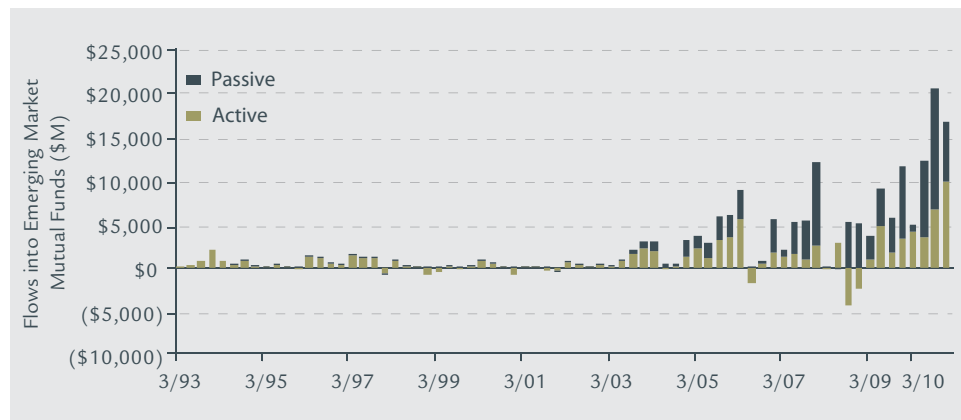


EXECUTIVE SUMMARY

Passive investing, particularly in emerging markets, has become an increasingly popular means of quick, “diversified” exposure to a particular segment of the markets. Flows into passive emerging market products have been so strong that assets in exchange-traded funds (“ETFs”) designed to capture this region of the world now rank second only behind ETFs tracking the S&P 500 Index. Yet it’s the presumption of diversification that can lead investors astray. Many passive investments are, in fact, extremely concentrated owing to the disproportionate size of their largest holdings and blindly weighting by market capitalization. As emerging markets is now the largest region of the equity markets by number of investable securities, it may create opportunities for investors willing and able to invest actively outside of the largest securities.

The popularity of emerging markets and, in particular ETFs, has reached an all new level. Flows into passive and emerging market ETFs were \$8.6b, \$13.9b, and \$6.8 billion (USD) over the last three quarters of 2010. For perspective, \$8.4 billion went into emerging market ETFs and passive funds in the *entire year* of 2005. Recent flows have pushed the ratio of collective assets invested in passive and ETF strategies to active strategies in emerging markets to parity. That is, there’s as much money invested passively as actively today in emerging markets. Just 10 years ago, active strategies managed 10 times as much. While other areas of the world have also seen a surge of passively invested money in recent years, actively managed products still manage twice as much assets as passive.

Exhibit 1: Quarterly Flows into Active and Passive Emerging Market Strategies (1993-2010)



Source: Morningstar, the Brandes Institute, as of 12/31/10. Passive includes passive funds and ETFs.

Looking across the universe of 4,980 exchange-traded funds globally, 55 ETFs¹ track a broad measure of emerging markets (the overwhelming majority track the MSCI Emerging Markets Index). Aggregate net assets under management in these funds totaled \$108 billion as of January 31, 2011 and ranked second only behind ETFs that track the S&P 500 Index. Additionally, there is another \$50 billion in BRIC (Brazil, Russia, India, China) ETFs or its individual country components and \$2.5 billion in ETFs tracking regional carve outs of emerging markets (Asia Pacific, Latin America, and Europe).

¹As there are several established index vendors for emerging markets and gold, this total includes funds meant to track indices published across multiple providers. For example, gold ETFs include those that track the spot price, physical gold, London Fixed Gold price return, etc.

Exhibit 2: ETF Net Assets by Asset Class Tracked

Target Investment	Net Assets (\$M)	# of ETFs
S&P 500	\$142,413	59
EM	\$107,805	55
Gold	\$88,174	84
BRIC	\$4,052	16
Brazil	\$15,315	25
Russia	\$4,035	8
India	\$6,081	16
China	\$21,163	35

Source: Morningstar, the Brandes Institute, as of 12/31/10.

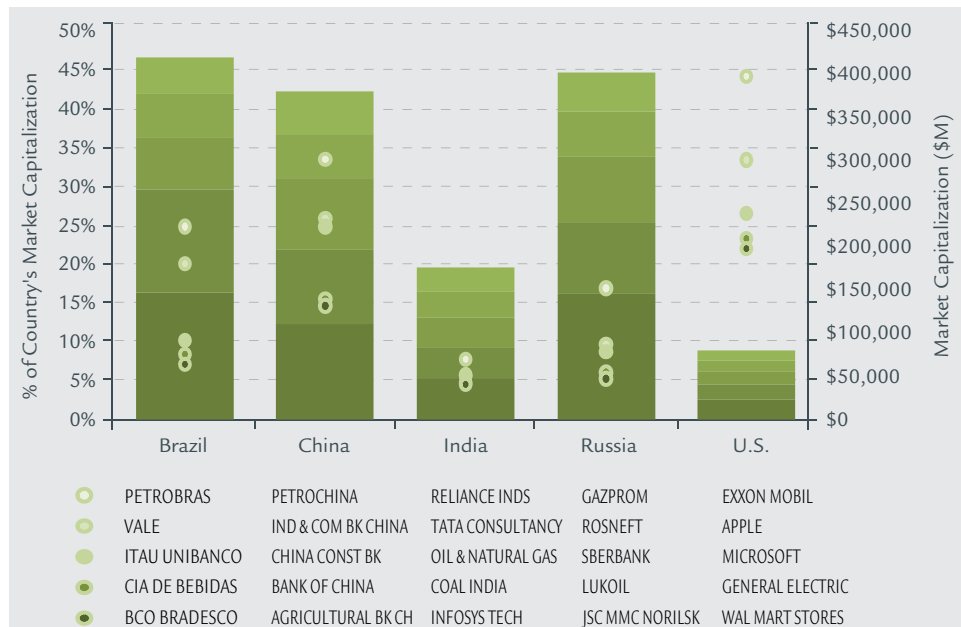
What are the possible ramifications of this surge in passive investment on investors and markets in these areas?

