

TELECOMS: Toll Roads in a World of Exploding Traffic

WHY AREN'T INVESTORS DIALED-IN TO TODAY'S TELECOM OPPORTUNITY?

Statistics reflect escalating global demand for web-based technologies. Many investors looking to profit from this trend have focused on cell phone and tablet manufacturers, internet search engine providers, and, more recently, social media companies. Telecommunications companies have been largely overlooked – yet they provide the essential infrastructure for voice and data transmission.

What are the misconceptions that have kept investors out of telecoms?

1. DECLINING USE OF LAND-LINES

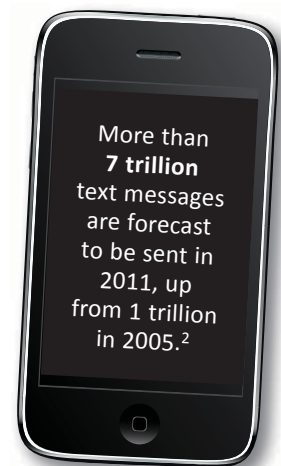
In reality, most of the decline has been for in-home use, which has become a very small part of telecom companies' overall revenue stream. Businesses still need reliable fixed lines and we anticipate this revenue will grow as the economy improves and unemployment declines.

2. SUBSCRIBER GROWTH FOR WIRELESS HAS PEAKED

While subscriber growth has leveled off somewhat in developed countries, growth remains strong in emerging markets.

3. POSSIBLE INCREASED CAPITAL EXPENDITURE

Prices for network equipment have come down drastically. Furthermore, today's networks are built to handle more traffic with less hardware.



¹Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2010-2015. 2/2/11.
http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white_paper_c11-520862.pdf

²<http://www.mobilemarketer.com/cms/news/research/8631.html> and <http://www.gsmworld.com/about-us/history.htm>

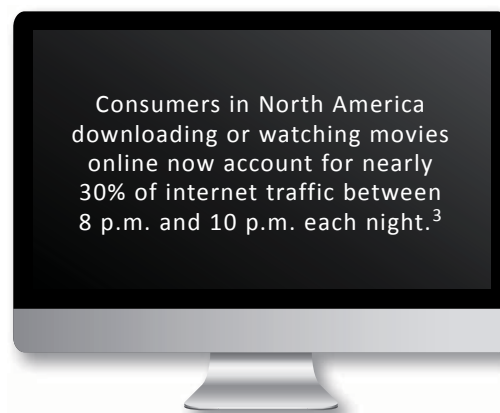
THE CASE FOR TELECOMS

GROWTH POTENTIAL

In our view, future wealth creation for the telecom operators will result from the growing demand for data. Telecom companies should benefit from this growth because they typically own the “pipes” through which all of this data flows.

MARKET TRENDS

- Growing worldwide sales of smart phones, tablets, and other web-enabled devices
- Increased use of video conferencing, VoIP (Voice over Internet Protocol), e-mail, VPN (Virtual Private Network) office access, web-browsing, and by peer-to-peer businesses
- Transitioning to electronic web-based data storage (medical records, government filings, etc.)
- Proliferation of streaming video, on-line gaming, Facebook, Twitter, and Skype



ATTRACTIVE VALUATIONS

Diversified telecom companies are trading at lower price/earnings ratios than the MSCI World and S&P 500 indices; these stocks appear to be available at a reasonable price, and should be poised to grow over the long term.

	MSCI World Index	MSCI World Diversified Telecom Industry	S&P 500 Index	S&P 500 Diversified Telecom Industry
Price / Earnings	14.5x	11.2x	15.2x	12.7x

Source: MSCI & S&P via FactSet as of June 30, 2011. Past performance is not a guarantee of future results.

HEALTHY DIVIDENDS

Telecom companies typically generate large cash flow streams and have historically paid healthy dividends. Diversified telecom dividends are higher than the index and above the yields on many bonds.

	MSCI World Index	MSCI Diversified Telecom Industry	S&P 500 Index	S&P 500 Diversified Telecom Industry
Dividend Yield	2.55%	6.41%	2.00%	5.66%

Source: MSCI & S&P via FactSet as of June 30, 2011. Past performance is not a guarantee of future results.

³Sandvine "Global Internet Phenomena Report." Spring 2011.

Overall, we believe the market will eventually get the wake-up call and recognize that telecom companies are far from shrinking – in fact they’re building out the toll roads for an explosive growth in data traffic. In the meantime, we believe the Brandes portfolios have the potential to benefit from the strong revenue streams, healthy balance sheets, and high dividends coming out of the Telecom sector.

Dividend Yield: Total annual dividend divided by the market price of the investment.

Price-to-Earning: Price per share divided by earnings per share.

The MSCI World Index with net dividends is an unmanaged, free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. As of May 27, 2010 the MSCI World Index consisted of 24 developed market country indices. This index includes dividends and distributions net of withholding taxes, but does not reflect fees, brokerage commissions, or other expenses of investing.

The MSCI World Diversified Telecommunication Services is a free float weighted, sub-industry equity index.

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. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The S&P 500 Diversified Telecommunication Services Index is a capitalization-weighted, sub-industry index.

Mutual fund investing involves risk. Principal loss is possible. Diversification does not assure a profit or protect against a loss in a declining market.

Past performance is not a guarantee of future results.

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One cannot invest directly in an index.

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