



CAUSEWAY CAPITAL MANAGEMENT LLC
NEWSLETTER

The World as One

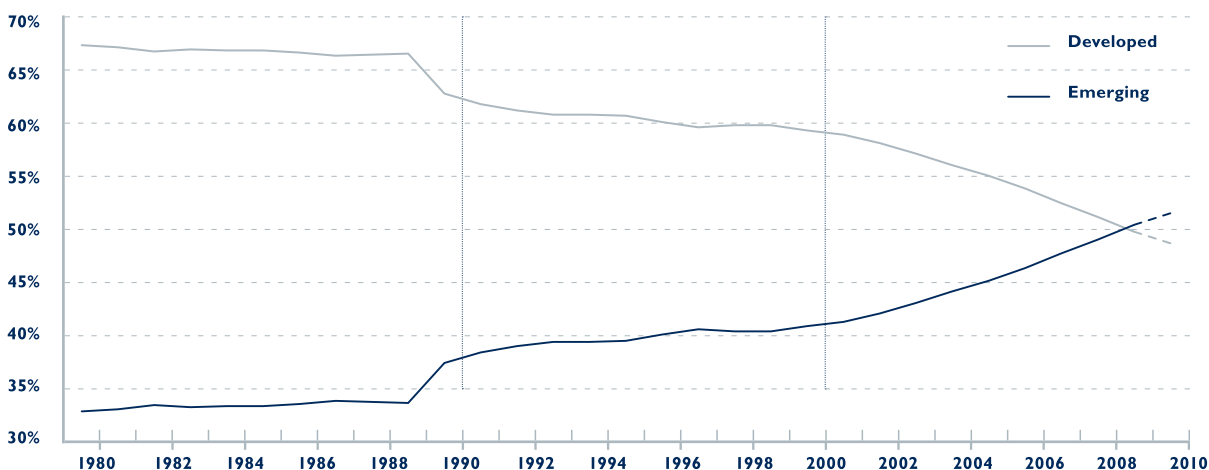
Equities Without Borders

Sovereign risks have become newsworthy once again – this time in the mature countries. Europe, the United States and Japan have a debt mountain to scale, while China and Brazil face inflation. In this volatile era, understanding portfolio geographic risk exposure has become acutely important. But where is the risk? Whether equities are “domestic” or “international” is becoming less relevant, as companies often have geographic ties that extend far beyond the country of listing. Causeway has built and deploys an array of sophisticated multi-factor risk models to identify what is not obvious from country listings.

“Whether equities are ‘domestic’ or ‘international’ is becoming less relevant, as companies often have geographic ties that extend far beyond the country of listing.”

We also have taken a closer look at where companies actually generate their revenues. We see a rapidly changing landscape: one that is consistent with shifts in global growth from developed to emerging countries. According to the economists at ISI Group, emerging economies’ nominal gross domestic product (GDP) growth, based on purchasing power parity (in effect, adjusting for price differences) has recently surpassed GDP of the developed economies. The world’s multinational companies already know this. And they are racing to take full advantage of that faster growth rate in the developing countries.

Emerging Markets are Driving Global Growth
% Global Nominal Gross Domestic Product (based on Purchasing Power Parity)



Source: ISI Group

CONTACT INFORMATION

SALES AND MARKETING – Mark Cone
email: cone@causewaycap.com
phone: (310) 231-6108

CLIENT SERVICE – Eric Crabtree
email: crabtree@causewaycap.com
phone: (310) 231-6145

Equities Without Borders continued

We talked with Causeway fundamental portfolio manager, Kevin Durkin, and quantitative portfolio manager, Arjun Jayaraman, to get more insight into assessing a portfolio's regional economic risk.

Q: Arjun, you and colleagues mapped the revenues of a huge number of companies. How did you take heterogeneous reporting of sales in geographic regions and make some sense of it?

