

Capturing Growth and Value in Emerging Markets

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NEWSLETTER

We are convinced that the greatest return potential typically resides in the lesser-known and less well-researched small-to-mid cap companies.

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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

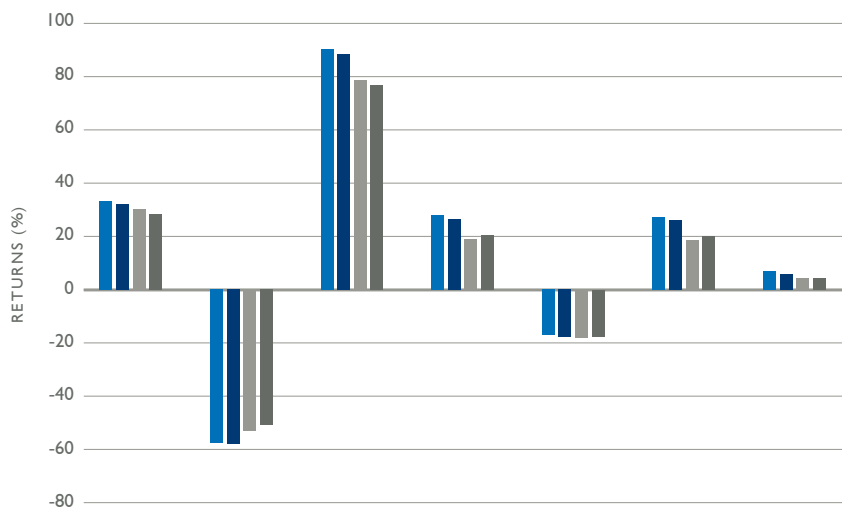
Causeway has succeeded using a fundamental, bottom-up value strategy in the developed markets. We have also built a satisfying quantitative performance track record in the emerging markets. Our quantitative strategy allows us tremendous flexibility to incorporate value, growth, and bottom-up and top-down criteria. Over the years, we've learned that buying undervalued emerging market stocks lacking any near-term prospect of earnings growth leads to disappointing performance. Without the inducement of a rapid expansion in earnings, why take the risk of investing in volatile countries with unpredictable legal systems? Some investors mitigate the country, economic, and political risk in these nascent stock markets by confining their portfolios to the global exporting giants in well-scrutinized sectors such as energy and mining. In contrast, we are convinced that the greatest return potential typically resides in the lesser-known and less well-researched small-to-mid cap companies. We spoke to Causeway's quantitative portfolio managers, Arjun Jayaraman and Duff Kuhnert, and senior quantitative research analyst, Joe Gubler, to get their thoughts on our process, both in portfolio construction and asset allocation.

Capturing Growth and Value in Emerging Markets

Joe, why has Causeway generated more alpha versus the MSCI Emerging Markets (EM Index) in the lower tiers of market capitalization?

JG: We've found an abundance of pricing inefficiencies in these lower ranges. Our investment process scores stocks using a combination of "bottom-up" and "top-down" factors to identify both stock-level and broader country and sector mispricing. Companies with market capitalizations under \$10 billion tend to have exposure to more indigenous consumer spending-related growth than their larger peers, giving them superior

CAUSEWAY EMERGING MARKETS EQUITY COMPOSITE PERFORMANCE



	2007*	2008	2009	2010	2011	2012	INCEPTION†
■ Causeway Emerging Markets Composite (Gross)	33.2	-57.8	90.5	28.0	-17.0	27.5	6.8
■ Causeway Emerging Markets Composite (Net)	32.3	-58.2	88.7	26.7	-17.9	26.2	5.7
■ MSCI Emerging Markets	30.5	-53.2	79.0	19.2	-18.2	18.6	4.2
■ Morningstar Diversified Emerging Markets Separate Accounts	28.6	-50.9	77.0	20.7	-17.7	20.0	4.5
Morningstar Percentile Ranking	27%	76%	11%	6%	27%	9%	13%

* Partial period, from Causeway Emerging Markets Composite inception date 04/30/2007. 1% equals highest and 100% equals lowest return ranking. Percentile rankings calculated on January 17, 2013. Since inception returns are annualized.

