



LATIN AMERICA BRAZIL

Brandes Investment Partners, L.P.

Name Parker Jones

Title Regional Director

Date 12/03/2015



Allocating to Emerging Markets

Emerging Markets Represent

5%	of Global Mutual Fund Equity Assets
5%	of Global Institutional Equity Assets
10%	of the MSCI All Country World (ACWI) Index (benchmark market-cap approach)
23%	of the Global Equity Investable Universe (global market-cap approach)
37%	of Total Global Trade (global trade approach)
38%	of Global Gross Domestic Product (GDP) (global GDP approach)

Allocation to Emerging Markets Has Provided Diversification Benefits

Emerging Markets Have Been Less Correlated with U.S. Stocks

Correlation Table	U.S. Equity (S&P 500 Index)
Global Equity (MSCI World Index)	0.96
International Equity (MSCI EAFE Index)	0.84
U.S. Small-Cap Equity (Russell 2000 Index)	0.91
Emerging-Market Equity (MSCI Emerging Markets Index)	0.69
Emerging Market Small-Cap Equity (MSCI Emerging Markets Small Cap Index)	0.59

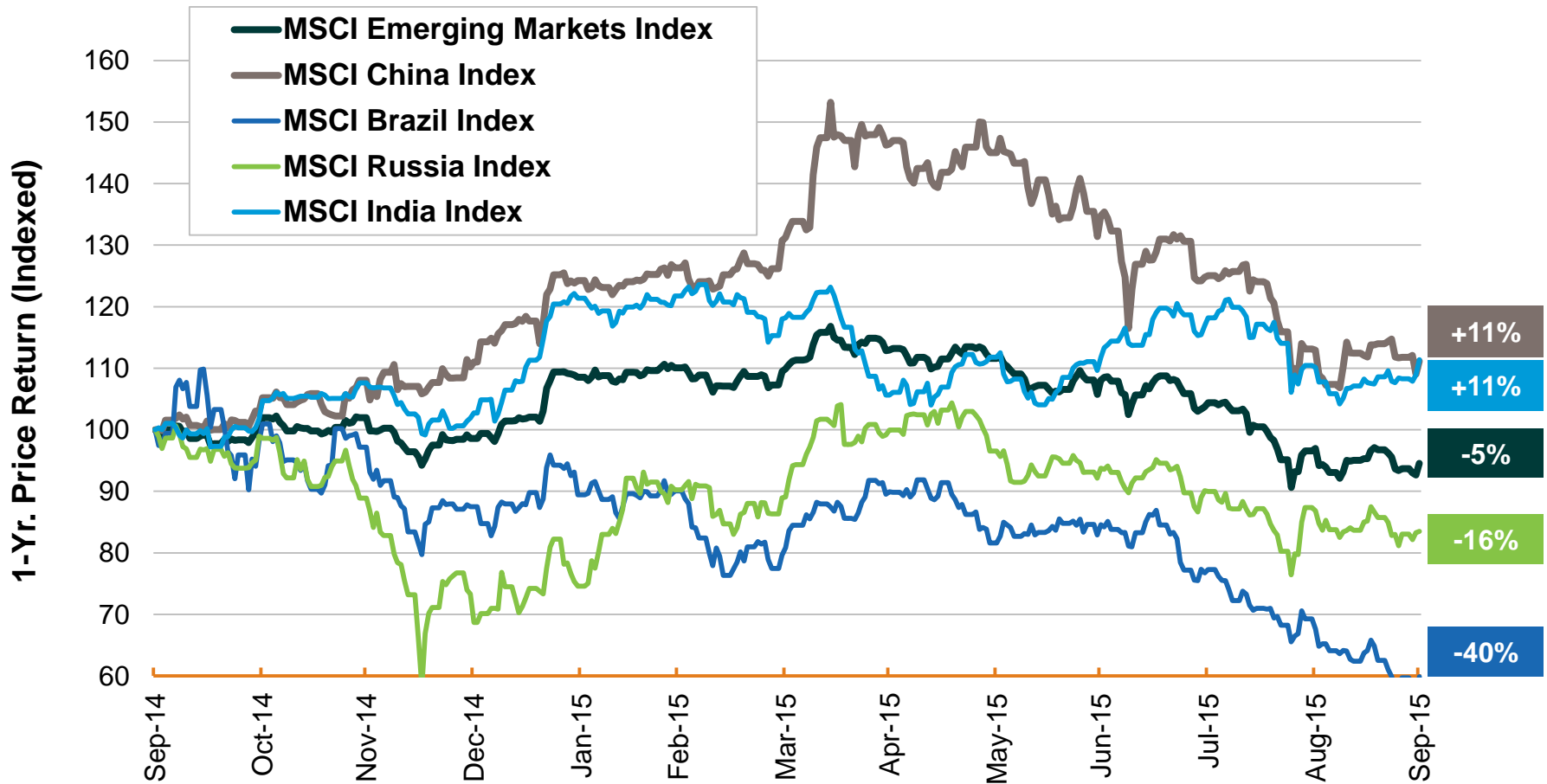
SEPTEMBER 30, 2005 – SEPTEMBER 30, 2015 | Source: Morningstar Direct as of 9/30/2015. Diversification does not assure a profit or protect against loss in a declining market. All indices are unmanaged and not available for direct investment. Correlation is a statistical measure of how two variables (securities, indices, etc.) move in relation to each other. Correlation can vary from +1 to -1. Values close to +1 indicate a high-degree of positive correlation, values close to -1 indicate a high degree of negative correlation, and values close to zero indicate poor or no correlation of the two variables.

Current Emerging Markets Issues

- China
- Oil
- Brazilian slowdown
- Russia and Ukraine
- Quantitative Easing Impact
- Federal Reserve and U.S. Interest Rates
- Currency Depreciation Fears
- Commodity Demand Dynamics
- Declining EM Profitability and Returns
- Relative Valuation Attractiveness

