



BRANDES INVESTMENT PARTNERS

Investment Principles, Questions & Answers

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Founder & Chairman

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BRANDES
INVESTMENT PARTNERS



3 **IMPORTANT**
Questions &
Answers

Investment Principles

Audience Participation



Question 1

How & what vehicles fundamentally create new wealth in a free enterprise economy?

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How & what vehicles fundamentally create new wealth in a free enterprise economy?

- The improvement of productivity in the creation, production and distribution of goods & services
- Businesses with the right environment, capital, people & incentives create this growth

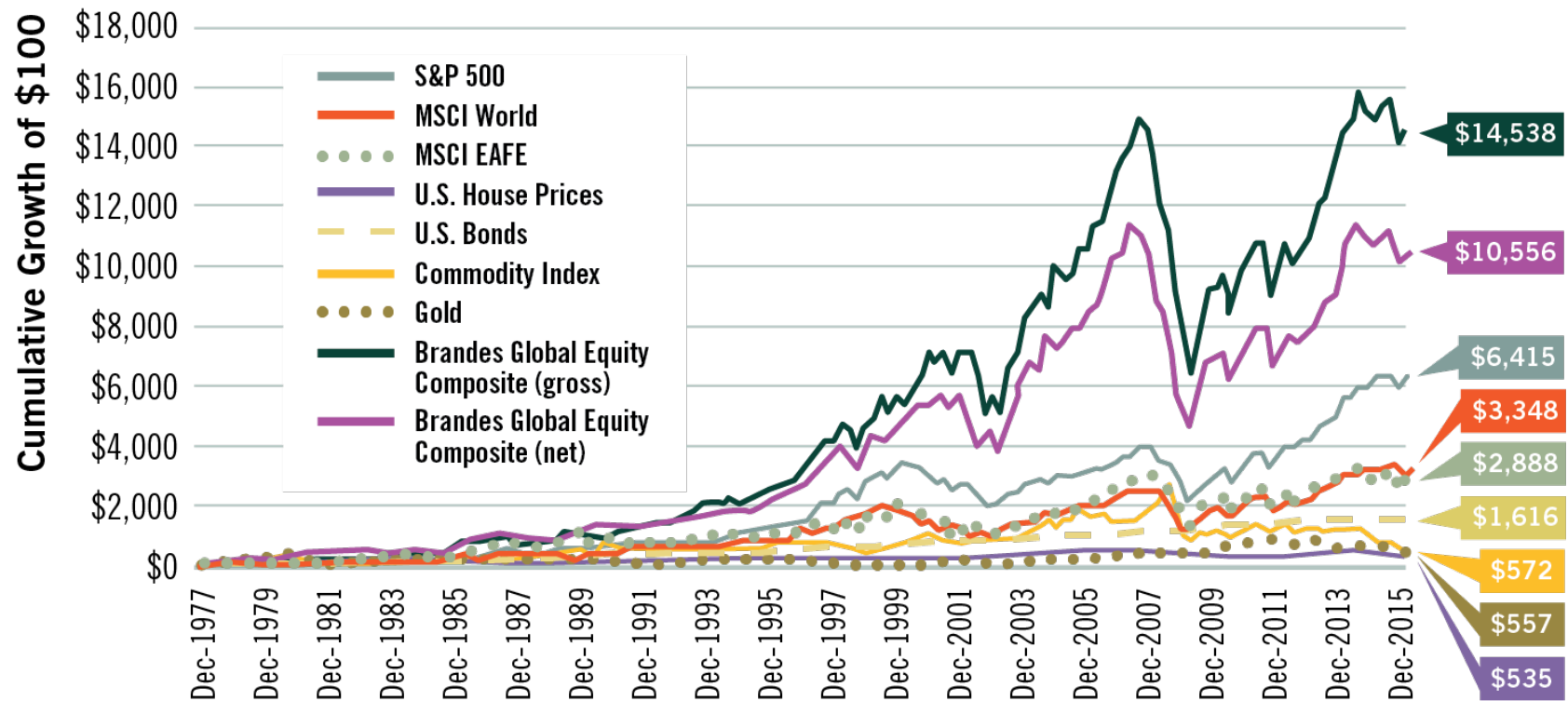
Therefore

Should not our investments be allocated efficiently to businesses that create this wealth & not to some other alternatives?