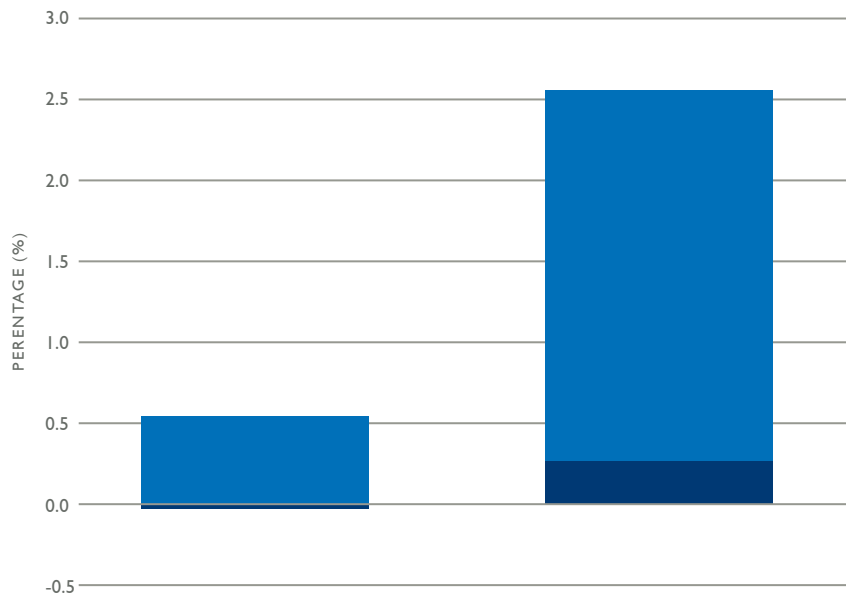
† Inception through December 31, 2012

growth profiles. Yet, many of these smaller companies have been overlooked by the market or abandoned in flights to safety, so they exhibit attractive valuations. Our Emerging Markets composite has outstripped the EM Index by 2.6% gross-of-fees annualized since its inception in 2007, and in four of the past five calendar years. Stocks in the bottom 50% of the portfolio by market capitalization have contributed nearly 80% of that total alpha from inception to date.

How have these smaller-cap opportunities influenced the composition of the portfolio?

STOCK SELECTION IN THE BOTTOM HALF OF PORTFOLIO HOLDINGS BY MARKET CAP HAS CONTRIBUTED MOST TO ALPHA

CAUSEWAY EMERGING MARKETS REPRESENTATIVE ACCOUNT
APRIL 2007 THROUGH DECEMBER 2012



	LARGEST 50% (\$5,633M-\$235,847M)	SMALLEST 50% (\$28M-\$5,600M)
Stock selection	0.54	2.29
Allocation	-0.03	0.27

Inception Date: 04/30/2007; Performance attribution is based on the equity portion of the Portfolio, gross of fees.

Clearly, we are seeking undervalued stocks in this portfolio, but “cheap” isn’t sufficient; the most attractive candidates also will exhibit strong technical and earnings growth characteristics.

AJ: Our process has led us toward lower weightings in the behemoth “BRIC” markets of Brazil, Russia, India, and China. These countries’ economies are struggling to sustain their records of growth, and, on a market-capitalization weighted basis, their equity markets are dominated by mega-cap energy exporters and banks. Our strategy has about 40% exposure to the BRIC markets currently—less than the benchmark and many of our competitors. Instead, we are finding compelling opportunities in Turkey, Thailand, and South Korea, and in domestic-facing industries including health care and utilities.

Small-caps have served emerging markets investors well in recent years: the bottom 50% of companies ranked by market capitalization in the EM Index have outperformed the top 50% in all but one of the past five years. Duff, might these equities be approaching full valuation?

DK: Even after the strong performance, the intersection of value, growth, and momentum remains pronounced in the smaller-cap quintiles. We believe there is additional upside. However, our process is agile enough to capture a shift when it occurs. We evaluate each of the 1,200 stocks in our investable universe daily. If the growth or valuation characteristics change, those stocks will have lower scores and we will adjust our exposures—we go where the opportunity lies.

JG: With the greatest weight on bottom-up factors, our portfolios display low-risk characteristics such as below-benchmark price-to-earnings and price-to-book value ratios, and dividend yields in excess of the benchmark yield. Clearly, we are seeking undervalued stocks in this portfolio, but “cheap” isn’t sufficient; the most attractive candidates also will exhibit strong technical and earnings growth characteristics. Combine that with an array of macroeconomic country and sector criteria, constrain the country and sector deviation from benchmark, optimize the weights, and you have Causeway Emerging Markets strategy.