Difficult Year for EM Investors

Especially those Invested in Brazil and Russia



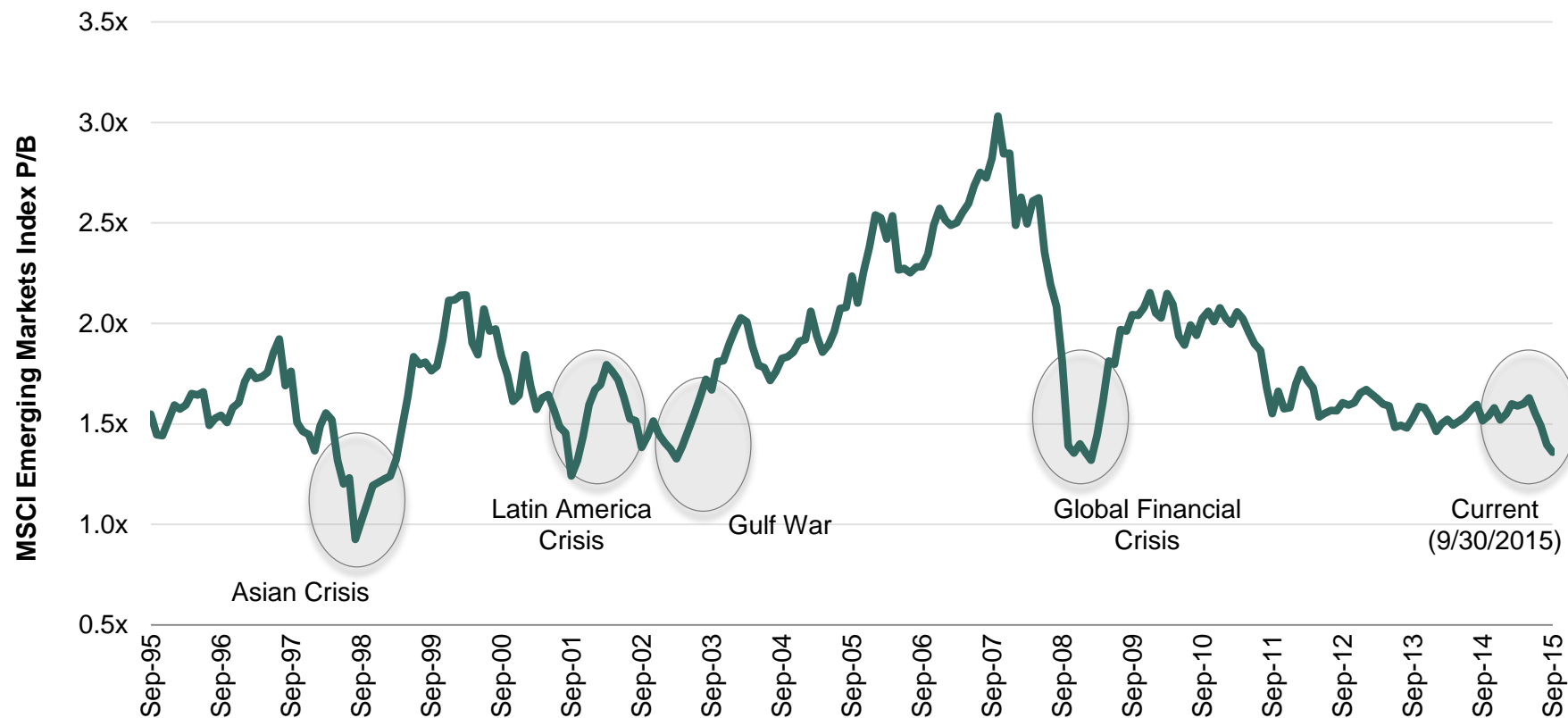
September 30, 2014 to September 30, 2015

Source: FactSet. The above returns do not represent the performance of any product or security managed by Bridgehouse or Brandes and are provided for illustrative purposes only.

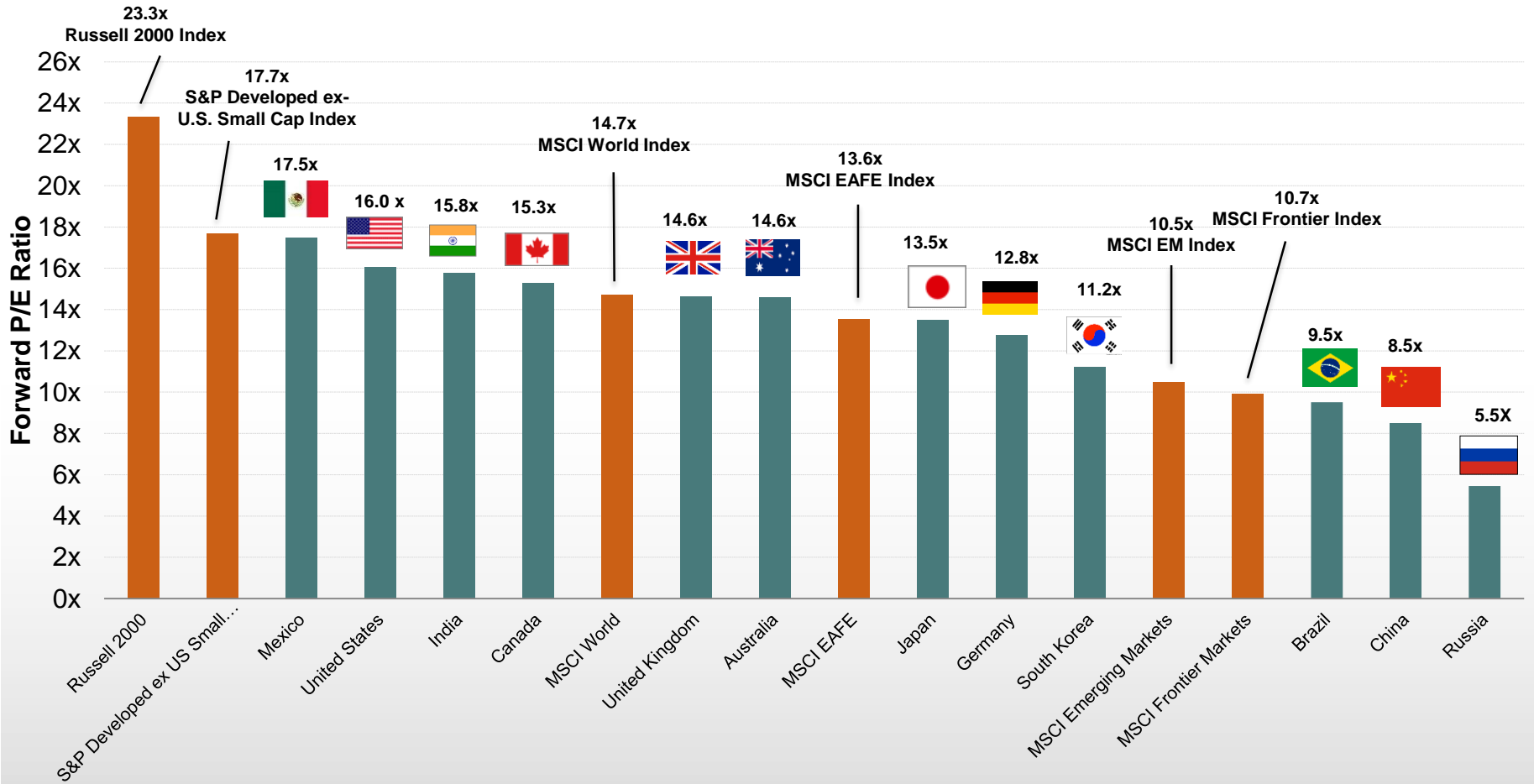
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Emerging Markets Valuations Near Prior Crisis Levels