AJ: The data coverage is quite good. As of end-December, we have access to geographic revenue data for 98% (1,625 of 1,660) of the companies in the MSCI World Index. These names represent 99% of the weight of the index. For the MSCI EAFE® Index, we have geographic revenue data for 98% (946 of 969) of the companies representing 98% of the weight of the index.

Of course, some companies simply don't cooperate. Our senior quantitative research specialist, Joe Gubler, carefully sifted through the companies whose geographic definitions did not match the four major regions (North America, Europe, Asia Pacific, and Emerging). A few companies report revenues from "Oceania," for example. We found that those sales were mainly attributable to the Asia Pacific region. We used FactSet, Bloomberg, and our own internal analytics for the sorting process. Where not

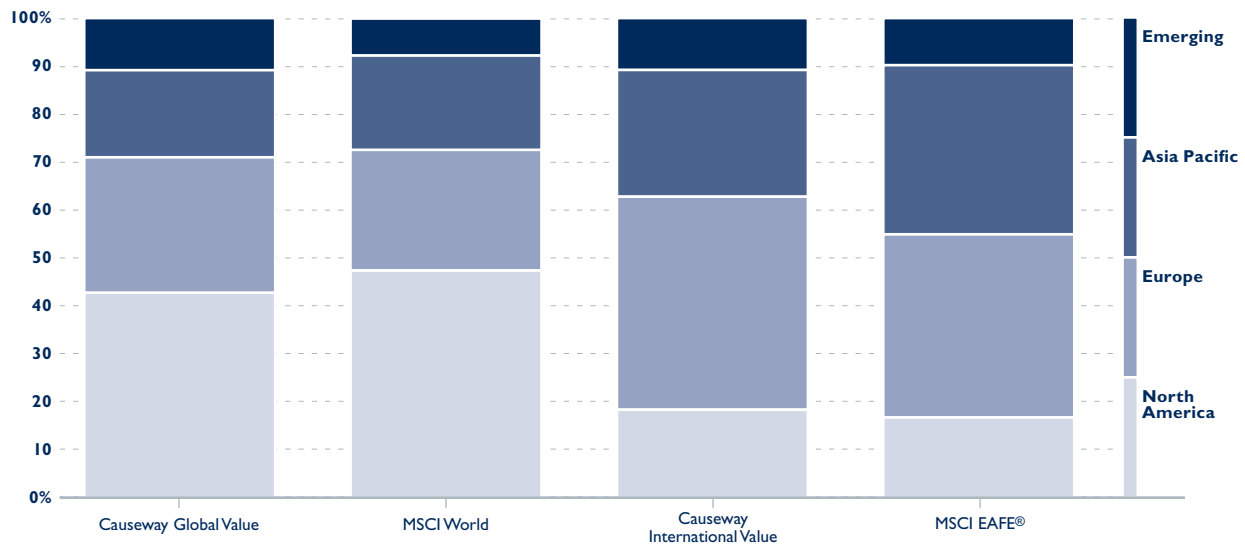
immediately apparent, we estimated revenue regions based on company information. We included those revenues explicitly identified by each company as emerging, and added to the figure roughly 10% of the "Other" category. This 10% represents the index overall economic exposure to emerging. We likely understated the revenues from emerging countries, as many companies have swept those sales into an "Other" classification.

Q: What were the results?

AJ: With 2009 revenue data, we found that both our clients' portfolios – and the benchmarks – have significant direct economic exposure to emerging countries. These faster-growing regions of the world account for at least 8-10% of the sales of companies in the global and international equity benchmarks (such as World and EAFE®). We see this percentage rising rapidly.