CAUSEWAY'S EMERGING MARKETS STRATEGY AIMS TO CAPTURE GROWTH AND VALUE
 CHARACTERISTICS AS OF DECEMBER 31, 2012

	CAUSEWAY EMERGING MARKETS REPRESENTATIVE ACCOUNT	MSCI EM
Price/Book Value	1.3 x	1.6 x
Return on Equity	19.7%	17.5%
Average Dividend Yield	3.4%	2.6%
Wtd Avg Mkt Cap (Mn \$US)	19,956	23,084
No. of Holdings	140	821
NTM Price/Earnings	8.3 x	10.7 x
NTM EPS Revision (Wtd. Avg)	4.9%	2.7%

NTM = Next 12 Months

Source: FactSet

Arjun, for our international opportunities strategy, which invests in developed international and emerging markets, we use an asset allocation model to guide our emerging markets weight. What makes Causeway's emerging markets allocation model effective?

AJ: We use criteria that have tested well and proven themselves in practice. According to our research, immature emerging equity markets tend to respond positively to a sanguine macroeconomic backdrop and abundant monetary liquidity, evidenced by an

The more rapidly growing regions afford many of our developed markets companies an escape from economic stasis and give them the potential for considerable profit margin improvement.

upward sloping composite of global yield curves. We also have observed an upturn in emerging markets performance in the wake of high levels of risk aversion (as investor nervousness abates). Most importantly, we weigh the relative valuation and strength of earnings upgrades to determine an allocation to our emerging markets portfolio. For the past few months, the scales have begun to tip again in favor of emerging markets, encouraging us to add exposure.

Joe, switching gears to our fundamental value strategies, you have done considerable research on parsing sources of revenues geographically for all the developed markets companies in Causeway's portfolios and in the EAFE Index. Do you see evidence of US, European and Japanese companies expanding sales in the emerging world and stagnating (or even shrinking) elsewhere?

JG: Unsurprisingly, many of the developed markets-domiciled holdings in Causeway's international and global value strategies have moved their operations very deliberately to focus on faster growing markets. For many companies, the choices are to expand in Brazil, Russia, China, etc., or wither in an increasingly oversupplied, high-priced, and competitive developed markets environment. The more rapidly growing regions afford many of our developed markets companies an escape from economic stasis and give them the potential for considerable profit margin improvement.

Of the holdings in Causeway's international value and global value equity portfolios at the end of December 2012, five are worth noting for their marked global expansion. A Hong Kong-listed manufacturer of athletic shoes and apparel spent the past 20 years redirecting its efforts to opening distribution channels in Emerging Asia, especially in China, and partnering with brands outside the developed world. An electronics measurement company generated about 70% of its revenues outside its US home market in 2011.

China, alone, represents 16% of this company's 2011 revenues, a proportion likely to expand. The civil customer base of a US-based aircraft manufacturer has shifted from western carriers to well-funded Asian and Middle Eastern airlines, whose businesses are booming. Two of our large manufacturers, an appliance company and a paints company, discovered the Latin American consumer—adding considerable momentum to sales.

AJ: As these developed markets companies make increasingly sizable financial commitments to the emerging world, we take notice. This foreign direct investment adds to the allure of the emerging regions and should help sustain that critical earnings growth, which in turn attracts portfolio investment and keeps local capital markets buoyant.

Causeway Global Value Equity

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

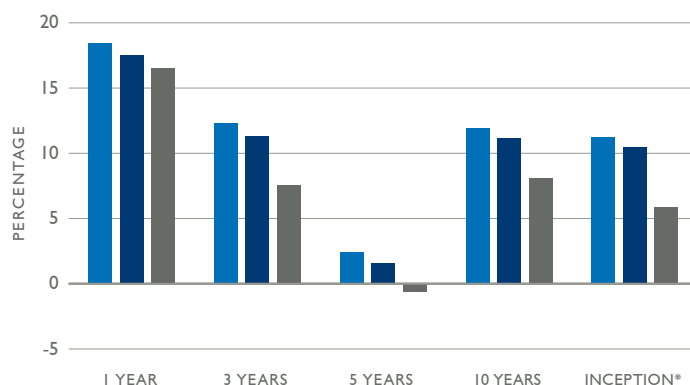
Portfolio Managers

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

PERFORMANCE (as of 12/31/2012)

Annualized for periods greater than one year

GLOBAL VALUE EQUITY COMPOSITE



	1 YEAR	3 YEARS	5 YEARS	10 YEARS	INCEPTION*
Gross of Fees	18.40	12.27	2.40	11.94	11.25
Net of Fees	17.48	11.34	1.57	11.15	10.47
MSCI World	16.54	7.53	-0.60	8.08	5.88