CONCENTRATION RISK

ETFs have not provided the level of diversification many investors expect. As the majority of ETFs invest pro rata on a market capitalization basis, it means that the majority of flows are used to purchase shares in the largest companies. Those purchases in turn push prices and capitalization higher and, coupled by relatively consistent flows the past few years, have turned this pattern into a compounding cycle.

We analyzed the largest companies in the S&P Global Broad Market Index across various countries and identified how much of a country's total capitalization was represented by just the largest five companies. As shown in Exhibit 3, BRIC countries tend to be "top heavy." The largest five companies in Brazil account for 47% of that country's total market cap; the top five in China account for 42%. Please see the appendix for country by country detail.

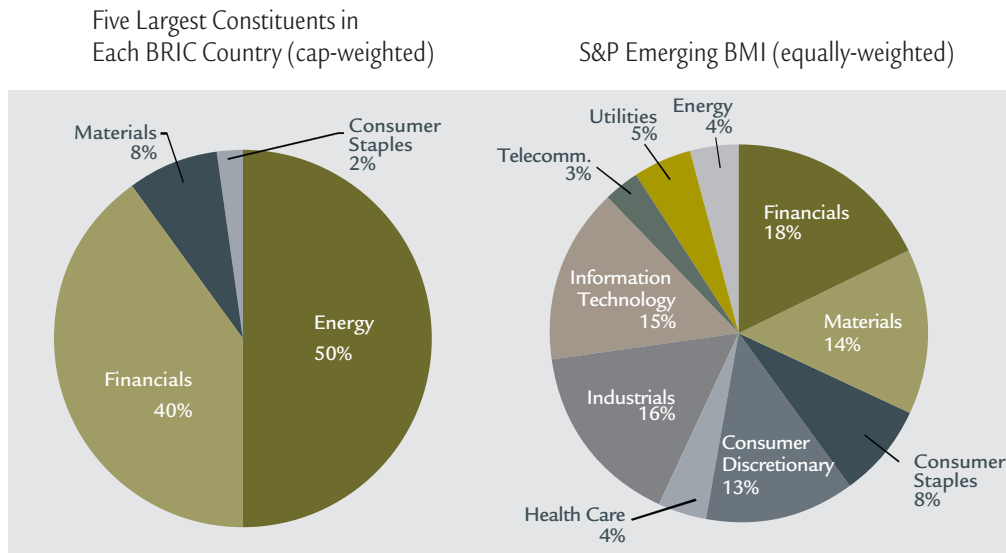
Exhibit 3: Concentration Among the Largest Five Companies in Select Countries



Source: S&P, Worldscope via FactSet, as of 12/31/10. Past performance is not a guarantee of future results.

As profiled in Exhibit 3, the largest five companies in each respective BRIC country also provided little diversification across sectors, being heavily weighted in just two. Roughly 90% of the capitalization of those 20 companies was in financials (banks) and energy (predominantly oil & gas). Exposure to these largest companies alone would miss much of what emerging markets offer and becomes particularly evident when the number of companies in each emerging market sector are tallied on an equally-weighted basis. The full 2,540 companies in the S&P Emerging BMI (Broad Market Index) were more broadly distributed, with no sector accounting for more than 18% of the index's constituents. This reveals that beneath the top layer of concentration, emerging markets encompass a fairly diversified set of companies across the globe. See Exhibit 4.

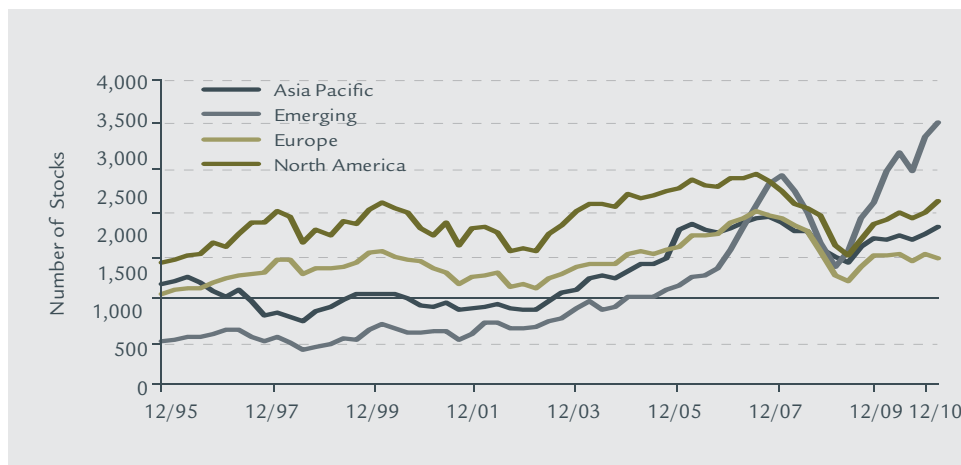
Exhibit 4: Sector Composition of Emerging Markets



Source: S&P, Worldscope via FactSet, as of 12/31/10. Past performance is not a guarantee of future results.