Equities Outperform All Other Asset Classes

Hypothetical Growth of \$100 Investment

December 31, 1977 to December 31, 2015



Sources: Factset, MSCI, Shiller. Cumulative performance net of fees. Please see the accompanying Global Equity composite performance pages. Past performance is not a guarantee of future results. One cannot invest directly in an index. This hypothetical example is for illustrative purposes only and does not represent any specific investment. Actual results will vary. The performance results presented were achieved in particular market conditions which may not be repeated. Moreover, the current market volatility and uncertain regulatory environment may have a negative impact on future performance. U.S. House Prices represented by Shiller Home Price Index. U.S. Bonds represented by Barclays Aggregate Index. Commodities represented by S&P GSCI Index. Gold represented by S&P GSCI Gold Index. See disclosures for performance details.



Vittles for wealth production

Question 2

How should investors define risk & what is the true nature of risk?

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How should investors define risk & what is the true nature of risk?

- Investors should consider risk the permanent loss of capital at the business fundamental level

Today

Risk is Defined as Volatility

Volatility Measurements

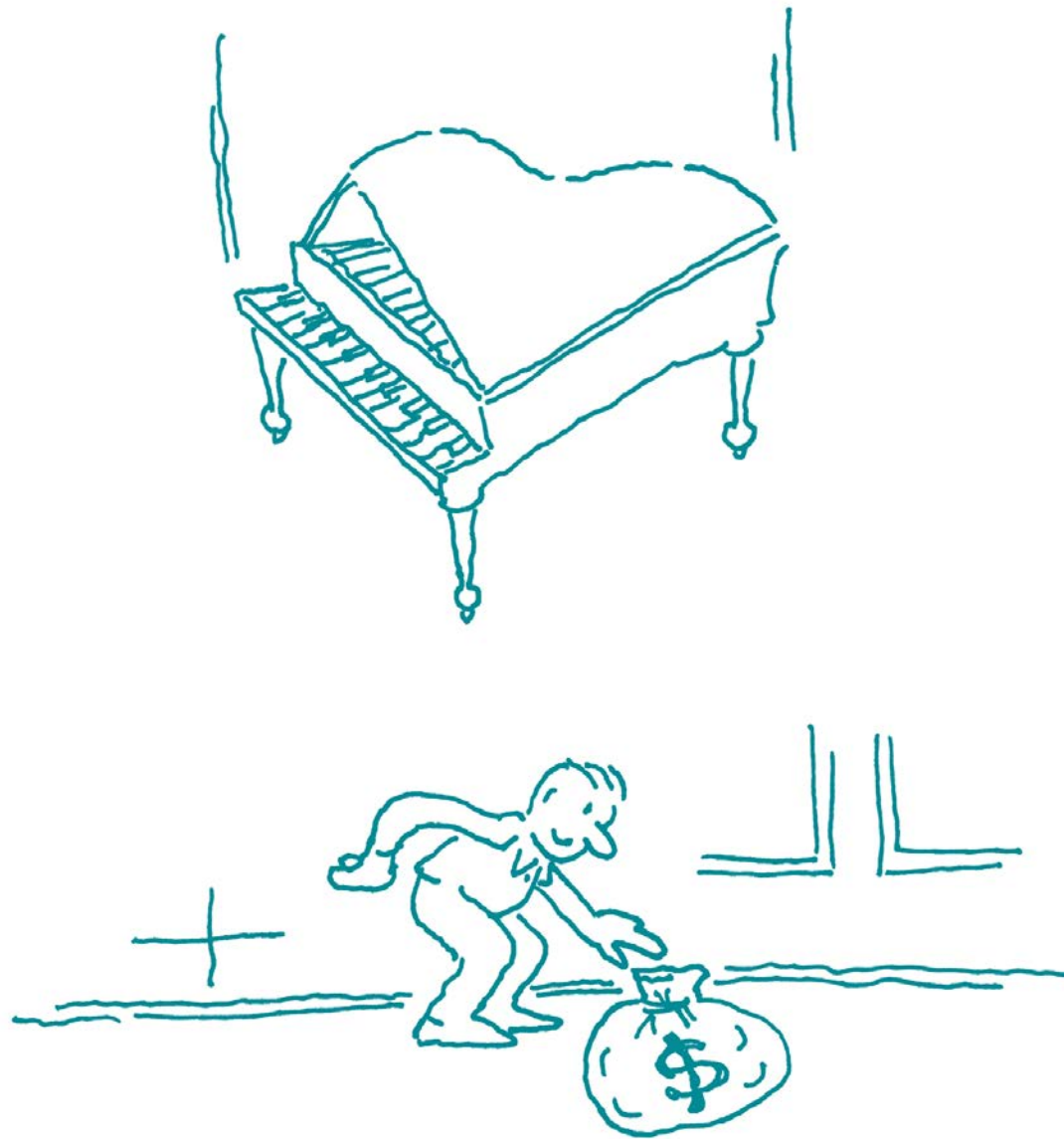
- Standard Deviation
- Sharpe Ratio
- Information Ratio
- Upside & Downside Capture
- R Squared
- Sortino Ratio
- Jensen's Alpha
- Efficient Frontier
- Diversification Ratio
- Utility Score

