



Dear Investor:

The independent review committee of the Brandes Funds (the "Brandes IRC") was established formally on November 1, 2007 following rules set out by the Canadian Securities Administrators in their *National Instrument 81-107, Independent Review Committee for Investment Funds* ("NI 81-107"). The role of the Brandes IRC is to provide approval or recommendation in respect of conflict of interest matters identified by Brandes Investment Partners & Co. ("Brandes") as the manager to the Brandes Funds.

Brandes is responsible for referring to the Brandes IRC any matters in which a reasonable person could view Brandes as having an interest that may conflict with its ability to act in good faith and in the best interests of the Brandes Funds. The Brandes IRC will review each such matter and provides its approval or its recommendation, giving regard to whether the actions proposed by Brandes achieve a fair and reasonable result for the Brandes Funds.

Brandes takes governance and stewardship very seriously and has fully embraced the establishment of the Brandes IRC to provide assistance and input on these important responsibilities. Brandes views this as an enhancement to its commitment to unitholders for high standards of operations and governance.

There are three Brandes IRC Members with expertise in a broad range of areas, including the regulation of financial institutions, the management and oversight of investment funds, accounting and general corporate experience.

Preparation for operations began in May 2007 with the Brandes IRC reviewing Brandes' policies for dealing with potential conflict matters, reviewing Brandes' approach for monitoring adherence to the policies, providing comments to Brandes management, and getting ready to be operational on the November 1st starting date. Brandes management has been very receptive to IRC suggestions and a number of policy enhancements were made. As contemplated by the new rules, the Brandes IRC has also approved standing instructions for Brandes management to deal with certain matters in accordance with its policies with appropriate reporting to the IRC.

At least once per year, the Brandes IRC will also review and assess the adequacy and effectiveness of the Brandes policies and procedures covering conflict of interest matters. The Brandes IRC will also assess its independence, effectiveness and compensation.

Attached is the first report of the Brandes IRC. It covers the period from start-up on November 1st, 2007, until year-end 2007. No actual conflict matters were referred in that period. More information on the IRC, including how you can contact us, is on the Brandes website at www.brandesinvestments.ca.

The Brandes IRC is pleased with the progress made since May 1st, 2007 and found Brandes responsive to questions and suggestions. The Brandes management team has made itself available and we are comfortable with their dealings with our committee.

We look forward to continuing to serving you and the Brandes Funds.

Nicholas LePan
Chair of the Independent Review Committee

March 2008

Brandes Independent Review Committee
2007 Annual Report to Unitholders

Members of the Brandes Independent Review Committee (“Brandes IRC”)

Member Name	Length of Service	Does the Member serve on the IRC of any other Fund Family?
Nicholas LePan (Chair)	Appointed May 1, 2007 IRC Constituted November 1, 2007	No
Colum Bastable	Appointed May 1, 2007 IRC Constituted November 1, 2007	No
Gerald Moloney	Appointed May 1, 2007 IRC Constituted November 1, 2007	No

There have been no changes to the composition of the Brandes IRC since the Members were appointed on May 1, 2007.

Security Holdings of the Brandes IRC

- a) As at December 31, 2007, the percentage of units of each Class of each Brandes Fund beneficially owned, directly or indirectly, in aggregate, by all Members of the Brandes IRC did not exceed 10%.
- b) As at December 31, 2007, no Member of the Brandes IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of the Manager, Brandes.
- c) As at December 31, 2007, no Member of the Brandes IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of a person or company that provides services to the Brandes Funds or to Brandes in respect of the business of the Brandes Funds.

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Brandes IRC Compensation and Indemnities

The aggregate compensation paid by the Brandes Funds to the Brandes IRC for the two month period from November 1, 2007, to December 31, 2007, was \$13,333.33. The amount was allocated among the Brandes Funds in a manner that is considered by Brandes to be fair and reasonable to the Brandes Funds. In addition to such compensation, Brandes reimbursed the Brandes IRC Members for the reasonable expenses associated with their attendance at the in-person meetings of the Brandes IRC.

At least annually, the Brandes IRC will review the Brandes IRC compensation, giving consideration to the following:

- the recommendations of Brandes;
- workload and complexity of the matters under consideration;
- comparable industry compensation and expense reimbursement figures; and
- any industry or regulatory guidance available on the subject.

No indemnities were paid to the Brandes IRC Members during the period.