Additionally, emerging markets is now the single largest opportunity set globally. There are nearly 3,500 stocks in emerging markets with a market capitalization greater than \$500 million, more than any developed market region in the world. Exhibit 5 profiles how this leadership position has evolved historically and transformed over the past 15 years.

Exhibit 5: Number of Stocks Above \$500 Million in Market Capitalization by Region



Source: Worldscope via FactSet, the Brandes Institute, as of 12/31/10. Past performance is not a guarantee of future results.

A simplistic look at just the largest companies in these markets provides a good indication of relative levels of concentration. Of course, ETFs invest across a whole benchmark, so we need to enlist a more comprehensive metric – the concentration coefficient (“CC”).

APPLYING THE CC TO INDICES AND ETFs

Often, concentration is measured by the number of stocks in a portfolio (“N”). The problem with this approach is that it takes no account of the weights of the holdings in the portfolio or index. For example, a 50-stock portfolio could be equally weighted (2% in each stock). Alternatively, an individual investor might have half of his or her 50-stock portfolio in one stock (typically the employer company), but equally weight the rest of the holdings. The concentration characteristics of the two portfolios are very different, but both have an identical number of stocks. By accounting for weights of individual positions, the key insight of the CC is to reframe the number of holdings in a portfolio into an equally weighted equivalent. As a consequence, a more concentrated portfolio or index will have a lower CC (or comparatively the CC/N). See Exhibit 6. See Endnotes for a more formal definition of CC.

Exhibit 6: The Concentration Coefficient in Hypothetical 50-Stock Portfolios

Portfolio	Portfolio Composition	CC	CC/N
1. Equal Weighted	50, equally weighted stocks	50.0	100.00%
2. Institutional	10 stocks with 4% positions each; 10 stocks at 3%; 30 at 1%	35.7	71.00%
3. Individual	Company stock is 51%; 49 other stocks with 1% positions each	3.8	8.00%

This hypothetical example is intended for illustrative purposes only. Actual results may vary.

A second observation relates to the concentration of emerging markets relative to developed markets. Although emerging markets have a tendency to be top heavy (the largest firms account for a substantial amount of total capitalization), CC’s reflect that beyond the largest issues, the emerging markets as a whole are actually more equally distributed than in developed markets. By both index families, CCs in emerging markets are higher as a proportion of the number of securities they hold (CC/N). See Exhibit 7. This finding largely holds up when the indices are further broken down into their relevant regional derivatives (Exhibit 8). Emerging Asia Pacific is possibly the exception with a CC/N of 9.35%, owing in part to concentration in China which will be explored later.

Exhibit 7: Weight of Top 10 Holdings and CC of Developed and Emerging Markets

EM/Dev Index	Top 10 Weight	# of Constituents	CC	CC/N
S&P Emerging Markets BMI	14%	2,540	255	10.05%
S&P Developed World BMI	7%	7,520	561	7.46%
MSCI Emerging Markets	16%	802	198	24.66%
MSCI World	9%	1,660	395	23.80%

Source: S&P via FactSet, the Brandes Institute, as of 12/31/10. Past performance is not a guarantee of future results.

Exhibit 8: Weight of Top 10 Holdings and CC of Regions in Developed and Emerging Markets

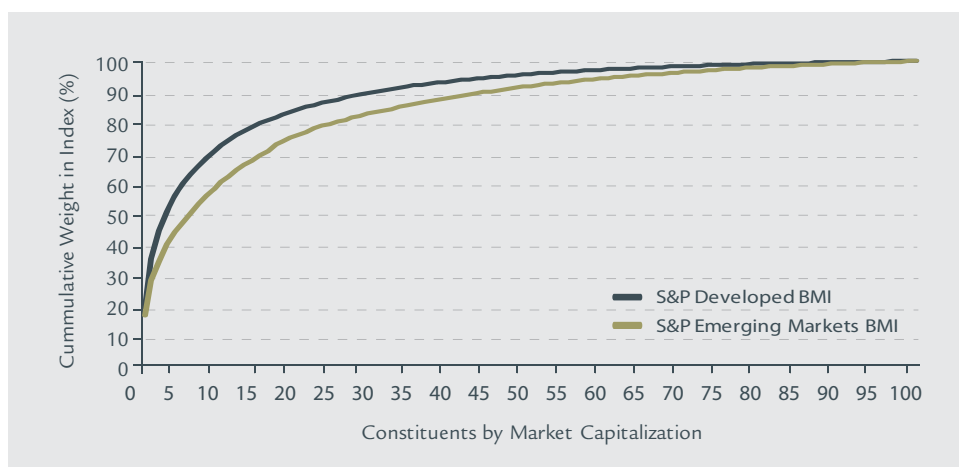
Developed Regions	Top 10 Weight	# of Constituents	CC	CC/N
S&P Asia Pacific ex Japan BMI	26%	1,185	85	7.18%
S&P Europe ex UK BMI	20%	1,311	133	10.18%
S&P Japan BMI	19%	1,285	145	11.25%
S&P North America BMI	13%	3,248	244	7.51%
S&P United Kingdom BMI	41%	410	42	10.33%

Emerging Regions	Top 10 Weight	# of Constituents	CC	CC/N
S&P Europe Emerging BMI	43%	234	27	11.63%
S&P Asia Pacific Emerging BMI	19%	1,810	169	9.35%
S&P Latin America BMI	41%	306	43	13.93%
S&P Mid-East & Africa BMI	42%	190	41	21.66%

Source: S&P via FactSet, the Brandes Institute, as of 12/31/10. Past performance is not a guarantee of future results.