KD: With the single largest sector weight in industrials, our value equity portfolios have an even greater percentage of regional economic risk in emerging countries than

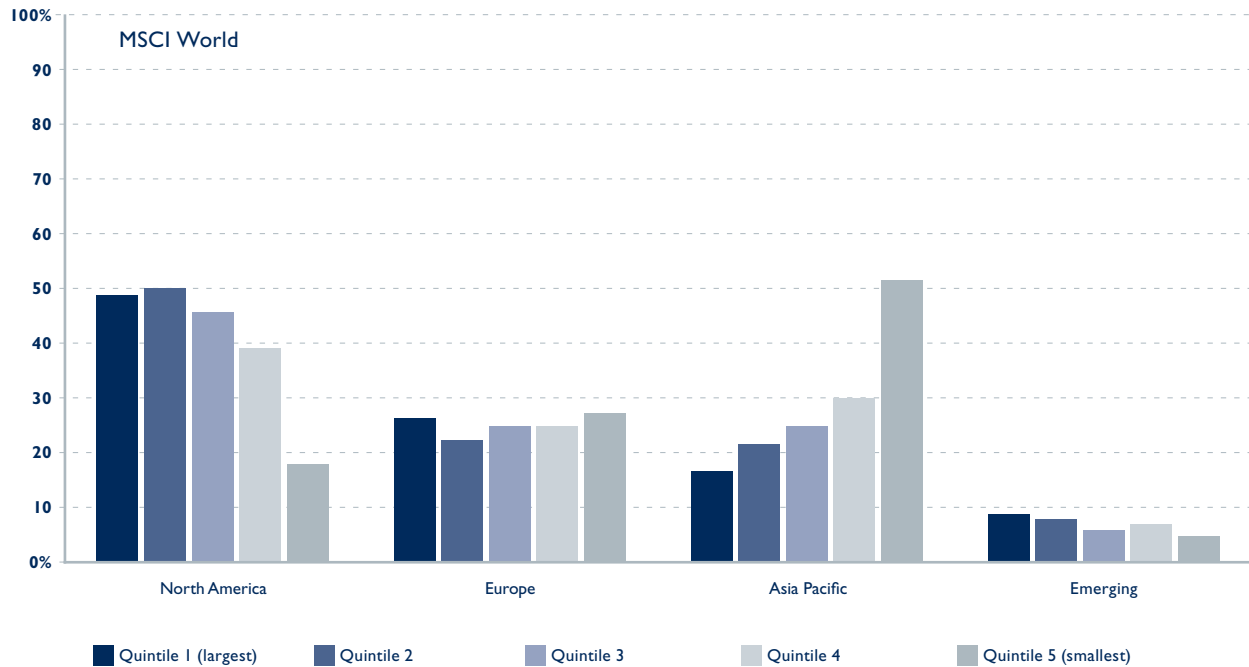
Developed Market Portfolios Have Economic Exposure to Emerging Markets
Geographic Exposure By Company Revenues



Source: FactSet, Bloomberg, Causeway Analytics. Causeway estimates based on latest available revenues reported by companies in the portfolio on 12/31/10, proportionate to holding weights. Israel is classified as an emerging country.

Equities Without Borders continued

Regional Economic Exposure by Market Capitalization



we found in the benchmarks. I think it's important to note that there is no listed emerging markets exposure in either our developed markets portfolios (other than South Korea, which we consider developed) – or in the EAFE® and World indices.

Our clients need to understand that in a “developed” markets equity portfolio, what you see isn't always what you get. Assuming economic growth remains more robust in the emerging markets than in the mature regions, expect to see the contribution to total portfolio sales from emerging countries rise fairly quickly.

Q: Is there more of a skew in regional risk based on market cap?

AJ: You'd think that the larger the company, the more geographically diverse its revenues. In the World Index, we found that small cap companies (with market capitalizations under \$2.5 billion) had significantly less North American exposure and more developed Asia, partly due to the preponderance of small cap Japanese stocks in the indices. The larger companies with over \$8 billion in market cap, did in fact have more

emerging markets revenues. We can extrapolate from the market cap charts that US companies earn sizable revenues from Europe – and it is mutual. The Europeans – and many others – have sizable sales in North America.

