The U.K. decision to leave the European Union (EU) came as a surprise to the markets. In addition to the immediate market declines across the globe, we could see increased short-term volatility in equities and in a number of currencies. There is a minimum two-year period for the United Kingdom and the EU to agree on the terms of the United Kingdom's exit, so there is still a long road ahead. The implications are not just financial in the United Kingdom. We expect broader political and economic impacts to the entire European Union. The only fact that is clear at this point is that nobody knows the exact implications of "Brexit."

However, it is important to keep in mind that as markets and investors sort out the ramifications of Brexit, Brandes remains focused on companies. While the longer-term implications for specific businesses and industries will be shaped over the course of many years, and will be dependent on a number of factors that are unclear today, our mandate to invest in potentially undervalued, fundamentally sound companies is unchanged.

We continue to analyze portfolio holdings and potential additions based on information that is currently available or that we can reasonably estimate. Experience has taught us that macroeconomic shocks generally create opportunities in specific businesses or entire sectors, especially for patient investors that take a longer view.

The Brandes Global Equity Strategy has cash levels above its historical norms, reflecting our general views on valuations. As soon as the voting results became public, we put some of that cash to work almost exclusively in the United Kingdom by adding to names already in the portfolio. We are looking at how prices of other global companies and currencies outside the United Kingdom have reacted and where there may be potential opportunities. Our cash levels were in no way a prediction of Brexit but their by-product will be that we have cash available to deploy during this market dislocation.

As we sort out the news from the United Kingdom and its global reverberations, we emphasize that there is no "one size fits all" bottom line. A weakening of the pound (which occurred in the immediate aftermath of the vote), could help U.K. exporters and multi-nationals by making their products more affordable. An example is our global pharmaceutical company holding GlaxoSmithKline. Companies like BP plc, while domiciled in the United Kingdom, conduct their business globally and actually have fairly small exposure to the domestic U.K. market. If there is inflation, that could be a benefit to U.K. grocers, such as Wm Morrison, as they have recently been facing food-price deflation. Those companies make up a significant portion of the U.K. exposure in the Brandes Global Equity Strategy. The market reacted negatively to the Brexit news outside of the U.K. as well. However, a company such as multi-national Schneider Electric, an electrical products and industrial automation firm, may benefit from a potential euro weakness due to Brexit, as well as from growing demand for its electrical products outside Europe, where the company derives a majority of its revenue.

The Brandes team is working hard to be *intelligent investors* in this environment, where knee-jerk reactions will probably be fairly common. We value the trust you have placed in us.