As a consequence of the very top-heavy nature of emerging markets yet their lower levels of overall concentration as measured by CC, the cumulative distribution of capitalization in emerging markets is dispersed more broadly. The top 1% of companies by market capitalization represented 19% and 16% respectively of the cumulative capitalization in developed and emerging markets, respectively. The gap between developed and emerging markets widens rather dramatically thereafter; the top 10% of companies by market capitalization represented 72% and 60%, respectively. See Exhibit 9.

Exhibit 9: Cumulative Weight of Top Constituents in Developed and Emerging Markets



Source: S&P via FactSet, the Brandes Institute, as of 12/31/10. Past performance is not a guarantee of future results.

While emerging markets is less concentrated as a group, there are specific countries that were more concentrated than others. Although there are 543 Chinese stocks in the S&P Emerging Markets Index, it is equivalent (in terms of concentration) to holding merely 42 equally weighted stocks due to the weightings of the largest stocks. It is the most concentrated emerging market country, just ahead of Taiwan. But several countries in developed markets are just as concentrated, led by South Korea, Israel, Australia, and the United States. See Exhibit 10.

Exhibit 10: CCs of Countries in S&P Developed BMI and S&P Emerging Markets BMI

Developed Markets			
	#	CC	CC/N
Asia Pacific			
Australia	347	26	7.40%
Hong Kong	290	45	15.60%
Israel	81	5	6.00%
Japan	1,285	145	11.30%
New Zealand	28	14	50.70%
Singapore	140	28	20.00%
South Korea	380	24	6.40%

	#	CC	CC/N
Europe			
Austria	34	13	37.90%
Belgium	53	8	15.10%
Denmark	54	9	16.40%
Finland	64	12	18.70%
France	181	30	16.50%
Germany	182	24	13.30%
Greece	46	13	29.00%
Ireland	27	7	27.20%
Italy	131	16	12.20%
Netherlands	72	15	21.40%
Norway	75	15	20.00%
Portugal	24	8	33.90%
Spain	85	8	9.20%
Sweden	143	29	20.10%
Switzerland	133	11	8.30%
United Kingdom	410	42	10.30%

	#	CC	CC/N
North America			
Canada	479	63	13.20%
United States	2,769	205	7.40%

Emerging Markets			
	#	CC	CC/N
Africa			
Egypt	40	12	29.40%
Morocco	21	8	40.00%
South Africa	129	33	26.00%

	#	CC	CC/N
Asia Pacific			
China	543	42	7.70%
Indonesia	76	22	28.70%
India	357	42	11.70%
Malaysia	126	39	31.30%
Philippines	43	24	55.80%
Taiwan	577	49	8.50%
Thailand	88	26	29.70%

	#	CC	CC/N
Europe			
Czech Republic	7	3	48.60%
Hungary	6	3	54.70%
Poland	66	17	26.20%
Russia	72	12	16.30%
Turkey	83	21	24.90%

	#	CC	CC/N
Latin America			
Brazil	192	24	12.70%
Chile	47	21	44.00%
Mexico	51	8	16.50%
Peru	16	5	34.10%

Source: S&P via FactSet, the Brandes Institute, as of 12/31/10. Past performance is not a guarantee of future results.

CONCLUSION

The number of companies available for investment in emerging markets is greater than that in developed markets, reflecting vast opportunity. Yet, the indices (and ETFs tracking these indices) designed to reflect emerging markets tend to be heavily concentrated in just a handful of companies. For investors seeking greater potential in emerging markets and enhanced diversification benefits, active managers may offer a more attractive alternative.

ENDNOTES

A MORE FORMAL RECAP OF CC

Often, concentration is measured by the number of stocks in a portfolio. The problem with this approach is that it takes no account of the portfolio weights of the holdings. For example, a 50-stock portfolio could be equally weighted (2% in each stock). Alternatively, an individual investor might have half of his or her 50-stock portfolio in one stock (typically the employer company), but equally weight the rest of the holdings. The concentration characteristics of the two portfolios are very different, but both have an identical number of stocks.

To address such shortcomings, the Brandes Institute researched an improved definition of concentration. The initial approach used the sum of the squares of the weights of the stocks in a portfolio. Conceptually, this approach is well known in measures of industrial concentration, where it is expressed as the Herfindahl Index.² In order to make this measure more intuitive for practitioners in the investment industry, the measure was modified by inverting it. This expresses portfolio concentration as the equivalent number of equal-weighted stocks. We define this as the portfolio's Concentration Coefficient or CC.

Thus, the CC is defined as:

$$CC_t^P \equiv \left(\sum_{i=1}^N (w_{i,t}^P)^2 \right)^{-1}$$

where

P is the portfolio

N is the number of stocks held in the portfolio

$W_{i,t}$ is the weight of the i^{th} stock in the portfolio at time t

Building on our previous example, we can illustrate the concentration for three very different portfolios, each containing 50-stocks. The CC shows the equivalent number of equally weighted stocks that each portfolio represents. In short, the lower the CC, the more concentrated the portfolio. Please see Table 1 below.

Table 1

Portfolio	Portfolio Composition	CC	CC/N
1. Equal Weighted	50, equally weighted stocks	50	100.00%
2. Institutional	10 stocks with 4% positions each; 10 stocks at 3% 30 at 1%	35.7	71.40%
3. Individual	Company stock is 51% 49 other stocks with 1% positions each	3.8	7.60%

This hypothetical example is intended for illustrative purposes only. Actual results may vary.

²The Herfindahl Index (Herfindahl-Hirschman Index or HHI) measures market concentration and competition. Defined as the sum of the squares of the market shares of each firm in an industry, it measures firm size relative to the overall industry. It can range from zero to 10,000. The U.S. Department of Justice uses the HHI to help determine whether proposed mergers raise antitrust concerns. As the market concentration increases, competition and efficiency tend to decrease, raising the potential for collusion and monopolistic practices. The HHI is based on work by Orris Herfindahl, an environmental economist, and Albert O. Hirschman, a member of the Institute for Advanced Study at Princeton University.