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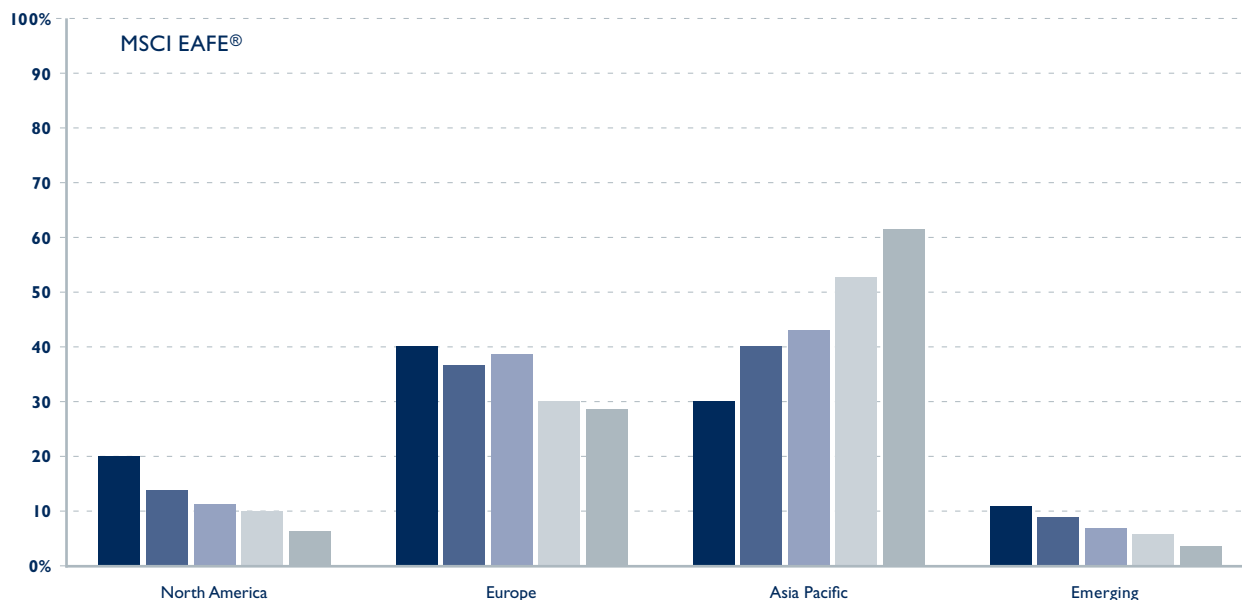
Q: Kevin, you mentioned industrial companies in the Causeway portfolios with global operations. What are some examples?

KD: One of my most admired companies in the oil services industry, National Oilwell Varco (NOV), is listed in the US, but earns at least 25% of its revenues in emerging countries. And the 28% of NOV's sales in the “Other” category may also have a sizable emerging component. Another

world class energy-related industrial company, Japan-listed JGC, provides engineering services to companies all over the world in oil & gas, refining, liquid natural gas, and chemical production projects. Japan represents only 11% of JGC's sales; at least another 70% comes from emerging markets. JGC has much more at stake in the Middle East and Africa than in its home market.

Equities Without Borders continued

Regional Economic Exposure by Market Capitalization



Sources: FactSet, Bloomberg, Causeway Analytics. Causeway estimates based on latest available revenues reported by companies in the portfolio on 12/31/10, proportionate to holding weights. Israel is classified as an emerging country. MSCI EAFE® Market Cap. Range: \$0.8B-\$199.3B; MSCI World Market Cap. Range: \$0.7B-\$379.6B

Outside the industrials category, I can think of many examples of companies whose market of listing has little to do with the company’s economic risk. In the most admired category, I would also cite British American Tobacco plc, whose name has become somewhat of an anachronism. We estimate the company derives over 65% of its sales and profits from developing countries, and doesn’t sell its products in Great Britain.

Q: OK, so there are lots of global companies. How should investors think about their regional exposure?

