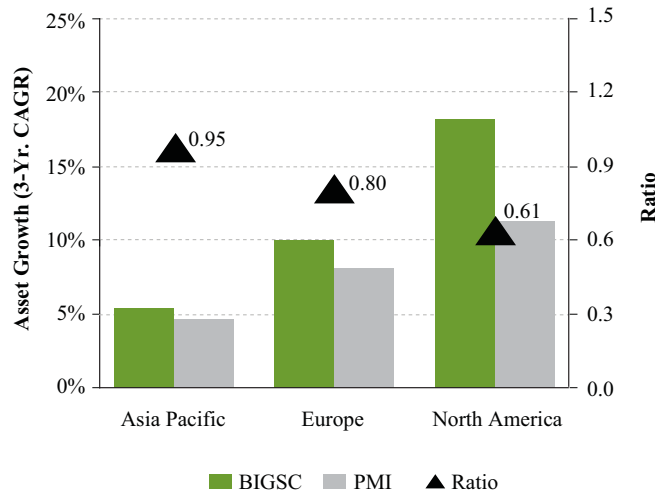
**Exhibit A-37: Sales Growth* (3-year CAGR)
and EBITDA Growth* (3-Year CAGR), as of Dec. 1994**



Source: The Brandes Institute; S&P/Citigroup via FactSet, as of 12-31-94

* Fundamental data was provided by Compustat and Worldscope. Note that the fundamentals featured in this exhibit are averages that include companies in the financials sector for the following traits: number of companies, sales growth, earnings before interest, taxes, depreciation, and amortization (“EBIT-DA”) growth, company age, and employee growth since inception. Financial companies were excluded when calculating asset growth, return on equity (“ROE”), 3-year change in ROE, capital expenditures (“Capex”)/Sales, 2-year average of Capex/Sales, and 2-year average Capex/Depreciation due to these companies’ unique balance sheet and capital expenditure characteristics. Financial companies include real estate investment trusts and, particularly in the Asia-Pacific region, other real estate-related equities that tend to skew select fundamental traits.

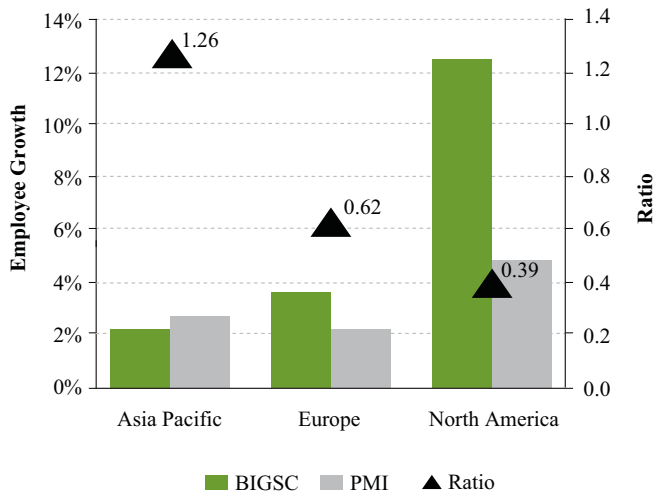
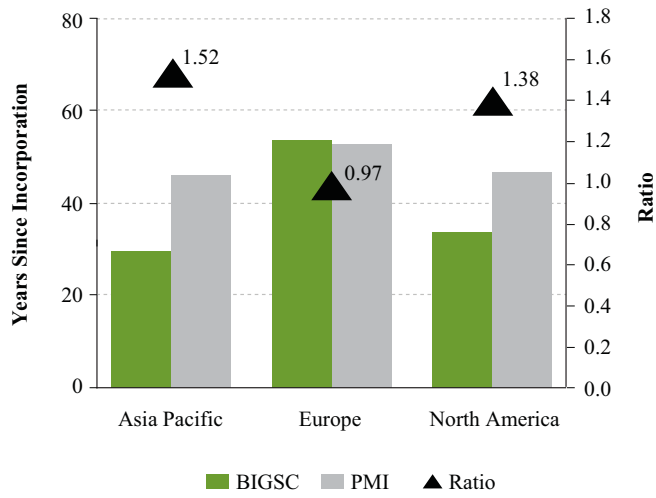
**Exhibit A-38: Asset Growth* (3-Year CAGR),
as of Dec. 1994**