Popular Techniques

- Risk Parity
- Portable Alpha
- Macro Hedge Funds
- Liquid Alts
- Liability Defined Investing
- Some Smart Beta
- Non-Correlated Diversification
- Hedging with Derivatives

**“Not everything that
can be counted
counts, and not
everything that counts
can be counted.”**

—Albert Einstein



Risk is unseen fundamental events

Question 3

Do you believe there is a major behavioral element to economics & investing?

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“What else is there?”

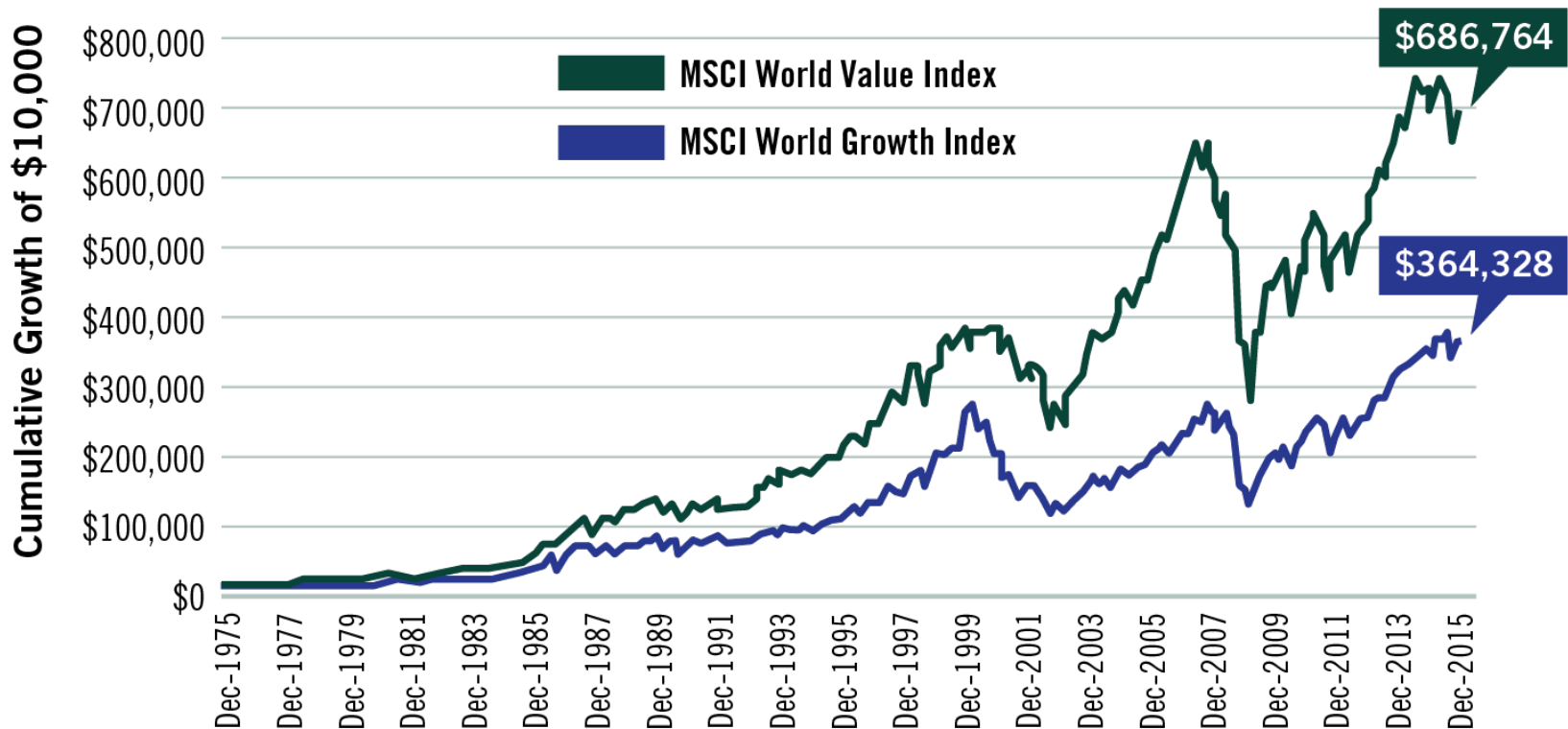
—Charlie Munger

Use Graham value
philosophy—
proven to produce
better returns than
growth

Value Stocks Have Delivered Almost Double the Returns of Growth Stocks

Hypothetical Growth of \$10,000 Investment

December 31, 1974 to December 31, 2015



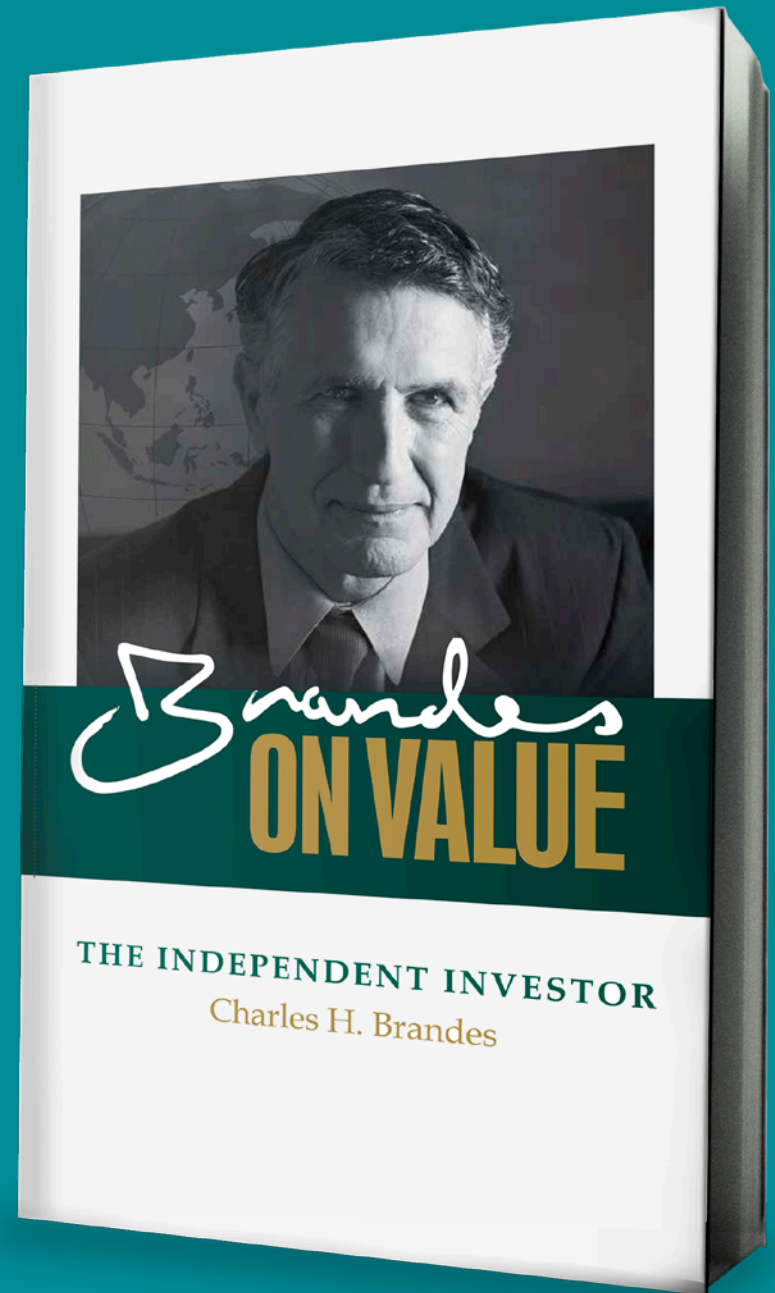
Source: MCSI via FactSet. Cumulative performance. Past performance is not a guarantee of future results. One cannot invest directly in an index. This hypothetical example is for illustrative purposes only and does not represent any specific investment. Actual results will vary.