Price-to-Book Time Series of MSCI Emerging Markets Index



Valuations Globally



As of September 30, 2015

Source: FactSet. Forward P/E is Price / Next Twelve Months Time-Weighted Annual estimates via FactSet Market Aggregates

Performance Table

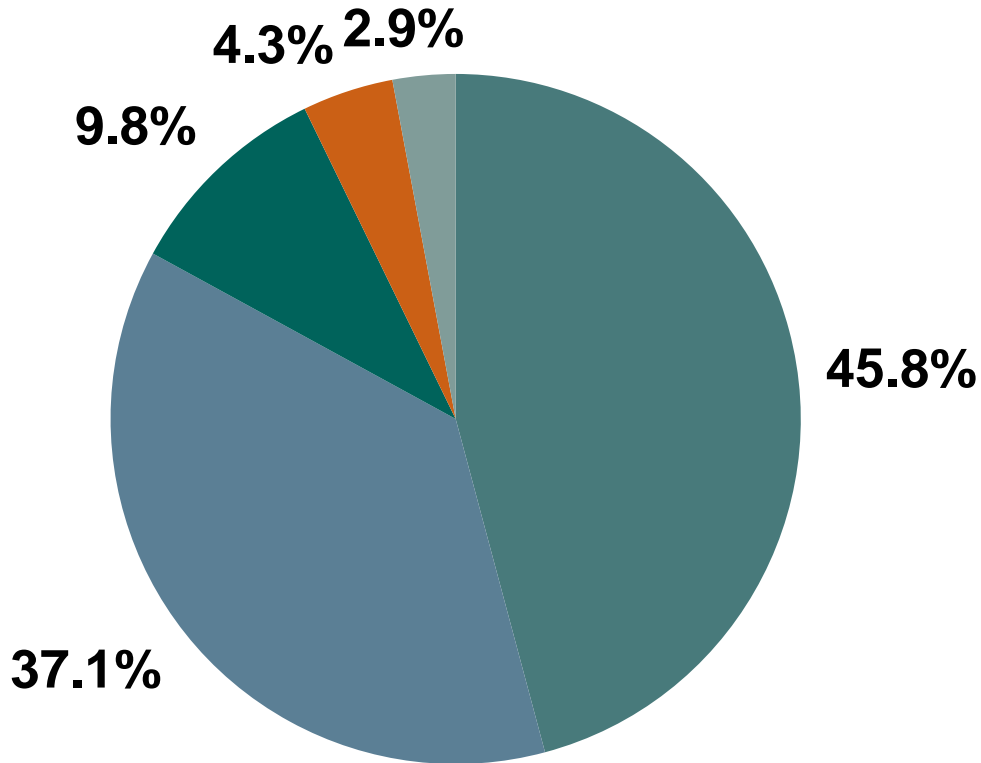
MSCI World Index versus MSCI Emerging Markets Index – 3 Yr. Rolling Annualized Returns as of September 30th

	MSCI World Index	MSCI Emerging Markets Index
1991	6.93%	28.08%
1992	-1.11%	17.24%
1993	14.02%	31.56%
1994	8.58%	33.98%
1995	13.95%	18.65%
1996	11.83%	7.51%
1997	17.30%	-2.66%
1998	12.21%	-16.36%
1999	17.18%	-4.52%
2000	11.93%	-6.39%
2001	0.21%	1.66%
2002	-14.36%	-10.13%
2003	-10.03%	1.81%

	MSCI World Index	MSCI Emerging Markets Index
2004	5.87%	25.94%
2005	20.42%	39.56%
2006	16.72%	31.04%
2007	18.03%	41.29%
2008	0.75%	8.69%
2009	-4.35%	8.27%
2010	-8.29%	-1.20%
2011	-0.07%	6.59%
2012	7.48%	5.96%
2013	11.82%	0.00%
2014	17.93%	7.56%
2015	8.58%	-4.93%

Brazil Dominates Latin America

MSCI Latin America Index Country Allocations



As of October 31, 2015

■ Brazil ■ Mexico ■ Chile ■ Columbia ■ Peru

Source: MSCI

Variety of Market Concerns = Potential Value

Brazilian Market Concerns

Market View

Brazil's scandalous boom to bust story

2/19/15 – CNN

Taps Start to Run Dry in Brazil's Largest City

São Paulo Water Crisis Linked to Growth, Pollution and Deforestation

2/16/15 – NY
Times

Brazil's Economy Continues to Falter

6/9/15 – Wall Street Sector Selector

**Brazilian Real Declines to
Nine-Year Low Amid
Economic Weakness**

12/15/14 -
Bloomberg

Brandes View

- Long term attractively growing economy
- Growing middle class
- Large resource base
- Several well positioned global companies

Brazil Dominates Latin America

Long-Term Economic Drivers

1. Demographic Bonus

1. Percentage of population at productive age (15 to 64) reaches historic peak in 2020 of 71%.

2. Middle-class Growth

1. Between 2000 to 2014 25 million Brazilian households ascended from lower class to middle class.

3. Consumer Spending

1. Private consumption remains the major driver of Brazil's economy, much more so than in other emerging economies.
2. Brazil 63% vs. China's 36% in 2014.

