



March 19, 2010

Dear Investor:

The independent review committee of the Brandes Funds (the "IRC") was established formally on November 1, 2007 following rules set out by the Canadian Securities Administrators. The role of the 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 IRC any matter 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 IRC reviews 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. During 2009, Brandes referred two approval matters to the IRC for their consideration and one matter for the IRC's recommendations. Brandes' action in these matters followed IRC recommendations.

Brandes takes governance and stewardship very seriously and continues to view the IRC as an enhancement to its commitment to unitholders for high standards of operations and governance.

There are three 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.

There continued to be challenges in financial markets in 2009. While not directly related to conflict matters, the IRC discussed with management the market developments and resulting risks to Brandes' operations on several occasions. It also discussed various government initiatives and how Brandes planned to respond to them.

During the year the IRC met on a regular basis, had regular discussions with management, received appropriate representations regarding conflict matters from the CEO and held in-camera discussions with the compliance officer. The IRC also reviewed the results of various Brandes management committees involved in running the business and had several presentations from management on operational processes and issues, and on Brandes business developments more generally.

The annual IRC review of the effectiveness of Brandes' policies and practices related to conflict matters took note of the fact that: IRC activities had not revealed any issues with the conflict policies or practices; there were no cases of conflict matters not covered by the policies; and that there was no evidence that the policies were not working. Regular audits of Brandes Funds and regulatory reviews have not identified any weaknesses in Brandes' operations that might suggest deficiencies in the conflict policies or process, nor has the IRC received any direct communication on conflict matters through the hot line or web site.

The IRC also assessed its independence, effectiveness and compensation.

Attached is the report of the IRC. It covers the period from January 1, 2009 to December 31, 2009. More information on the IRC, including how you can contact us, is on the Brandes website at www.brandesinvestments.ca. The IRC is pleased with its continuing operations 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

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Brandes Independent Review Committee
2009 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, 2009, 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, 2009, no Member of the Brandes IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of the Manager, Brandes Investment Partners & Co. (“Brandes”).
- c) As at December 31, 2009, 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 period January 1, 2009 to December 31, 2009, was \$80,000. The amount was allocated among the Brandes Funds in proportion to average assets in the 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 reviews 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.

Compensation for the IRC was not changed as a result of the review. 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.

In November 2009 the Brandes IRC conducted its annual review of the adequacy and effectiveness of the Brandes policies and procedures addressing actual or potential

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conflicts of interest and considered Brandes' recommendations for amendments to certain policies and procedures. Amendments did not change the fundamental policies but were necessitated by changes in Brandes' operations. All recommendations of the Brandes IRC were incorporated into the policies and procedures.

In addition to the review of Brandes' policies in respect of conflict of interest matters, between January 1, 2009 and December 31, 2009, the Brandes IRC considered three matters referred to the Brandes IRC by Brandes. Two matters involved inter-fund trades between Brandes Funds for which Brandes sought, and received, the approval of the Brandes IRC. The third involved a conflict of interest matter in respect of the appointment of a portfolio advisor to the funds for which Brandes sought the recommendations of the Brandes IRC. The Brandes IRC received appropriate representations from management with respect to the conflict matters.

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.

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Brandes has also 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.
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

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	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.

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.

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