Conflict of Interest Matters

Subsequent to the appointment of the Members of the Brandes IRC on May 1, 2007, Brandes identified and referred to the Brandes IRC a number of policies and procedures addressing actual or potential conflicts of interest. All such policies were reviewed by the Brandes IRC and the recommendations of the Brandes IRC were incorporated into such policies prior to the November 1, 2007, adoption of the Brandes IRC Charter. Between November 1, 2007 and December 31, 2007, no conflict matters were referred to the Brandes IRC for its recommendation or its approval.

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Brandes is required to obtain the approval of the Brandes IRC prior to acting in respect of the following conflict of interest matters:

- a transaction in securities of an issuer related to the fund, Brandes, or an entity related to Brandes (“Related Issuer conflict”);
- an investment in a class of securities of an issuer underwritten by an entity related to Brandes (“Related Underwriter conflict”); and
- an inter-fund trade involving two investment funds managed by Brandes or an affiliate of Brandes (“Inter-Fund Trades”).

Brandes has referred to the Brandes IRC its policy in respect of Inter-Fund Trades and has incorporated the recommendations of the Brandes IRC into such policy. Brandes does not anticipate the occurrence of Related Issuer conflicts or Related Underwriter conflicts, and accordingly has not referred to the Brandes IRC policies in respect of such matters. Brandes has not sought standing instructions of the Brandes IRC in respect of any matter referred to above.

Brandes has referred to the Brandes IRC its policies and procedures in respect of the below-listed conflict of interest matters pursuant to *National Instrument 81-107*, Part 5.3 (“Recommendation Matters”). Brandes has sought and relied on standing instructions of the Brandes IRC in respect of such Recommendation Matters during the period. In each case, the standing instructions required Brandes to comply with the applicable policy and procedures and provide periodic reporting to the Brandes IRC.

Policy	Why is a policy necessary and why might a conflict exist?
Code of Ethics and Personal Trading	Personal trading may present a potential conflict of interest in that the employees of the manager may have an incentive to use information for their own benefit or to the detriment of the funds. Having an appropriate policy and procedures in place helps mitigate the risk that such a conflict would occur.

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Sales Practices	Sales practices may present a potential conflict of interest in that the manager may have incentive to provide monetary or non-monetary benefits to dealers or their advisors in a manner that prefers their interests over those of fund unitholders. Having an appropriate policy and procedures in place helps mitigate the risk that such a conflict would occur.
Complaints	Complaints may present a potential conflict of interest in that the manager may have incentive to resolve complaints in a manner that benefits the manager. Having an appropriate policy and procedures in place helps mitigate the risk that such a conflict would occur.
Trading Practices	Trading practices may present a potential conflict of interest in that the manager may have an incentive to allow trading practices which may negatively impact on the funds. Having an appropriate policy and procedures in place helps mitigate the risk that such a conflict would occur.
Error Correction	Error correction policies may present a potential conflict of interest in that the manager may have incentive to correct errors in a manner that benefits the manager. Having an appropriate policy and procedures in place helps mitigate the risk that such a conflict would occur.
Oversight of Valuation	The fair value component of the Valuation policy may present a potential conflict of interest in that a manager may have incentive to overvalue securities held in a portfolio. Having an appropriate policy and procedures in place helps mitigate the risk that such a conflict would occur.
Oversight of Portfolio Management	Portfolio management activities that present a potential conflict of interest may include trade allocations and the use of soft dollar arrangements. A manager may choose to allocate trades between clients in a manner that favours the manager or favours one client over another. Having an appropriate policy and procedures in place helps mitigate the risk that such a conflict would occur.
Fees and Expenses	Fee and expense allocation may present a potential conflict of interest in that a manager may choose to allocate fees and expenses using a methodology that favours one fund over another or a manager may choose to allocate expenses to the fund that should be borne by the manager. Having an appropriate policy and procedures in place helps mitigate the risk that such a conflict would occur.

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The Brandes IRC is not aware of any instance in which Brandes acted in a conflict of interest matter referred to the Brandes IRC for which the Brandes IRC did not give a positive recommendation.

The Brandes IRC is not aware of any instance in which Brandes acted in a conflict of interest matter but did not meet the conditions imposed by the Brandes IRC in giving its recommendation or approval.

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The Brandes Funds

Brandes Global Equity Fund
Brandes Global Balanced Fund
Brandes International Equity Fund
Brandes Global Small Cap Equity Fund
Brandes Emerging Markets Equity Fund
Brandes US Equity Fund
Brandes US Small Cap Equity Fund
Brandes Canadian Equity Fund
Brandes Canadian Money Market Fund
Brandes Corporate Focus Bond Fund
Brandes Sionna Canadian Equity Fund
Brandes Sionna Canadian Small Cap Equity Fund
Brandes Sionna Diversified Income Fund
Brandes Sionna Canadian Balanced Fund