Brazilian Real: Weakened Materially

CAD per 1 BRL

17 Oct 2005 00:00 UTC - 14 Oct 2015 16:46 UTC
BRL/CAD close:0.33817 low:0.31725 high:0.66458



USD per 1 BRL

17 Oct 2005 00:00 UTC - 14 Oct 2015 16:45 UTC
BRL/USD close:0.26073 low:0.23718 high:0.65182

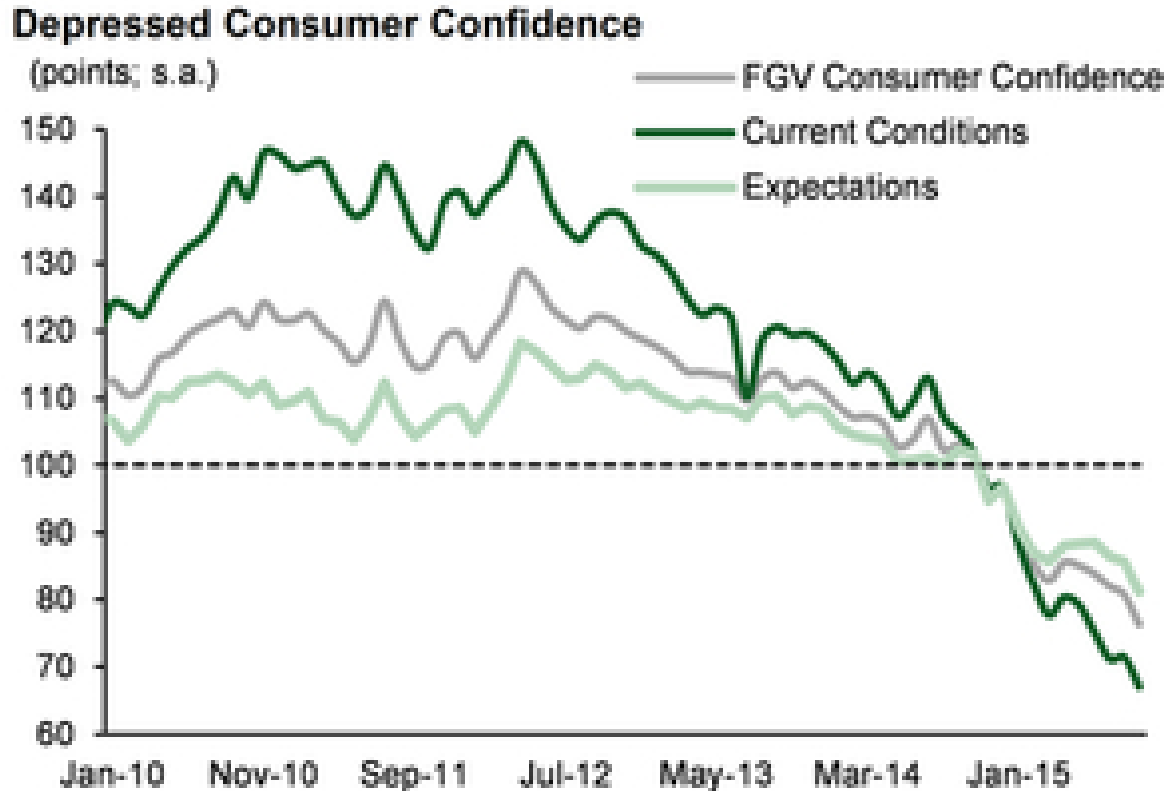


Source: XE.com as of October 14, 2015

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Brazilian Consumer Confidence at Record Lows

Brazilian Consumer Confidence

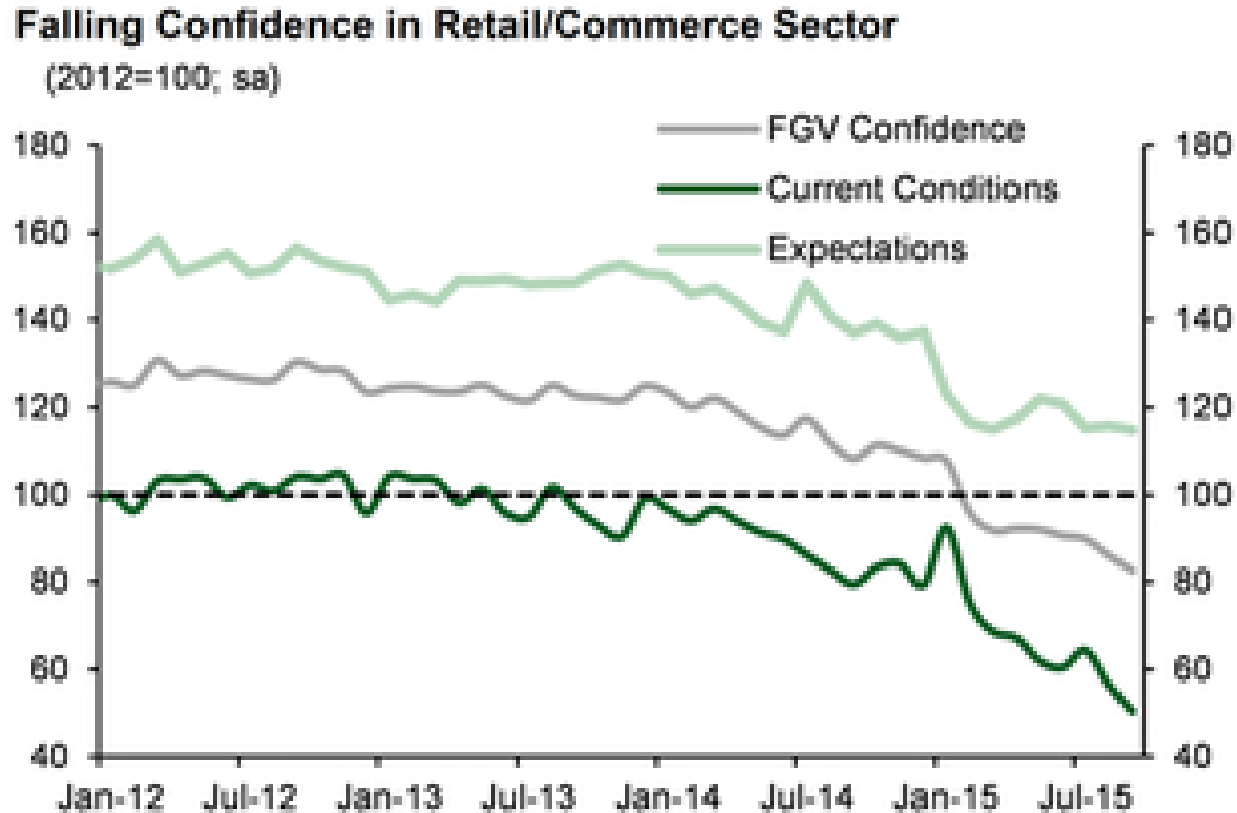


As of September 30, 2015

Source: Goldman Sachs and FGV

As is Brazilian Business Confidence

Brazilian Business Confidence (Retail/Commerce Sector Proxy)