Source: The Brandes Institute; S&P/Citigroup via FactSet, as of 12-31-94

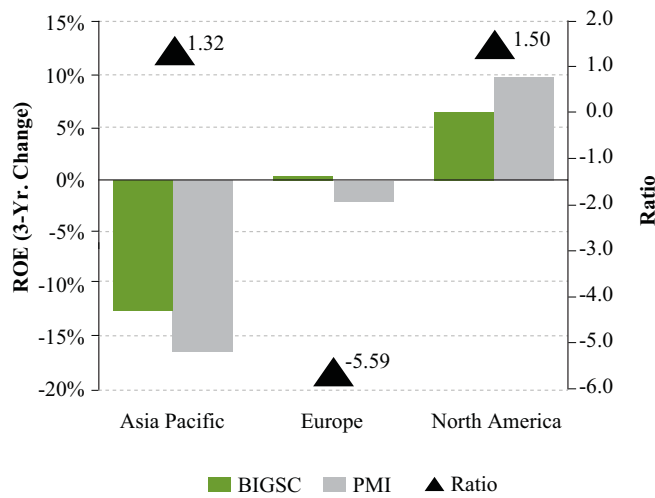
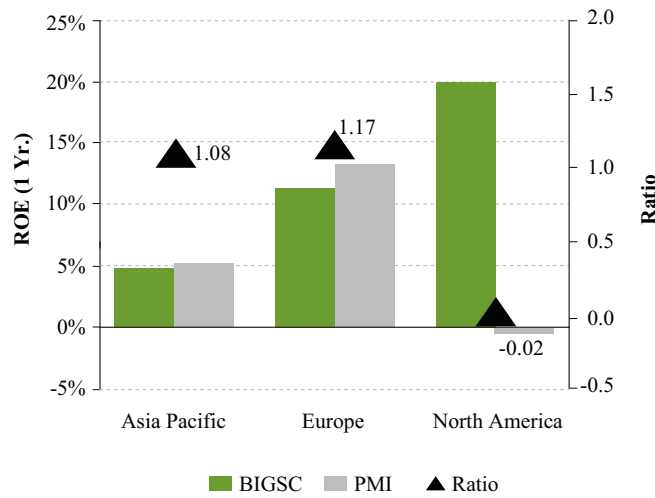
* Fundamental data was provided by Compustat and Worldscope. Note that the fundamentals featured in this exhibit are averages that include companies in the financials sector for the following traits: number of companies, sales growth, earnings before interest, taxes, depreciation, and amortization (“EBIT-DA”) growth, company age, and employee growth since inception. Financial companies were excluded when calculating asset growth, return on equity (“ROE”), 3-year change in ROE, capital expenditures (“Capex”)/Sales, 2-year average of Capex/Sales, and 2-year average Capex/Depreciation due to these companies’ unique balance sheet and capital expenditure characteristics. Financial companies include real estate investment trusts and, particularly in the Asia-Pacific region, other real estate-related equities that tend to skew select fundamental traits.

Exhibit A-39: Years Since Incorporation and Employee Growth, as of Dec. 1994



Source: The Brandes Institute; S&P/Citigroup via FactSet, as of 12-31-94

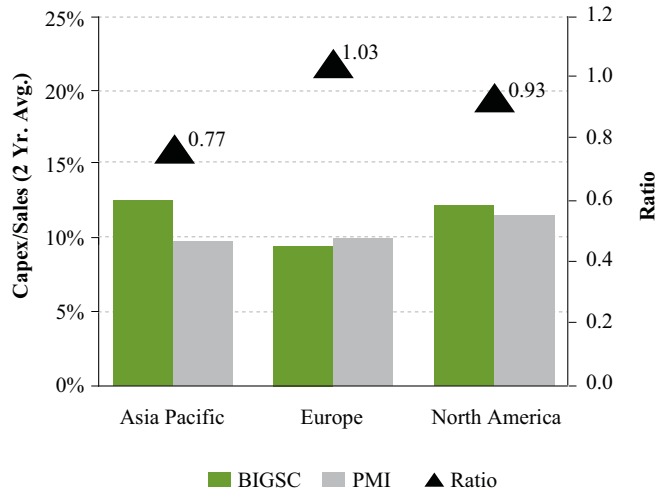
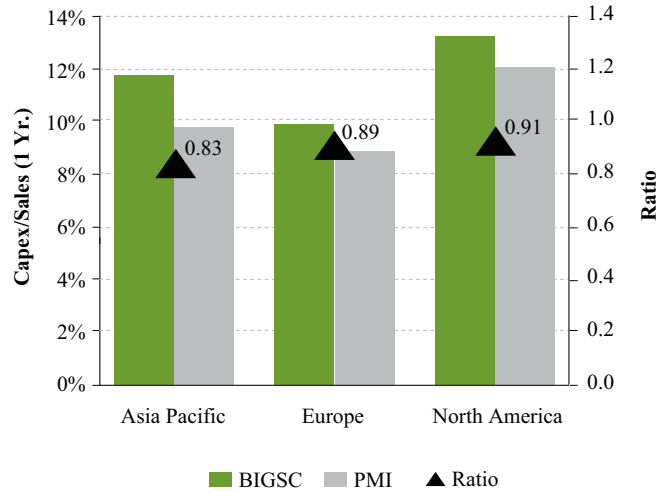
**Exhibit A-40: ROE (1-Year) and ROE* (3-Year Change),
as of Dec. 1994**