*Inception: September 30, 2001

Causeway International Value Equity

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

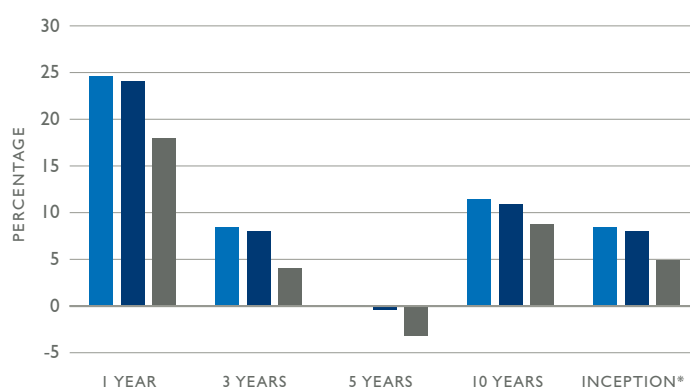
Portfolio Managers

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

PERFORMANCE (as of 12/31/2012)

Annualized for periods greater than one year

INTERNATIONAL VALUE EQUITY COMPOSITE



	1 YEAR	3 YEARS	5 YEARS	10 YEARS	INCEPTION*
Gross of Fees	24.58	8.43	0.03	11.38	8.37
Net of Fees	24.07	7.97	-0.40	10.91	7.94
MSCI EAFE	17.90	4.04	-3.21	8.70	4.91

*Inception: June 11, 2001

Causeway Emerging Markets Equity

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

- 24 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

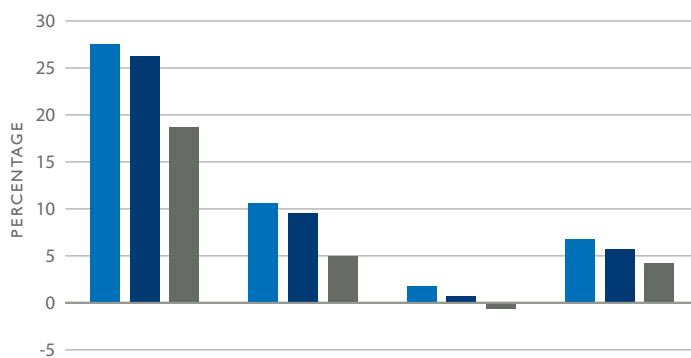
Portfolio Managers

- Arjun Jayaraman, MacDuff Kuhnert

PERFORMANCE (as of 12/31/2012)

Annualized for periods greater than one year

EMERGING MARKETS EQUITY COMPOSITE



	1 YEAR	3 YEARS	5 YEARS	INCEPTION*
Gross of Fees	27.48	10.64	1.71	6.76
Net of Fees	26.21	9.52	0.70	5.69
MSCI EM	18.63	4.98	-0.61	4.24

*Inception: April 30, 2007

Causeway International Opportunities

STRATEGY HIGHLIGHTS

Philosophy

- Combines active fundamental international 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

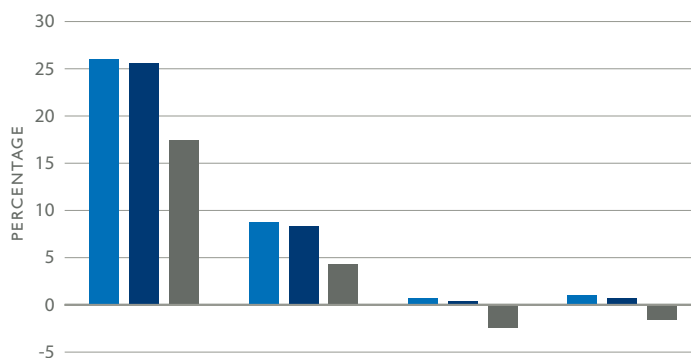
Portfolio Managers

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

PERFORMANCE (as of 12/31/2012)

Annualized for periods greater than one year

INTERNATIONAL OPPORTUNITIES COMPOSITE



	1 YEAR	3 YEAR	5 YEARS	INCEPTION*
Gross of Fees	26.00	8.71	0.71	1.02
Net of Fees	25.53	8.33	0.38	0.70
MSCI ACWI Ex US	17.39	4.33	-2.44	-1.51

*Inception: June 30, 2007

Causeway Global Absolute Return

STRATEGY HIGHLIGHTS

Philosophy

- Combines separate investment processes: fundamental (long) and quantitative (short) sources of alpha