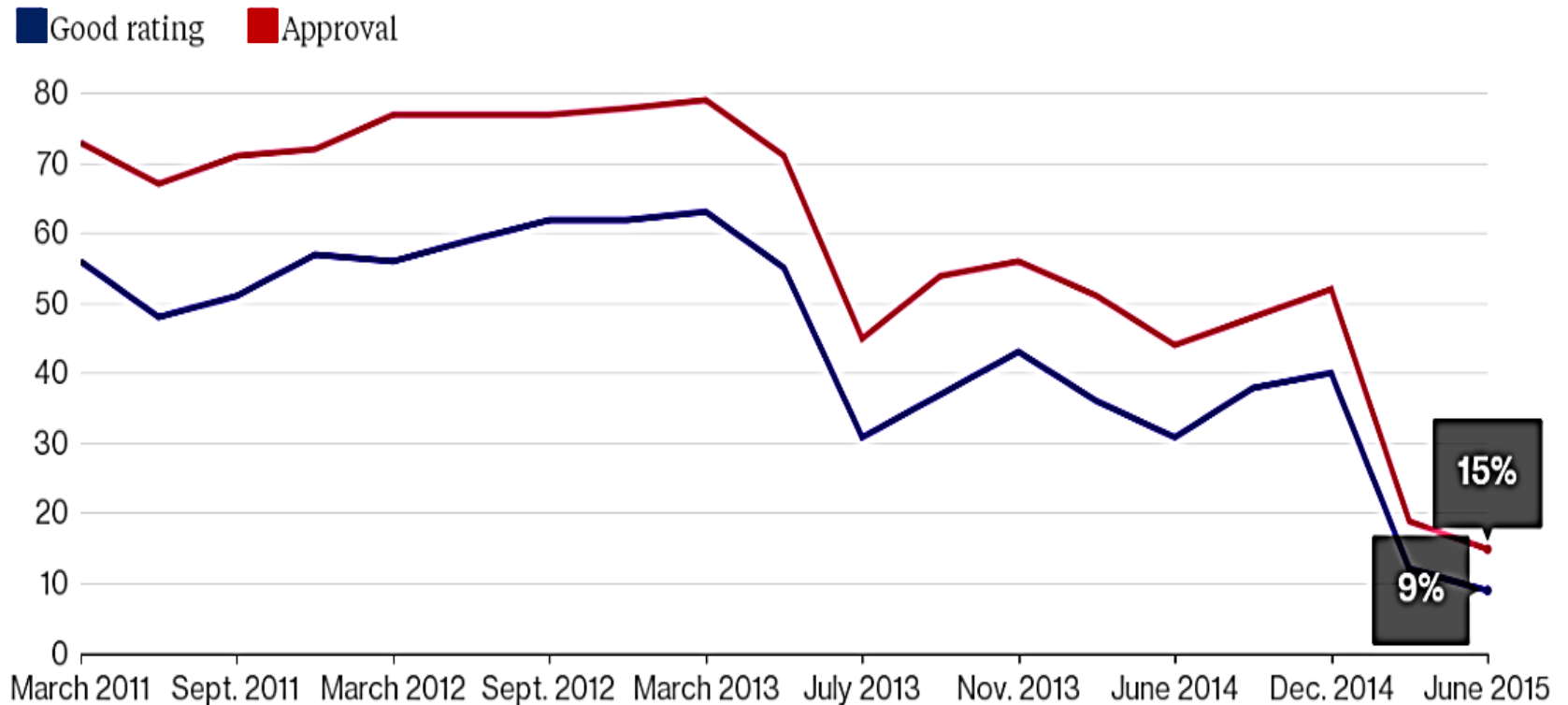


As of September 30, 2015

Source: Goldman Sachs and FGV

President Dilma: Approval Ratings Plummeting

CNI/Ibope Approval Poll

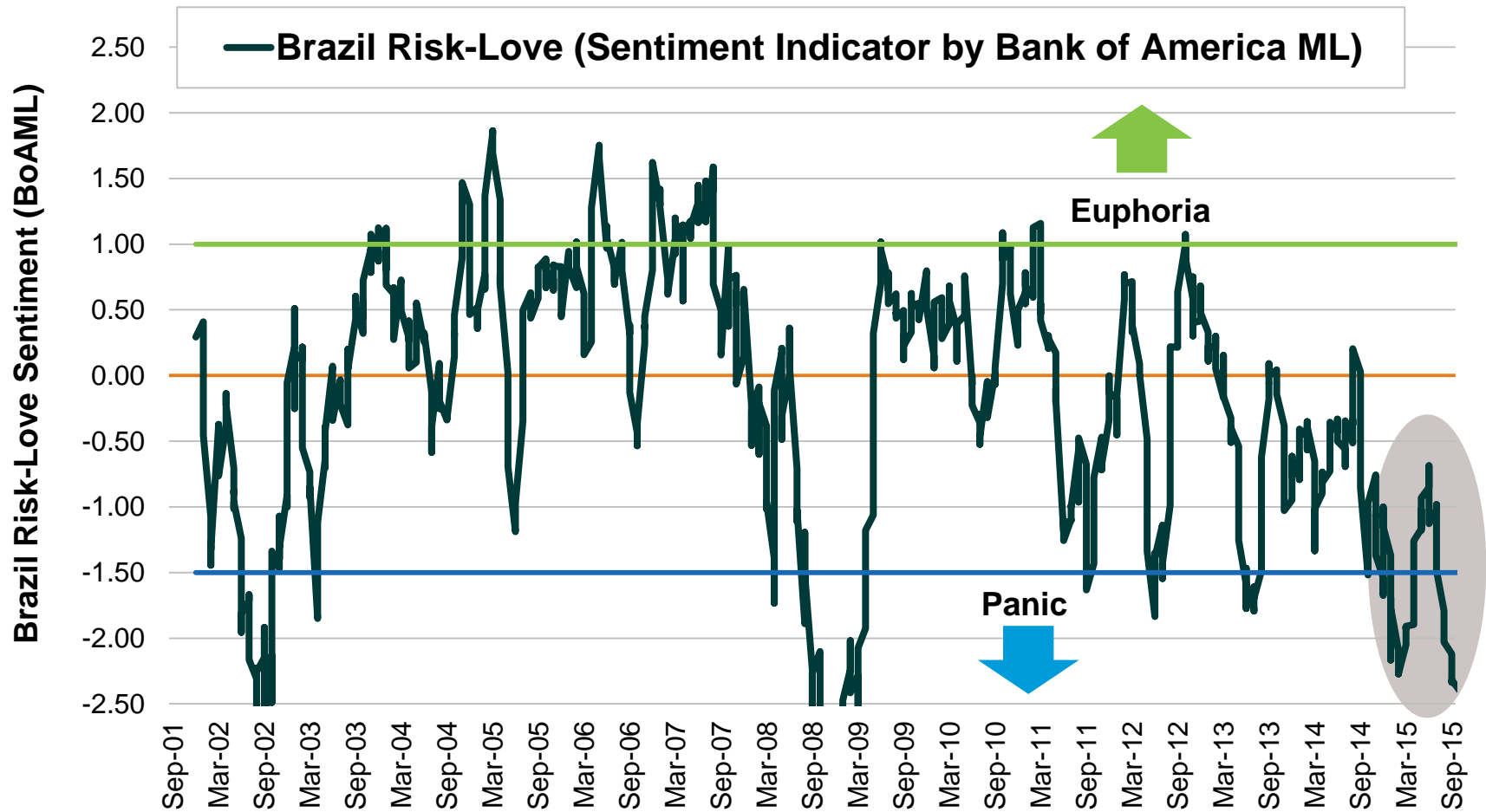


As of September 30, 2015

Source: Ibope Inteligencia; Confederaçao Nacional da Indústria (CNI); Bloomberg

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Investor Sentiment: Extremely Negative Towards Brazilian Equities