KD: From a fundamental, bottom up stock selection process, the resulting country weights (measured by where a company is listed) have limited usefulness. I advise clients to take portfolio country weights and toss them out the window. The gold standard in measuring regional economic risk is a combination of a solid in-house multi-factor risk model, combined with a thorough analysis of where companies actually sell their products and

services. Even domestic equities need to prove they are really “domestic,” or are something altogether different.

Q: How does Causeway manage the regional risk of client portfolios?

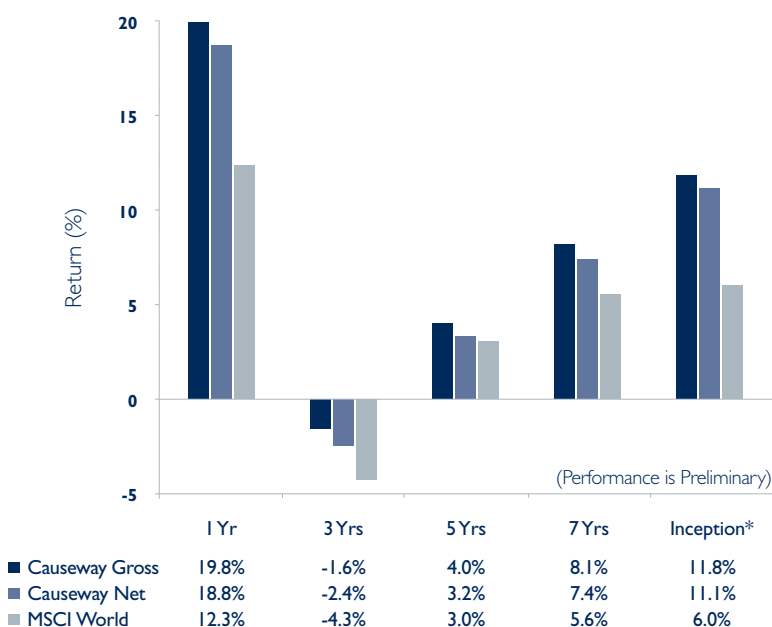
AJ: We look at regional risk from several different dimensions. Our proprietary multi-factor global risk model helps us quantify regional risk both explicitly and implicitly. Explicitly, we look at the region of domicile and currency of domicile. Implicitly, we measure the sensitivity of a business to its local currency. We use this data to forecast portfolio volatility and monitor risk exposures at both the stock and portfolio levels.

We are confident that the Causeway value equity portfolios have access to an optimal combination of growth drivers, with emerging markets playing a big role currently, and diversification of risks by a multitude of factors, including size, currency, sector, industry, and geography.

CAUSEWAY GLOBAL VALUE EQUITY

Performance (AS OF DECEMBER 31, 2010)

Annualized for periods greater than one year
Global Value Equity Composite



*Inception: September 30, 2001

Strategy Highlights

PHILOSOPHY

- Active, bottom-up stock selection
- Fundamental research
- Focus on controlling risk-defined as volatility of returns
- Team approach

PROCESS HIGHLIGHTS

- 25 developed markets (United States, EAFE, Canada, South Korea)
- 3,000 stock universe
- Screen by country and industry
- Fundamental analysis
- Validate price target
- Rank stocks by risk/return profile