Note that the equally weighted portfolio represents the least concentrated structure, and hence the maximum possible CC for that number of stocks.³ As a portfolio moves away from equal weightings, its equal-weighted stock equivalent decreases, indicating the extent of increased concentration. For example, at the other end of the spectrum in Table 1, the proportion of the “Individual” portfolio’s CC to that maximum is 7.6% (3.8 divided by 50), representing a very high degree of concentration. One way to interpret this CC of 4 is that an equally weighted portfolio of approximately four stocks would have the same degree of concentration as that individual portfolio.

We believe the CC provides an intuitive measure of concentration that can be understood in the context of the conventional “number of stocks approach” used to indicate the degree of concentration. One application of this measure is to compare the CC to the number of stocks in a portfolio to illustrate the degree of “hidden” concentration. This affords a new approach for evaluating individual portfolios as well as a new basis for comparison across portfolios.

Note that the CC also can measure country and industry concentration by simply replacing stock weights with industry or country weights. Further, the calculation can be done for the equity only part of a portfolio, or if cash positions need to be taken into account, then cash could be treated as a single “position.” However, for stock concentration, inclusion of cash can produce significant distortions, so this study focuses on equity only data.

³ For an equally weighted portfolio, the weight of each stock is $1/n$. Using the CC formula, which inverts the sums of the squares of the weights of individual holdings, we arrive at a CC that equals the number of holdings.

Concentration Among the Largest Five Companies in Developed Markets

Asia Pacific	1	2	3	4	5	
Australia	BHP BILLITON LTD	CMNWLTB BK OF AUST	WESTPAC BKG CORP	AUST & NZ BANK GRP	NATL AUSTRALIA BK	
MktCap USD	\$148,763	\$79,276	\$67,217	\$60,005	\$52,298	Total
% of Capitalization	11.70%	6.20%	5.30%	4.70%	4.10%	31.99%
Hong Kong	HUTCHISON WHAMPOA	SUN HUNG KAI PROP	CHEUNG KONG(HLDGS)	BOC HONG KONG HLDG	AIA GROUP LTD	
MktCap USD	\$50,440	\$44,578	\$39,431	\$36,651	\$33,401	Total
% of Capitalization	5.40%	4.70%	4.20%	3.90%	3.60%	21.77%
Israel	TEVA PHARMA IND	ICL-ISRAEL CHEM	ISRAEL CORP	BEZEQ ISRAEL TELCM	BK LEUMI LE ISRAEL	
MktCap USD	\$50,340	\$21,436	\$9,870	\$8,064	\$7,166	Total
% of Capitalization	27.20%	11.60%	5.30%	4.40%	3.90%	52.35%
Japan	TOYOTA MOTOR CORP	NTT DOCOMO	MITSUBISHI UFJ FIN	HONDA MOTOR CO	NIPPON TEL&TEL CP	
MktCap USD	\$140,573	\$77,080	\$75,839	\$71,769	\$65,545	Total
% of Capitalization	3.70%	2.00%	2.00%	1.90%	1.70%	11.35%
New Zealand	FLETCHER BUILDING	TELECOM CORP OF NZ	CONTACT ENERGY	AUCKLAND INTL	VECTOR	
MktCap USD	\$3,597	\$3,367	\$2,957	\$2,246	\$1,855	Total
% of Capitalization	11.60%	10.90%	9.50%	7.20%	6.00%	45.19%
Singapore	SINGAPORE TELECOMM	WILMAR INTERL LTD	DBS GROUP HLDGS	OVERSEA-CHINESE BK	UTD O/S BANK	
MktCap USD	\$37,748	\$27,766	\$26,663	\$25,905	\$23,196	Total
% of Capitalization	9.10%	6.70%	6.40%	6.20%	5.60%	33.93%
South Korea	SAMSUNG ELECTRONIC	HYUNDAI MOTOR CO	POSCO	HYUNDAI HEAVY INDS	HYUNDAI MOBIS	
MktCap USD	\$140,724	\$40,083	\$36,420	\$32,288	\$24,554	Total
% of Capitalization	13.70%	3.90%	3.60%	3.20%	2.40%	26.77%
Europe	1	2	3	4	5	
Austria	ERSTE GROUP BK AG	OMV AG	RAIFFEISEN BK INTL	VOESTALPINE AG	VERBUND (OEST)	
MktCap USD	\$18,597	\$12,890	\$11,201	\$7,586	\$6,776	Total
% of Capitalization	16.20%	11.20%	9.70%	6.60%	5.90%	49.59%
Belgium	ANHEUSER-BUSCH INB	KBC GROEP NV	GPE BRUXELLES LAM	BELGACOM SA	SOLVAY SA	
MktCap USD	\$89,447	\$14,475	\$14,430	\$12,061	\$8,929	Total
% of Capitalization	36.80%	6.00%	5.90%	5.00%	3.70%	57.33%
Denmark	NOVO-NORDISK AS	A.P. MOLLER-MAERSK	DANSKE BANK A/S	CARLSBERG	TDC A/S	
MktCap USD	\$54,713	\$41,140	\$17,895	\$15,160	\$8,632	Total
% of Capitalization	25.30%	19.00%	8.30%	7.00%	4.00%	63.50%
Finland	NOKIA OYJ	FORTUM OYJ	SAMPO OYJ	KONE CORPORATION	UPM-KYMMENE CORP	
MktCap USD	\$40,165	\$27,177	\$16,495	\$12,008	\$10,037	Total
% of Capitalization	19.10%	13.00%	7.90%	5.70%	4.80%	50.48%
France	TOTAL	GDF SUEZ	SANOFI-AVENTIS	BNP PARIBAS	EDF	
MktCap USD	\$135,664	\$90,653	\$90,596	\$89,720	\$80,547	Total
% of Capitalization	7.70%	5.10%	5.10%	5.10%	4.60%	27.59%
Germany	SIEMENS AG	DAIMLER AG	VOLKSWAGEN AG	BASF SE	E.ON AG	
MktCap USD	\$114,689	\$79,301	\$71,059	\$70,670	\$68,147	Total
% of Capitalization	8.50%	5.90%	5.20%	5.20%	5.00%	29.82%
Greece	COCA-COLA HELL BOT	NATL BK OF GREECE	OPAP(ORG OF FOOTB)	OTE(HELLENIC TLCM)	PUBLIC POWER CORP	
MktCap USD	\$10,420	\$8,949	\$5,898	\$4,761	\$3,659	Total
% of Capitalization	15.50%	13.30%	8.80%	7.10%	5.40%	50.05%
Ireland	CRH	RYANAIR HLDGS	KERRY GROUP	DRAGON OIL	ELAN CORP	
MktCap USD	\$14,527	\$7,011	\$5,842	\$4,470	\$3,756	Total
% of Capitalization	24.50%	11.80%	9.90%	7.60%	6.30%	60.16%