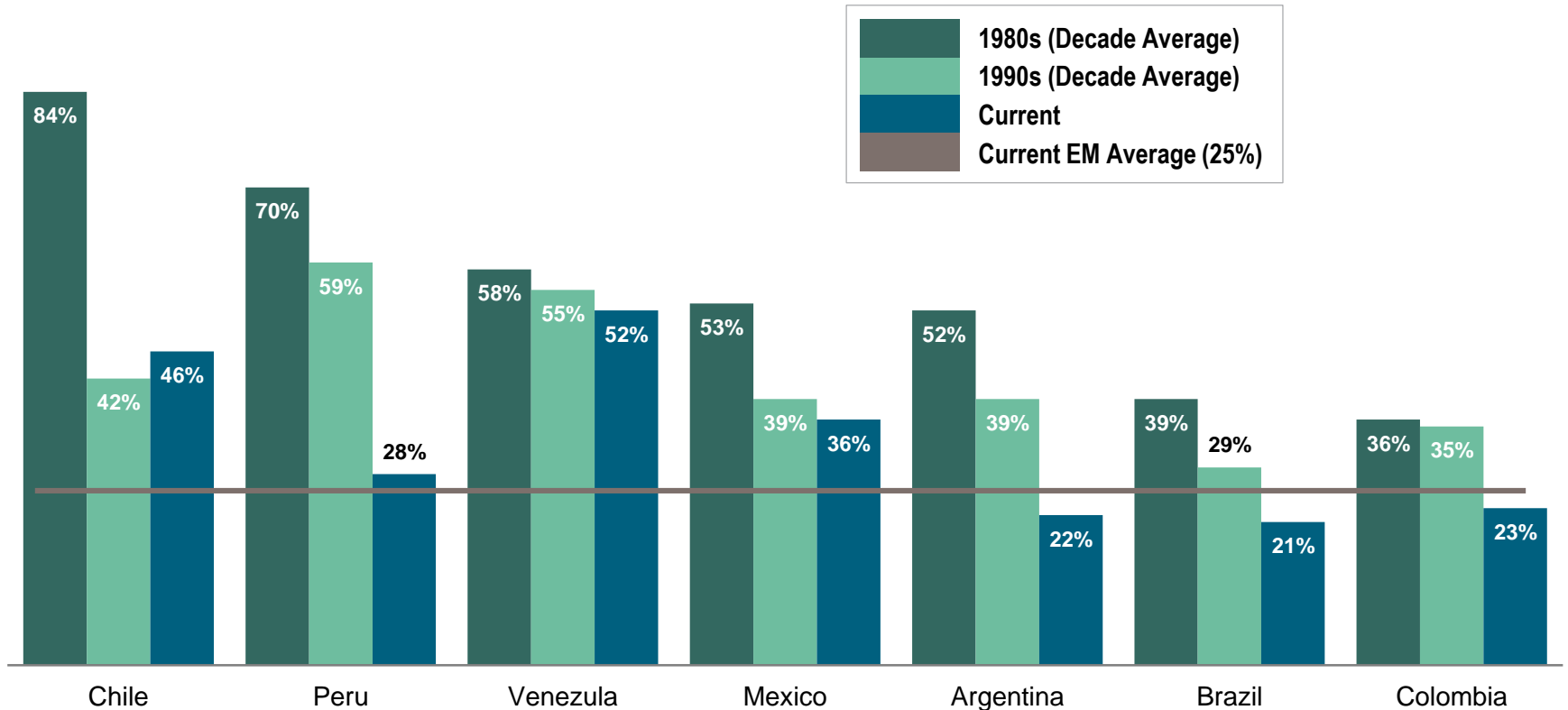
As of September 30, 2015

Source: BofA Merrill Lynch Global Research. Risk-Love is a sentiment indicator used to measure the mood of consensus. Factors such as turnover to market cap, volatility, put call ratio, CDS spreads, IPO issuance as proportion of market cap are used to construct this metric. Each factor is normalized and then combined to form the Risk-Love indicator.

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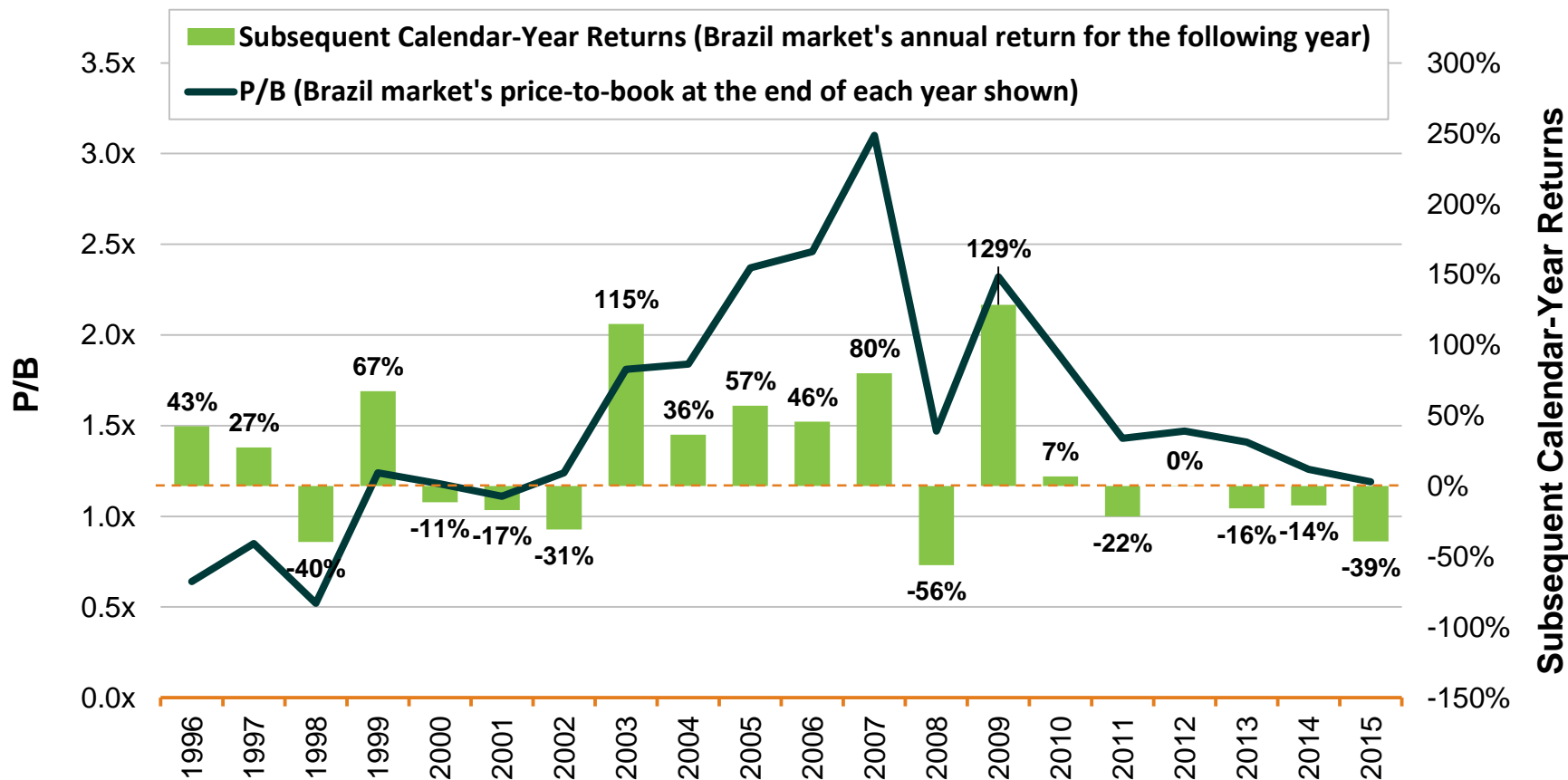
Emerging Markets Have Low External Debt