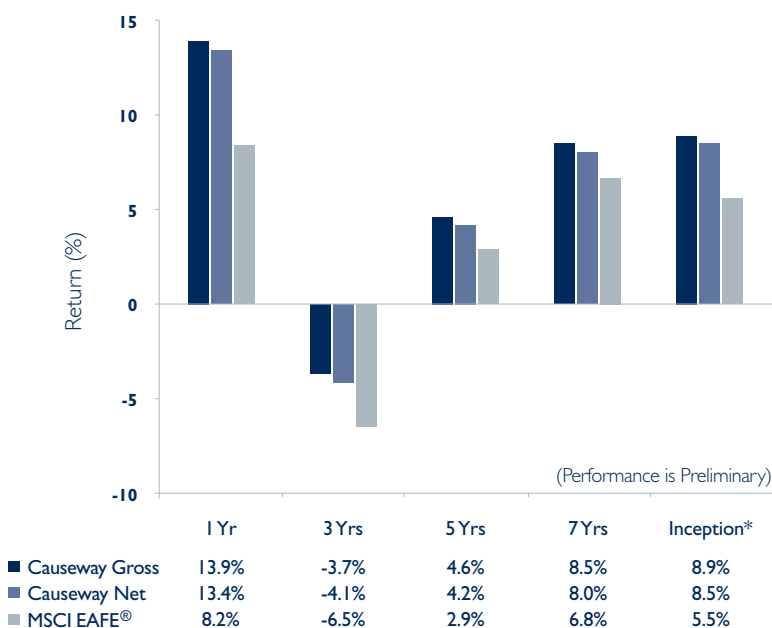
PORTFOLIO MANAGERS

Sarah Ketterer, Harry Hartford, James Doyle, Jonathan Eng, Kevin Durkin, Conor Muldoon

CAUSEWAY INTERNATIONAL VALUE EQUITY

Performance (AS OF DECEMBER 31, 2010)

Annualized for periods greater than one year
International Value Equity Composite



*Inception: June 11, 2001

Strategy Highlights

PHILOSOPHY

- Active, bottom-up stock selection
- Fundamental research
- Focus on controlling risk- defined as volatility of returns
- Team approach

PROCESS HIGHLIGHTS

- 24 developed markets (EAFE, Canada, South Korea)
- 1,500 stock universe
- Screen by country and industry
- Fundamental analysis
- Validate price target
- Rank stocks by risk/return profile

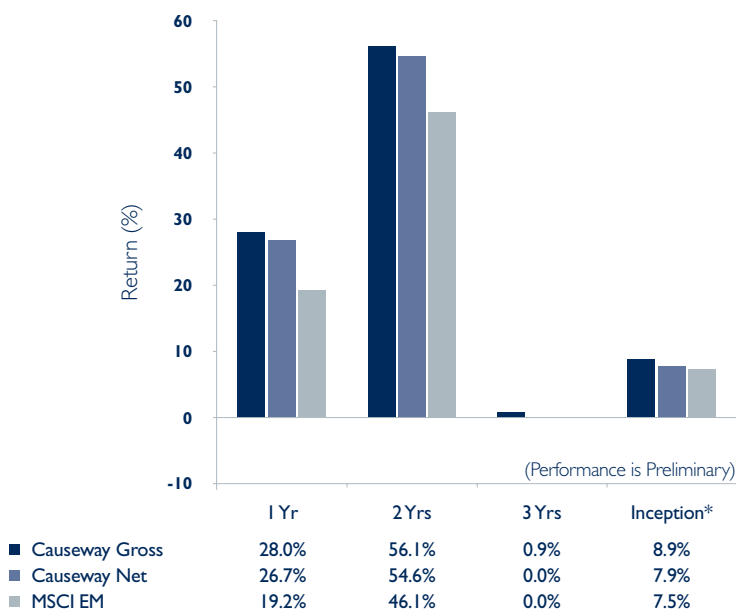
PORTFOLIO MANAGERS

Sarah Ketterer, Harry Hartford, James Doyle, Jonathan Eng, Kevin Durkin, Conor Muldoon

CAUSEWAY EMERGING MARKETS EQUITY

Performance (AS OF DECEMBER 31, 2010)

Annualized for periods greater than one year
Emerging Markets Equity Composite



*Inception: April 30, 2007

Strategy Highlights

PHILOSOPHY

- Actively managed, tracking-error oriented, quantitative emerging markets strategy
- Combines bottom-up and top-down factors in security selection
- Risk control
 - Constrain country/sector weights versus benchmark
 - Use proprietary quantitative tools