Europe, cont.	1	2	3	4	5	
Italy	ENI	ENEL	UNICREDIT SPA	INTESA SANPAOLO	ASSIC GENERALI	
MktCap USD	\$95,981	\$52,437	\$48,096	\$41,290	\$33,247	Total
% of Capitalization	16.40%	9.00%	8.20%	7.10%	5.70%	46.30%
Netherlands	UNILEVER NV	ING GROEP NV	PHILIPS ELEC(KON)	HEINEKEN NV	KON KPN NV	
MktCap USD	\$53,273	\$42,010	\$32,912	\$28,963	\$24,771	Total
% of Capitalization	11.30%	8.90%	7.00%	6.10%	5.30%	38.57%
Norway	STATOIL ASA	TELENOR ASA	DNB NOR ASA	YARA INTERNATIONAL	NORSK HYDRO ASA	
MktCap USD	\$77,862	\$25,138	\$22,216	\$15,703	\$12,010	Total
% of Capitalization	31.30%	10.10%	8.90%	6.30%	4.80%	61.44%
Portugal	GALP ENERGIA	EDP-ENERGIAS PORTU	PORTUGAL TCOM SGPS	JERONIMO MARTINS	EDP RENOVAVEIS SA	
MktCap USD	\$15,085	\$13,300	\$10,301	\$9,510	\$5,322	Total
% of Capitalization	17.80%	15.70%	12.20%	11.20%	6.30%	63.30%
Spain	TELEFONICA SA	BANCO SANTANDER	BBVA(BILB-VIZ-ARG)	INDITEX	IBERDROLA SA	
MktCap USD	\$113,893	\$102,624	\$55,333	\$48,934	\$47,111	Total
% of Capitalization	17.40%	15.70%	8.40%	7.50%	7.20%	56.15%
Sweden	HENNES & MAURITZ	NORDEA BANK AB	ERICSSON(LM)TEL	TELIASONERA AB	VOLVO AB	
MktCap USD	\$49,335	\$47,543	\$38,471	\$36,114	\$35,668	Total
% of Capitalization	8.60%	8.30%	6.70%	6.30%	6.20%	36.27%
Switzerland	NESTLE SA	NOVARTIS AG	ROCHE HLDGS AG	UBS AG	ABB LTD	
MktCap USD	\$189,932	\$148,978	\$127,762	\$67,826	\$54,037	Total
% of Capitalization	15.70%	12.30%	10.60%	5.60%	4.50%	48.70%
United Kingdom	ROYAL DUTCH SHELL	HSBC HLDGS	BP	VODAFONE GROUP	RIO TINTO	
MktCap USD	\$214,270	\$197,006	\$149,482	\$146,064	\$103,568	Total
% of Capitalization	7.30%	6.70%	5.10%	4.90%	3.50%	27.46%
North America	1	2	3	4	5	
Canada	ROYAL BK CDA MONTREAL QUE	TORONTO DOMINION BK ONT	SUNCOR ENERGY INC NEW	BANK NOVA SCOTIA HALIFAX	POTASH CORP SASK INC	
MktCap USD	\$77,191	\$66,375	\$59,940	\$58,213	\$47,899	Total
% of Capitalization	4.20%	3.60%	3.20%	3.10%	2.60%	16.75%
United States	EXXON MOBIL CORP	APPLE INC	MICROSOFT CORP	GENERAL ELECTRIC CO	WAL MART STORES INC	
MktCap USD	\$398,261	\$301,000	\$239,726	\$210,324	\$198,510	Total
% of Capitalization	2.60%	2.00%	1.60%	1.40%	1.30%	8.95%