External Debt as a % of GDP



Low Valuations in Brazil: Historically Followed by Strong Returns

MSCI Brazil Index, Price-to-Book vs. Subsequent Calendar-Year Returns



SAs of September 30, 2015

Source: Brandes Investment Partners, MSCI as of 9/30/2015. Earliest data available from the MSCI provider for the P/B ratios of the MSCI Brazil Index was as of 11/30/1996. Indices are unmanaged and cannot be directly invested into. Past performance is not a guarantee of future results. The above returns do not represent the performance of any product or security managed by Bridgehouse or Brandes and are provided for illustrative purposes only.

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Brandes Emerging Markets Equity (Brazil)

Brazilian Holdings Well Diversified



Embraer: EM and Different Time horizon

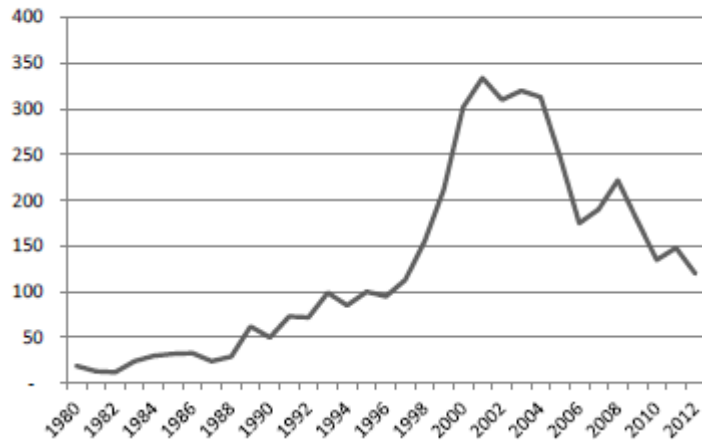
- Fourth largest aircraft manufacturer
- Market View:
 - Extrapolates deep downturn in global demand for business and regional jets
 - Aversion to Brazilian companies
- We see:
 - Well managed
 - Solid net-cash balance sheet
 - Strong competitive position, which may improve
 - Global demand will revert to more normal levels



Demand is Cyclical... so Should Revert

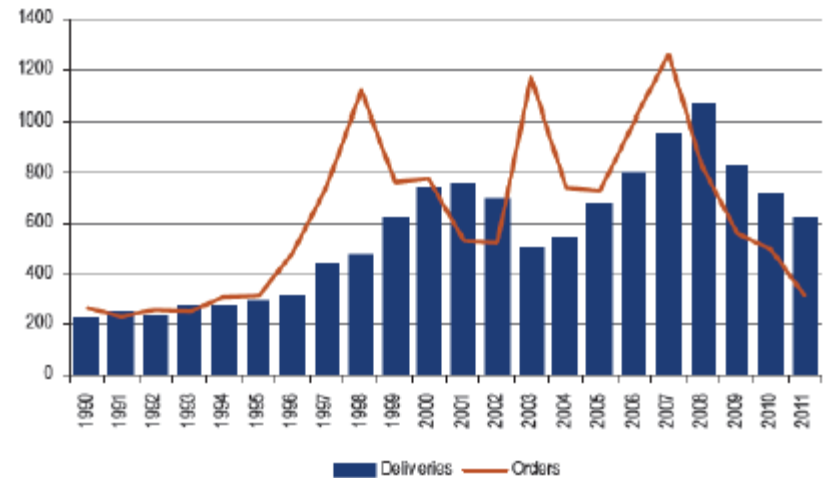
Regional Jets

RJ annual delivery (units)