Process Highlights

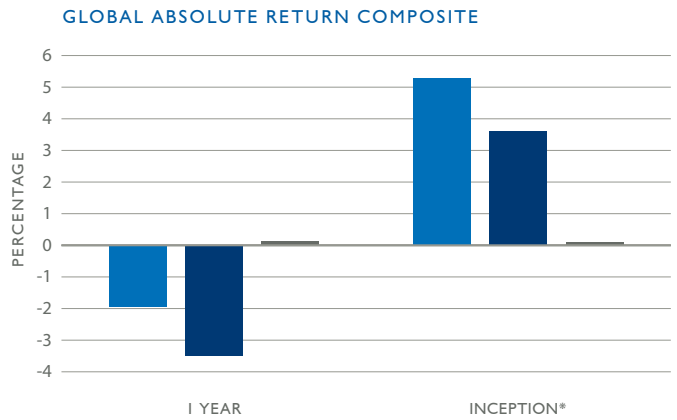
- Global developed market value equity (long/short)
- Fundamental long (typically 35-55 exposures), 2-3 year time horizon
- Quantitative short (typically 50-125 exposures), 3-6 month time horizon
- Dollar value of longs approximately equals dollar value of shorts
- Typically low or no correlation to the MSCI World Index

Portfolio Managers

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

PERFORMANCE (as of 12/31/2012)

Annualized for periods greater than one year



	1 YEAR	INCEPTION*
Causeway gross	-1.94	5.29
Causeway net	-3.48	3.60
BofAML 90 T-Bills	0.12	0.11

*Inception: February 28, 2011

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, global, 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 discretionary and non-discretionary accounts managed by Causeway.

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

The International Value Equity Composite (“International Composite”) includes all U.S. dollar denominated, discretionary accounts in the international value equity strategy, which do not apply a minimum market capitalization requirement of \$2.5 billion or higher (\$5 billion or higher prior to November 2008), permit investments in South Korean companies after October 2003, do not regularly experience daily 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 benchmark is the MSCI EAFE Index.

The Global Value Equity Composite (“Global Composite”) includes all U.S. dollar denominated, discretionary accounts in the global value equity strategy 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 benchmark is the MSCI World Index.

The Emerging Markets Equity Composite includes all U.S. dollar denominated, discretionary accounts in the emerging markets equity strategy. 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 benchmark is the MSCI Emerging Markets Index.

The International Opportunities Composite includes all U.S. dollar denominated, discretionary accounts in the international opportunities strategy. 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. The benchmark is the MSCI All Country World Index ex U.S.

The Global Opportunities Composite includes all discretionary accounts in the global opportunities strategy. The global 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. and of companies located in the U.S. using Causeway’s asset allocation methodology to determine developed and emerging weightings, and using Causeway’s global value equity strategy or Causeway Global 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. The benchmark is the MSCI All Country World Index.

The Global Absolute Return Composite” includes all discretionary accounts in the global absolute return (“GAR”) strategy. The GAR strategy seeks long-term growth of capital with low or no correlation to the MSCI World Index through investment in long and short exposures to common and preferred stocks of companies in developed countries located outside the U.S. and of companies located in the U.S. The benchmark is the BofA Merrill Lynch 3-Month U.S. Treasury Bill Index. The GAR strategy takes long and short positions in securities directly and/or using swap agreements. The strategy will use leverage up to four times total assets. The use of leverage is speculative and will magnify any losses. Short positions will lose money if the price of the underlying security increases, and losses on shorts are therefore potentially unlimited. The strategy involves significant expenses including financing charges and transaction costs which will reduce investment returns and increase investment losses. To the extent swap agreements are used, the strategy risks loss of the amount due under a swap agreement if the counterparty defaults. To the extent assets are held by a prime broker, recovery will be limited in the event of the prime broker’s insolvency. The strategy involves liquidity risks since a portfolio may not be able to exit security exposures immediately, particularly during periods of market turmoil.

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. The firm’s policies for valuing portfolios, calculating performance, and comparing compliant presentations are available upon request. Gross-of-fees returns are presented before management, performance-based and custody fees, but after trading expenses. Net-of-fees returns are presented after the deduction of actual management fees, performance-based fees and all trading expenses, but before custody fees. Causeway’s basic management fee schedules are described in its firm brochure pursuant to Part 2 of Form ADV.

Past performance is no guarantee of future performance. In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume.

The 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. 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. 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 MSCI All Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The BofA Merrill Lynch 3-Month U.S. Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. Each month the index is rebalanced and the issue selected is the outstanding Treasury Bill that matures closest to, but not beyond 3 months from, the rebalancing date. The Treasury Bills comprising the Index are guaranteed by the U.S. government as to the timely payment of interest and principal. While accounts in the GAR strategy may invest a portion of their assets in Treasury Bills, accounts will primarily be exposed to securities that will not be similarly guaranteed by the U.S. government. 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. Accounts in the Composites may invest in countries not included in their benchmark indices.

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

Market Commentary

The market commentary expresses the portfolio managers’ views as of 12/31/12 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.