PROCESS HIGHLIGHTS

- 25 emerging markets
- 1,200 stock universe
- Employ stock ranking and risk models designed for emerging markets
- Use optimization to maximize expected return per unit of risk

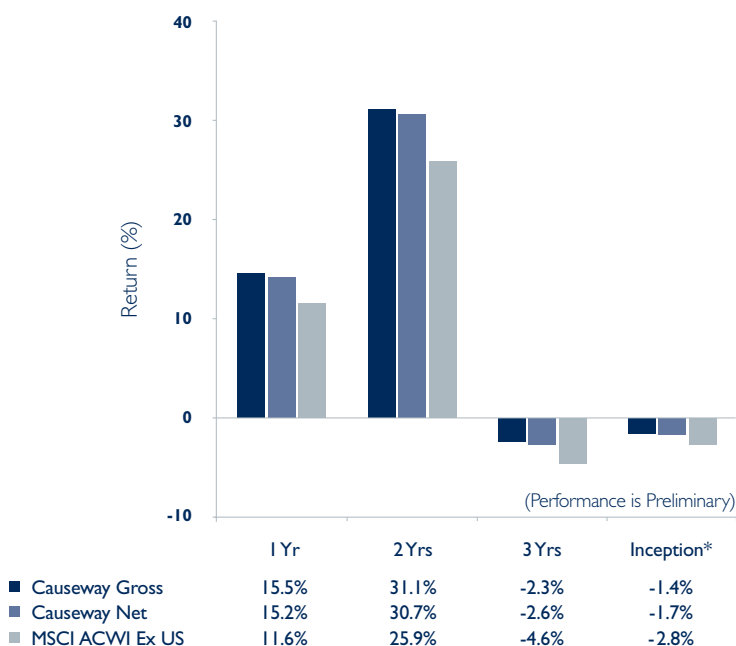
PORTFOLIO MANAGERS

Arjun Jayaraman, MacDuff Kuhnert

CAUSEWAY INTERNATIONAL OPPORTUNITIES

Performance (AS OF DECEMBER 31, 2010)

Annualized for periods greater than one year
International Opportunities Composite



*Inception: June 30, 2007

Strategy Highlights

PHILOSOPHY

- Combines active fundamental developed markets strategy with active quantitative emerging markets strategy

PROCESS HIGHLIGHTS

- Uses a quantitative asset allocation strategy to determine exposures to developed and emerging markets
- Meticulous fundamental research
- Active, bottom-up stock selection
- Disciplined quantitative approach with fundamental underpinnings
- Proprietary risk models developed in-house

PORTFOLIO MANAGERS

Sarah Ketterer, Harry Hartford, James Doyle, Jonathan Eng, Kevin Durkin, Conor Muldoon, Arjun Jayaraman, MacDuff Kuhnert

Important Disclosures

The Firm, Causeway Capital Management LLC ("Causeway"), is organized as a Delaware limited liability company and began operations in June 2001. It is registered as an investment adviser with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940. Causeway manages international value equity, global value equity and emerging markets equity assets for corporations, pension plans, public retirement plans, Taft-Hartley pension plans, endowments and foundations, mutual funds, charities, private trusts and funds, wrap fee programs, and other institutions. The firm includes all accounts managed by Causeway excluding non-discretionary accounts and accounts in terminated composites.

Causeway Capital Management LLC claims compliance with the Global Investment Performance Standards (GIPS®).

The International Value Equity Composite ("International Composite") includes all international value equity, U.S. Dollar denominated, discretionary accounts, which contain typically 50 to 80 holdings, do not apply a minimum market capitalization requirement of \$2.5 billion or higher (\$5 billion or higher prior to November 2008), include investments in South Korean companies after October 2003, do not experience significant regular external cash flows, and are not constrained by socially responsible investment restrictions. The international value equity strategy seeks long-term growth of capital and income through investment primarily in equity securities of companies in developed countries located outside the U.S. From June 2001 through November 2001, the International Composite included a non-fee-paying account with total assets of approximately \$2 million. This was the sole account in the International Composite from June through September 2001. The account was included in the International Composite at account inception because it was fully invested at inception.