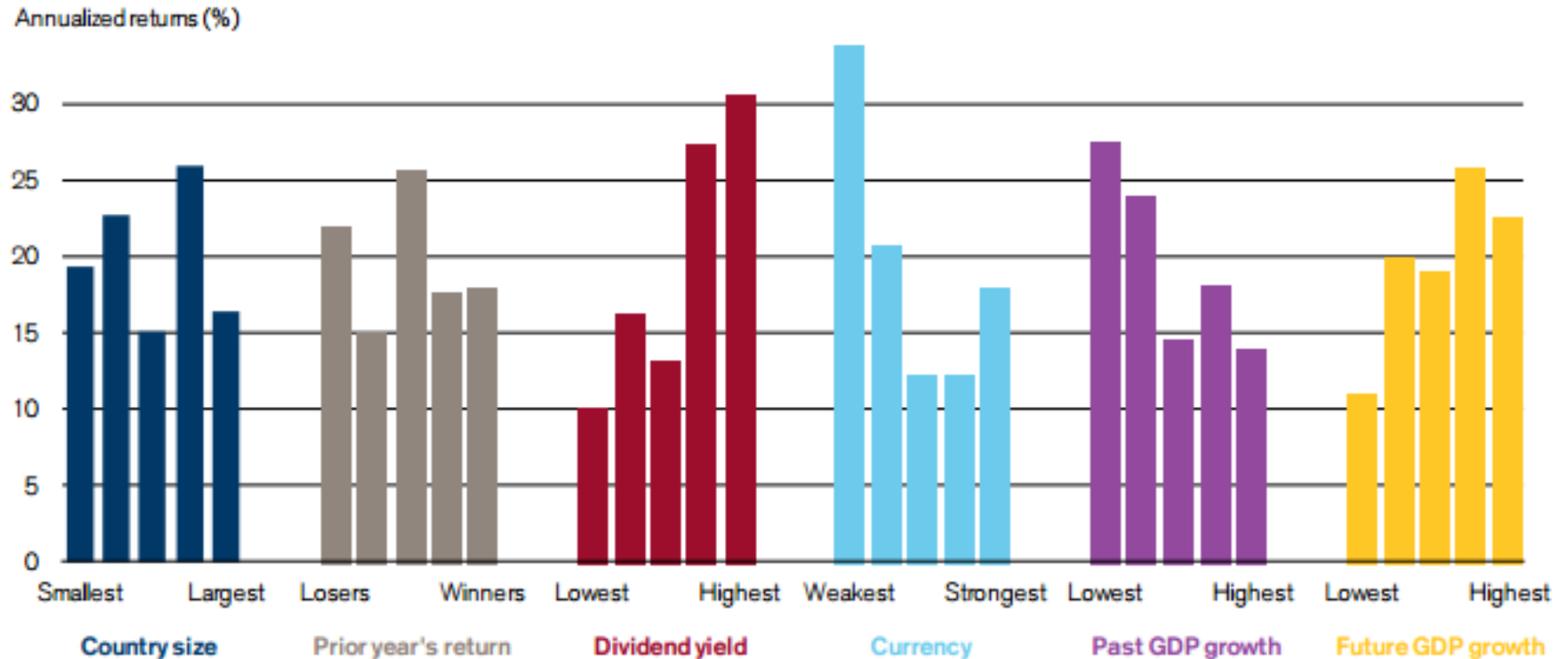
Business Jets

Annual Business Jet Deliveries



Rotation Strategies within Emerging Markets

1976-2013



Source: Elroy Dimson, Paul Marsh, and Mike Staunton using data from the DMS database, the IMF, Mitchell, Maddison, and Thomson Reuters Datastream
 Credit Suisse Research Institute, February 2014
 Credit Suisse Global Investment Returns Yearbook 2014

Disclosures

Price/Book: Price per share divided by book value per share. Price/CF: Price per share divided by cash flow per share. Price/Earn: Price per share divided by earnings per share. Return on Equity (ROE): Net Income divided by book value of equity. Enterprise Value: Market capitalization plus net debt. Forward Price/Earn: Price per share divided by forward earnings estimates per share.

MSCI World Index - MSCI WRLD: The MSCI World Index with net dividends measures equity market performance of developed markets.

S&P 500 Index - SP500 G: The S&P 500 Index with gross dividends measures equity performance of 500 leading companies in industries of the U.S. economy.

MSCI Europe Index - MSCIEURO: The MSCI Europe Index with net dividends measures equity market performance of developed markets in Europe.

MSCI Emerging Markets Index - MSCIEMF: The MSCI Emerging Markets Index with gross dividends measures equity market performance of emerging markets.

MSCI Frontier Markets Index - The MSCI Frontier Markets Index with gross dividends measures equity market performance of frontier markets.

Tokyo Stock Price Index - TOPIX: The TOPIX Index with gross dividends is calculated based on the performance of all domestic common stocks listed on the Tokyo Stock Exchange First Section

Barclays U.S. Aggregate Bond Index - LBAGGBX: The Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. This index is a total return index which reflects the price changes and interest of each bond in the index.

MSCI ACWI ex-U.S. Small Cap Index --: The MSCI All Country World ex-U.S. Small Cap Index with gross dividends measures equity market performance of small capitalization companies in developed and emerging markets excluding the United States.

MSCI ACWI Index – MSACWFREE: The MSCI All Country World Index with net dividends measures equity market performance of developed and emerging markets.

MSCI Japan Index - MSCI JP: The MSCI Japan Index with net dividends measures equity market performance in Japan.

MSCI China Index - MSCI China: The MSCI China Index with net dividends measures equity market performance in China.

MSCI EAFE Index - MSCI EAFE: The MSCI EAFE (Europe, Australasia, Far East) Index with net dividends measures equity market performance of developed markets in Europe, Australasia, and the Far East.

Russell 2000 Index - RUSSELL2K: The Russell 2000 Index with gross dividends measures the performance of the small-capitalization segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index.

S&P GSCI Index – The S&P GSCI index is comprised of 24 commodities from all commodity sectors weighted by world production over the last 5 years.

HFRI Fund of Funds Composite Index – Equal weighted index consisting of over 800 constituent hedge funds

KBW Bank Index – An economic index consisting of the stocks of 24 US banking companies

MSCI World Mid Cap Index: The MSCI World Mid Cap Index with net dividends measures mid-capitalization performance across developed markets.

S&P Developed Small Cap Index: The S&P Developed Small Cap Index is a comprehensive, rules-based index measuring stock market performance of small capitalization companies from developed markets throughout the world.

S&P Global BMI Index - The S&P Global Broad Market Index, comprised of the S&P Developed BMI and S&P Emerging BMI, is a comprehensive, rules-based index measuring global stock market performance.

NASDAQ Composite Index: The NASDAQ Composite Index is an unmanaged, broad based market capitalization-weighted index that measures all domestic and international common stocks listed on the NASDAQ market.

Shanghai Composite Index: The Shanghai Index measures performance of the Shanghai Stock Exchange.

Shenzhen A Shares Index: The Shenzhen A Shares Index measures performance of the Shenzhen A Share Stock Exchange.

MSCI Russia Index - MSCI JP: The MSCI Japan Index with net dividends measures equity market performance in Russia.

MSCI Brazil Index - MSCI JP: The MSCI Japan Index with net dividends measures equity market performance in Brazil.

MSCI South Korea Index - MSCI JP: The MSCI Japan Index with net dividends measures equity market performance in South Korea.

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Stocks of small-sized and mid-sized companies tend to have limited liquidity and usually experience greater price volatility than stocks of larger companies.

Diversification does not assure a profit or protect against a loss in a declining market.

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11988 El Camino Real, Suite 600
P.O. Box 919048
San Diego, California
92191-9048

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CALL 800.237.7119
BRANDES.COM