Source: The Brandes Institute; S&P/Citigroup via FactSet, as of 12-31-94

* Fundamental data was provided by Compustat and Worldscope. Note that the fundamentals featured in this exhibit are averages that include companies in the financials sector for the following traits: number of companies, sales growth, earnings before interest, taxes, depreciation, and amortization (“EBIT-DA”) growth, company age, and employee growth since inception. Financial companies were excluded when calculating asset growth, return on equity (“ROE”), 3-year change in ROE, capital expenditures (“Capex”)/Sales, 2-year average of Capex/Sales, and 2-year average Capex/Depreciation due to these companies’ unique balance sheet and capital expenditure characteristics. Financial companies include real estate investment trusts and, particularly in the Asia-Pacific region, other real estate-related equities that tend to skew select fundamental traits.

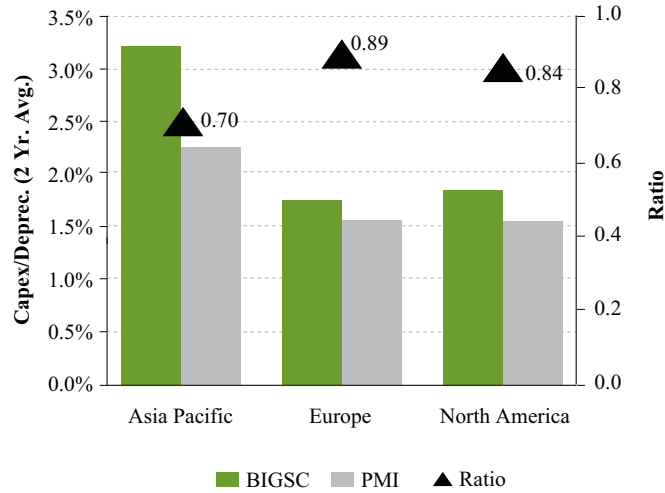
Exhibit A-41: Capex/Sales (1-Year) and Capex/Sales* (2-Year Average), as of Dec. 1994



Source: The Brandes Institute; S&P/Citigroup via FactSet, as of 12-31-94

* Fundamental data was provided by Compustat and Worldscope. Note that the fundamentals featured in this exhibit are averages that include companies in the financials sector for the following traits: number of companies, sales growth, earnings before interest, taxes, depreciation, and amortization (“EBIT-DA”) growth, company age, and employee growth since inception. Financial companies were excluded when calculating asset growth, return on equity (“ROE”), 3-year change in ROE, capital expenditures (“Capex”)/Sales, 2-year average of Capex/Sales, and 2-year average Capex/Depreciation due to these companies’ unique balance sheet and capital expenditure characteristics. Financial companies include real estate investment trusts and, particularly in the Asia-Pacific region, other real estate-related equities that tend to skew select fundamental traits.

**Exhibit A-42: Capex/Depreciation* (2-Year Average),
as of Dec. 1994**



Source: The Brandes Institute; S&P/Citigroup via FactSet, as of 12-31-94

* Fundamental data was provided by Compustat and Worldscope. Note that the fundamentals featured in this exhibit are averages that include companies in the financials sector for the following traits: number of companies, sales growth, earnings before interest, taxes, depreciation, and amortization (“EBIT-DA”) growth, company age, and employee growth since inception. Financial companies were excluded when calculating asset growth, return on equity (“ROE”), 3-year change in ROE, capital expenditures (“Capex”)/Sales, 2-year average of Capex/Sales, and 2-year average Capex/Depreciation due to these companies’ unique balance sheet and capital expenditure characteristics. Financial companies include real estate investment trusts and, particularly in the Asia-Pacific region, other real estate-related equities that tend to skew select fundamental traits.