The Global Value Equity Composite ("Global Composite") includes all global value equity, U.S. Dollar denominated, discretionary accounts, which are not constrained by socially responsible investment restrictions. Through March 30, 2007, Causeway managed the Global Composite using research and recommendations regarding U.S. value stocks from an unaffiliated investment advisory firm under a research services agreement for an asset-based fee. The global value equity strategy seeks long-term growth of capital and income through investment primarily in equity securities of companies in developed countries located outside the U.S. and of companies located in the U.S.

The Emerging Markets Equity Composite ("EM Composite") includes all emerging markets equity, U.S. Dollar denominated, discretionary accounts, which contain typically 70 to 120 holdings, and apply a minimum market capitalization requirement of generally \$500 million or higher at the time of initial investment. The emerging markets equity strategy seeks long-term growth of capital through investment primarily in equity securities of companies in emerging markets using a quantitative investment approach.

The International Opportunities Composite includes all International Opportunities, U.S. dollar denominated, discretionary accounts. The International Opportunities strategy seeks long-term growth of capital through investment primarily in equity securities of companies in developed and emerging markets outside the U.S. using Causeway's asset allocation methodology to determine developed and emerging weightings, and using Causeway's international value equity strategy or Causeway International Value Fund for the developed portion of the portfolio and Causeway's emerging markets strategy or Causeway Emerging Markets Fund for the emerging markets portion of the portfolio.

New accounts are included in the Composites after the first full month under management, except as noted for the International Composite above. Terminated accounts are included in the Composites through the last full month under management. Account returns are calculated daily. Monthly account returns are calculated by geometrically linking the daily returns. The returns of the Composites are calculated monthly by weighting monthly account returns by the beginning market values. Valuations and returns are computed and stated in U.S. dollars. Returns include the reinvestment of interest, dividends, and any capital gains. Returns are calculated gross of withholding taxes on dividends, interest income, and capital gains. Additional information regarding the firm's policies for calculating and reporting returns is available upon request. Gross-of-fees returns are presented before management, performance and custody fees, but after trading expenses. Net-of-fees returns are presented after the deduction of actual management fees, performance fees and all trading expenses, but before custody fees.

Past performance is no guarantee of future performance.

The Morgan Stanley Capital International Europe, Australasia, Far East (MSCI EAFE®) Index is an arithmetical average weighted by market value of the performance of approximately 1,000 non-U.S. companies representing 22 stock markets in Europe, Australasia, New Zealand and the Far East. Portfolios in the International Composite invest in Canada and South Korea, which countries are not included in the MSCI EAFE® Index. The MSCI World Index is a free float-adjusted market capitalization index, designed to measure developed market equity performance, consisting of 24 developed country indexes, including the U.S. Portfolios in the Global Composite invest in South Korea, which is not included in the MSCI World Index. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index, designed to measure equity market performance in the global emerging markets. The MSCI All Country World Index ex U.S. is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets excluding the U.S. The Indices are gross of withholding taxes, assume reinvestment of dividends and capital gains, and assume no management, custody, transaction or other expenses. It is not possible to invest directly in these indices.

Contact Sarah Van Ness at 310-231-6127 or vanness@causewaycap.com to request a complete list and description of firm composites or a presentation that adheres to the GIPS® standards.

Market Commentary

The market commentary expresses the portfolio managers' views as of 12/31/10 and should not be relied on as research or investment advice regarding any stock. These views and portfolio holdings and characteristics are subject to change. There is no guarantee that any forecasts made will come to pass. Any portfolio securities identified and described do not represent all of the securities purchased, sold, or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.