



THE BRANDES PERSPECTIVE

The Importance of Investing Globally

“Putting all your money into the stocks of one country is a limiting strategy. Sensible investors diversify, and cross-border investing is an important part of that approach.”

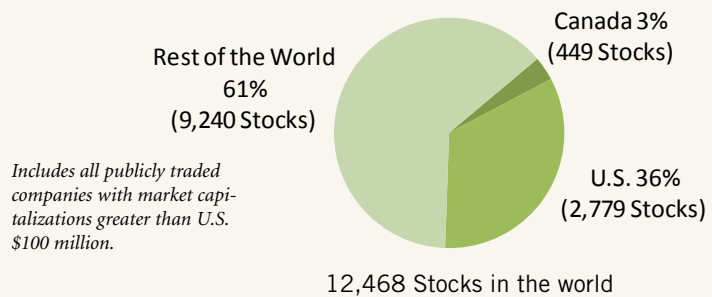
– Charles H. Brandes, from *Value Investing Today*

It’s understandable that investors may limit themselves to opportunities within their own country, especially when domestic short-term performance is good. Human nature drives us to keep within known boundaries. However, human nature and focusing on short-term performance can cause investors to miss out on achieving superior long-term returns.

DIVERSIFICATION OUTSIDE OF CANADA INCREASES THE NUMBER OF INVESTMENT OPPORTUNITIES

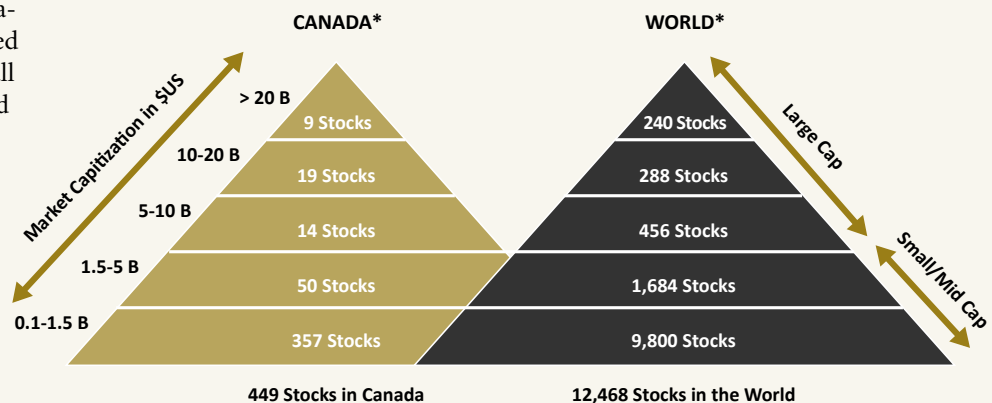
While there are good investment opportunities available in Canada, in terms of market capitalization, Canada accounts for just 3% of the world’s equity markets. With over 12,000 publicly-traded stocks in the world to choose from, investors looking outside Canada greatly increase the chances of finding the most compelling investment opportunities available.

**Market Capitalization of Publicly Traded Companies[†]
(As of December 31, 2008)**



CANADA HAS ONLY A SMALL NUMBER OF THE WORLD’S LARGEST COMPANIES

In investment terms, companies are commonly separated according to their size. Small companies are often defined as having less than U.S. \$1.5 billion in market capitalization. Mid-sized companies are typically \$1.5 – 5 billion, and large companies are usually greater than U.S. \$5 billion in size.



[†]Sources: S&P Compustat and Thomson Worldscope. Data at December 31, 2008

**Includes all publicly listed companies with market capitalizations greater than U.S. \$100 million. Data sourced from FactSet*

When you separate all the companies in the world according to their size, the advantage of looking outside of Canada becomes even more pronounced.

As you can see in the previous diagram and the table on the right, Canada has a small number of publicly-traded large companies to choose from— only 42— while the entire world presents 984. Portfolios limited to Canadian stocks are therefore missing out on the opportunity to invest in the vast majority of larger companies around the world.

GLOBAL INVESTING OFFERS ACCESS TO MORE TYPES OF COMPANIES

Limiting portfolios to Canadian stocks not only decreases the *number* and the size of companies to choose from, but it also decreases the *types* of industries. The index that best represents the Canadian market, the S&P/TSX Composite Index, has 45 industries, with the top 3 accounting for 57% of the market and the top 10 accounting for 84%. By contrast, the MSCI World Index, a good representation of all the stock markets of developed countries around the world, has 68 industries, with the top three accounting for 29% of the market, and the top 10 accounting for 48%. Compared to the entire world, the Canadian market is clearly more concentrated with fewer industries in which to invest.

Industry	Canada		Rest of World	
	No. Companies Larger than U.S. \$5 Billion	% World Market Cap.	No. Companies Larger than U.S. \$5 Billion	% World Market Cap.
Oil Gas & Consum. Fuels	13	9%	64	91%
Metals & Mining	4	13%	33	87%
Commercial Banks	5	6%	88	94%
Insurance	6	9%	45	91%
Diversified Telecom Serv.	1	2%	36	98%
Communications Equip.	1	10%	8	90%
Media	3	10%	24	90%
Food Products	0	0%	22	100%
Pharmaceuticals	0	0%	31	100%

Includes all publicly listed companies with market capitalizations greater than U.S. \$5 billion. Data sourced from S&P Compustat and Thomson Worldscope. Both as at December 31, 2008.

FOREIGN MARKETS HAVE HISTORICALLY OUTPERFORMED

From a performance perspective, history has shown that the most promising investment opportunities are likely to be found beyond Canadian borders. In fact, between 1999 and 2008, Canada placed in the world's top five performing stock markets only twice.

Country	2008	Country	2007	Country	2006	Country	2005	Country	2004
Japan	-11%	Finland	45%	Spain	49%	Canada	24%	Austria	59%
Switzerland	-12%	Hong Kong	37%	Portugal	47%	Japan	22%	Norway	42%
Spain	-25%	Germany	32%	Ireland	46%	Austria	22%	Greece	36%
France	-28%	Greece	29%	Singapore	46%	Denmark	21%	Belgium	33%
Germany	-31%	Norway	28%	Norway	45%	Norway	21%	Ireland	33%

Country	2003	Country	2002	Country	2001	Country	2000	Country	1999
Greece	39%	New Zealand	23%	New Zealand	15%	Switzerland	10%	Finland	139%
Sweden	36%	Austria	15%	Australia	8%	Canada	7%	Singapore	88%
Germany	34%	Australia	-2%	Ireland	3%	Denmark	7%	Sweden	70%
Spain	30%	Norway	-8%	Austria	0%	Norway	3%	Japan	53%
Austria	28%	Italy	-8%	Belgium	-5%	Italy	2%	Hong Kong	51%

Includes only countries in the MSCI World Index. S&P/TSX Composite and S&P 500 Index used to represent Canada and the United States respectively. The MSCI country indices were used to represent every other nation. Data sourced from MSCI via FactSet and Standard and Poors. Data as at December 31, 2008.

CONCLUSION

While past performance is no guarantee of future results, these returns help illustrate the diversification benefits non-Canadian stocks can provide. Over the past few years, an investor limited to Canadian equities might very well have earned favourable returns. But an investor with a global perspective had increased chances of success, due to access to Canadian stocks *as well as* stocks traded in the best-performing markets around the world.

While foreign investing is subject to certain risks, such as currency fluctuation and social and political changes, which may result in greater share price volatility, these factors should be weighed against the increase in investment opportunities and the diversification benefits provided by global investing.

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