Concentration Among the Largest Five Companies in Emerging Markets

Africa	1	2	3	4	5	
Egypt	ORASCOM CONSTR IND	TELECOM EGYPT	COMMERCIAL INTL BK	ORASCOM TEL HLDG	NATIONAL SOCIETE G	
MktCap USD	\$9,788	\$5,260	\$4,178	\$3,811	\$2,953	Total
% of Capitalization	17.30%	9.30%	7.40%	6.70%	5.20%	45.97%
Morocco	MAROC TELECOM	ATTIJARIWAFA BANK	BQE MAROC COMM EXT	LAFARGE CIMENTS	DOUJA PROM ADDOHA	
MktCap USD	\$16,727	\$10,517	\$5,316	\$4,610	\$4,101	Total
% of Capitalization	26.80%	16.80%	8.50%	7.40%	6.60%	66.03%
South Africa	MTN GROUP LTD	SASOL	ANGLO PLATINUM LTD	STANDARD BK GR LTD	NASPERS	
MktCap USD	\$34,149	\$33,116	\$27,196	\$23,804	\$22,040	Total
% of Capitalization	7.00%	6.80%	5.60%	4.90%	4.50%	28.96%
Asia Pacific	1	2	3	4	5	
China	PETROCHINA CO	IND & COM BK CHINA	CHINA CONST BK	BANK OF CHINA LTD	AGRICULTURAL BK CH	
MktCap USD	\$302,166	\$233,745	\$223,874	\$140,144	\$132,379	Total
% of Capitalization	12.40%	9.60%	9.20%	5.70%	5.40%	42.28%

Asia Pacific, cont.	1	2	3	4	5	
India	RELIANCE INDS	TATA CONSULTANCY S	OIL & NATURAL GAS	COAL INDIA LTD	INFOSYS TECHNOLOGI	
MktCap USD	\$70,774	\$52,024	\$51,810	\$43,468	\$40,886	Total
% of Capitalization	5.40%	3.90%	3.90%	3.30%	3.10%	19.59%
Indonesia	P.T. ASTRA INTL	TELEKOMUNIKASI IND	BK CENTRAL ASIA	BK MANDIRI	BK RAKYAT	
MktCap USD	\$21,064	\$16,796	\$14,828	\$12,845	\$12,667	Total
% of Capitalization	8.50%	6.80%	6.00%	5.20%	5.10%	31.55%
Malaysia	MALAYAN BKG BERHAD	CIMB GROUP HOLDING	SIME DARBY BHD	PETRONAS CHEMICALS	PUBLIC BK BHD	
MktCap USD	\$21,074	\$20,251	\$18,278	\$16,204	\$16,161	Total
% of Capitalization	5.90%	5.70%	5.20%	4.60%	4.60%	25.96%
Philippines	PHILIPPINE LNG DIS	SAN MIGUEL CORP	MANILA ELECTRIC CO	SM INVEST CORP	ABOITIZ POWER CORP	
MktCap USD	\$10,555	\$8,459	\$6,665	\$6,604	\$4,682	Total
% of Capitalization	10.30%	8.20%	6.50%	6.40%	4.60%	36.03%
Taiwan	TAIWAN SEMICON MAN	HON HAI PRECISION	FORMOSA PETROCHEMI	HTC CORPORATION	CHUNGHWA TELECOM	
MktCap USD	\$66,371	\$38,321	\$30,881	\$24,934	\$21,524	Total
% of Capitalization	8.10%	4.70%	3.80%	3.00%	2.60%	22.21%
Thailand	PTT PUBLIC COMPANY	PTT EXPLORTN & PRD	SIAM CEMENT CO	SIAM COMMERCIAL BK	BANGKOK BANK	
MktCap USD	\$31,475	\$17,460	\$13,062	\$10,780	\$9,860	Total
% of Capitalization	13.60%	7.60%	5.70%	4.70%	4.30%	35.78%
Europe	1	2	3	4	5	
Czech Republic	CEZ	KOMERCNI BANKA	TELEFONICA O2 CZEC	UNIPETROL	PHILIP MORRIS(CZ)	
MktCap USD	\$26,347	\$9,271	\$7,375	\$1,950	\$1,077	Total
% of Capitalization	57.00%	20.00%	15.90%	4.20%	2.30%	99.50%
Hungary	MOL HUNGARIAN OIL	OTP BANK	GEDEON RICHTER PLC	MAGYAR TELEKOM	EGIS PHARMACEUTICA	
MktCap USD	\$11,615	\$7,987	\$3,934	\$2,840	\$799	Total
% of Capitalization	42.20%	29.10%	14.30%	10.30%	2.90%	98.85%
Poland	POWSZECHNA KASA OS	BK PEKAO	PGE POLSKA GRUPA	KGHM POLSKA MIEDZ	PZU GR	
MktCap USD	\$18,727	\$16,224	\$14,915	\$12,283	\$10,564	Total
% of Capitalization	11.60%	10.10%	9.30%	7.60%	6.60%	45.10%
Russia	GAZPROM	ROSNEFT OJSC	SBERBANK OF RUSSIA	LUKOIL OIL COMPANY	JSC MMC NORILSK NI	
MktCap USD	\$152,546	\$87,488	\$78,653	\$54,919	\$47,806	Total
% of Capitalization	16.20%	9.30%	8.10%	5.84%	5.08%	44.79%
Turkey	AKBANK	T GARANTI BANKASI	TURK TELEKOMUNIKAS	T IS BANKASI	TURKCELL ILETISIM	
MktCap USD	\$20,585	\$20,273	\$15,464	\$14,883	\$14,117	Total
% of Capitalization	8.40%	8.30%	6.30%	6.10%	5.80%	34.85%
Latin America	1	2	3	4	5	
Mexico	AMERICA MOVIL SAB	WAL-MART DE MEXICO	GPO MEXICO SA	GPO FIN INBURSA SA	INDS PENOLES SAB D	
MktCap USD	\$81,975	\$49,579	\$30,597	\$14,514	\$12,948	Total
% of Capitalization	23.40%	14.20%	8.70%	4.10%	3.70%	54.20%
Brazil	PETROL BRASILEIROS	VALE S.A.	ITAU UNIBANCO HOLD	CIA DE BEBIDAS DAS	BCO BRADESCO SA	
MktCap USD	\$223,844	\$181,347	\$91,958	\$76,021	\$64,674	Total
% of Capitalization	16.40%	13.30%	6.70%	5.60%	4.70%	46.62%
Chile	S A C I FALABELLA	EMPRESAS COPEC SA	CENCOSUD SA	BCO SANTANDER-CHIL	EMP NAC ELECTRICID	
MktCap USD	\$24,914	\$22,885	\$15,883	\$15,617	\$14,424	Total
% of Capitalization	10.30%	9.50%	6.60%	6.50%	6.00%	38.76%
Peru	SOUTHERN COPPER CO	SOC MIN CERRO VERD	MINAS BUENAVENTURA	CREDICORP	BCO CONTINENTAL	
MktCap USD	\$37,400	\$16,803	\$11,295	\$8,774	\$4,817	Total
% of Capitalization	39.00%	17.50%	11.80%	9.10%	5.00%	82.45%