Build Portfolios With:

- High active share
- Concentration compared to benchmark
- High tracking error

THINK & DO DIFFERENTLY FROM
THE MAJORITY OF INVESTORS
TO OUTPERFORM THEM

41 YEARS
Pure-style
investing



REPORT CARD

A B **C** D E F **Participation**

A B C D E F **Intelligence**

A **B** C D E F **Correct answers**

A B C D E F **Politeness**

REPORT CARD

A B **C** D E F Participation

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A **B** C D E F Correct answers


A B C D E F Politeness

Overall evaluation

A+

Thank You



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Unlike bonds issued or guaranteed by the U.S. government or its agencies, stocks and other bonds are not backed by the full faith and credit of the United States. Stock and bond prices will experience market fluctuations. Please note that the value of government securities and bonds in general have an inverse relationship to interest rates. Bonds carry the risk of default, or the risk that an issuer will be unable to make income or principal payment. There is no assurance that private guarantors or insurers will meet their obligations. The credit quality of the investments in the portfolio is no guarantee of the safety or stability. Investments in Asset Backed and Mortgage Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. International and emerging markets investing is subject to certain risks such as currency fluctuation and social and political changes; such risks may result in greater share price volatility.

Annualized performance as of December 31, 2015, for Brandes Global Equity Composite (net of fees)/ MSCI World (benchmark): 1 year: -2.84%/-0.87%; 3 years: 9.44%/9.63%; 5 years: 6.79%/7.59%; 10 years: 2.70%/4.98%; 20 Years: 8.33%/6.00%; 30 years: 10.23%/8.32%. Past performance is not a guarantee of future results.

The foregoing reflects the thoughts and opinions of Charles Brandes and is subject to change without notice. This presentation is for educational purposes only.