Source: S&P via FactSet, the Brandes Institute, as of 12/31/10. Past performance is not a guarantee of future results.

S&P 500 Index - SP500 G: The S&P 500 Index with gross dividends is an unmanaged, market capitalization weighted index that measures the equity performance of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large cap segment of the market, with approximately 75% coverage of U.S. equities, it can also be a suitable proxy for the total market. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The S&P Developed Broad Market Index (BMI) with net dividends is an unmanaged, float-adjusted market capitalization weighted index that measures the equity performance of all capitalization companies from developed markets around the world. This index includes dividends and distributions net of withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing. Stocks of small companies usually experience more volatility than mid and large sized companies.

The S&P Global Broad Market Index (BMI) with net dividends is an unmanaged, float-adjusted market capitalization weighted index that measures the equity performance of all capitalization companies from markets around the world. This index includes dividends and distributions net of withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing. Stocks of small companies usually experience more volatility than mid and large sized companies.

The S&P Asia Pacific ex Japan Broad Market Index (BMI) with net dividends is an unmanaged, float-adjusted market capitalization weighted index that measures the equity performance of all capitalization companies from developed markets in Asia Pacific excluding Japan. This index includes dividends and distributions net of withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing. Stocks of small companies usually experience more volatility than mid and large sized companies.

The S&P Europe ex UK Broad Market Index (BMI) with net dividends is an unmanaged, float-adjusted market capitalization weighted index that measures the equity performance of all capitalization companies from developed markets in Europe excluding the U.K. This index includes dividends and distributions net of withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing. Stocks of small companies usually experience more volatility than mid and large sized companies.

The S&P Japan Broad Market Index (BMI) with net dividends is an unmanaged, float-adjusted market capitalization weighted index that measures the equity performance of all capitalization companies from Japan. This index includes dividends and distributions net of withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing. Stocks of small companies usually experience more volatility than mid and large sized companies.

The S&P North America Broad Market Index (BMI) with net dividends is an unmanaged, float-adjusted market capitalization weighted index that measures the equity performance of all capitalization companies from developed markets in North America. This index includes dividends and distributions net of withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing. Stocks of small companies usually experience more volatility than mid and large sized companies.

The S&P United Kingdom Broad Market Index (BMI) with net dividends is an unmanaged, float-adjusted market capitalization weighted index that measures the equity performance of all capitalization companies from the United Kingdom. This index includes dividends and distributions net of withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing. Stocks of small companies usually experience more volatility than mid and large sized companies.

The S&P Europe Emerging Broad Market Index (BMI) with net dividends is an unmanaged, float-adjusted market capitalization weighted index that measures the equity performance of all capitalization companies from emerging markets in Europe. This index includes dividends and distributions net of withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing. Stocks of small companies usually experience more volatility than mid and large sized companies.

The S&P Asia Pacific Emerging Broad Market Index (BMI) with net dividends is an unmanaged, float-adjusted market capitalization weighted index that measures the equity performance of all capitalization companies from emerging markets in Asia Pacific. This index includes dividends and distributions net of withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing. Stocks of small companies usually experience more volatility than mid and large sized companies.

The S&P Latin America Emerging Broad Market Index (BMI) with net dividends is an unmanaged, float-adjusted market capitalization weighted index that measures the equity performance of all capitalization companies from emerging markets in Latin America. This index includes dividends and distributions net of withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing. Stocks of small companies usually experience more volatility than mid and large sized companies.

The S&P Mid-East & Africa Broad Market Index (BMI) with net dividends is an unmanaged, float-adjusted market capitalization weighted index that measures the equity performance of all capitalization companies from emerging markets in the Middle East and Africa. This index includes dividends and distributions net of withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing. Stocks of small companies usually experience more volatility than mid and large sized companies.

The S&P Emerging Markets Broad Market Index (BMI) with net dividends is an unmanaged, float-adjusted market capitalization weighted index that measures the equity performance of all capitalization companies from emerging markets around the world. This index includes the reinvestment of dividends and income but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

MSCI Emerging Markets (MSCI EM) Index - MSCIEMF: The MSCI Emerging Markets Index with gross dividends is an unmanaged, free float-adjusted market capitalization weighted index designed to measure equity market performance in emerging markets throughout the world. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

MSCI World Index - MSCI WRLD: The MSCI World Index with net dividends is an unmanaged, free float-adjusted market capitalization weighted index that is designed to measure equity market performance of the developed markets throughout the world, including the United States. This index includes dividends and distributions net of withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing.

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