Causeway

Synergy for Better Performance

> AUGUST 2013
> NEWSLETTER

We have moved the emerging markets allocation gradually lower in the past 12 months.

"Coming together is a beginning, staying together is progress, and working together is success." – Henry Ford

In 2006, Causeway decided to use a collaborative process for investing in emerging markets equities. We connected Causeway's skilled fundamental research effort with our quantitative engine to create a winning portfolio of emerging markets stocks. We combined bottom-up valuation criteria with growth, momentum, and top-down valuation and macroeconomic factors. In short, we designed an investment process to evaluate all emerging markets stocks. Rather than limiting our clients to a few global emerging markets giants, we wanted a comprehensive investment process – one that would deliver a diverse portfolio of companies and that could include more exposure to mid-to-small capitalization companies relative to the benchmark MSCI Emerging Markets Index.

With the advent of Causeway's emerging markets strategy in March 2007, we reached our goal of fusing quantitative country, sector, and stock selection with a fundamental review overlay, taking advantage of our in-depth knowledge of global industries. As an integrated research team, we know the companies and the industries that comprise the emerging

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Synergy for Better Performance

We positioned our clients' emerging markets portfolios to emphasize indigenous companies and avoid large exposures to the most economically sensitive segments.

markets investable universe. We know their customers, suppliers, and competitors. Adding the knowledge of our fundamental research team to our quantitative process has served our clients well over the long term.

At over half of global gross domestic product and boasting demonstrably higher growth rates, the developing countries have plenty to offer investors. We use a proprietary allocation model for our "international opportunities" strategy to determine allocations between developed and emerging markets. This calendar year, our model has not tipped the scales in favor of increasing allocations to emerging markets over developed. However, that time will arrive (and it may be sooner rather than later). We spoke to Causeway's senior quantitative analyst, Joe Gubler, and fundamental portfolio manager and head of our firm's financials and materials research cluster, Conor Muldoon, for a more detailed explanation.

Joe, how has Causeway determined the allocation to emerging markets in client portfolios benchmarked to the MSCI All Country World Index ex-US ("ACWI ex US") benchmark?

JG: In our quantitative/fundamental research collaboration, Causeway has currently positioned client portfolios to have less direct emerging markets exposure than that of the ACWI ex US. Ostensibly, valuation characteristics look more attractive for emerging versus developed markets, especially when you include US equities in the comparison.

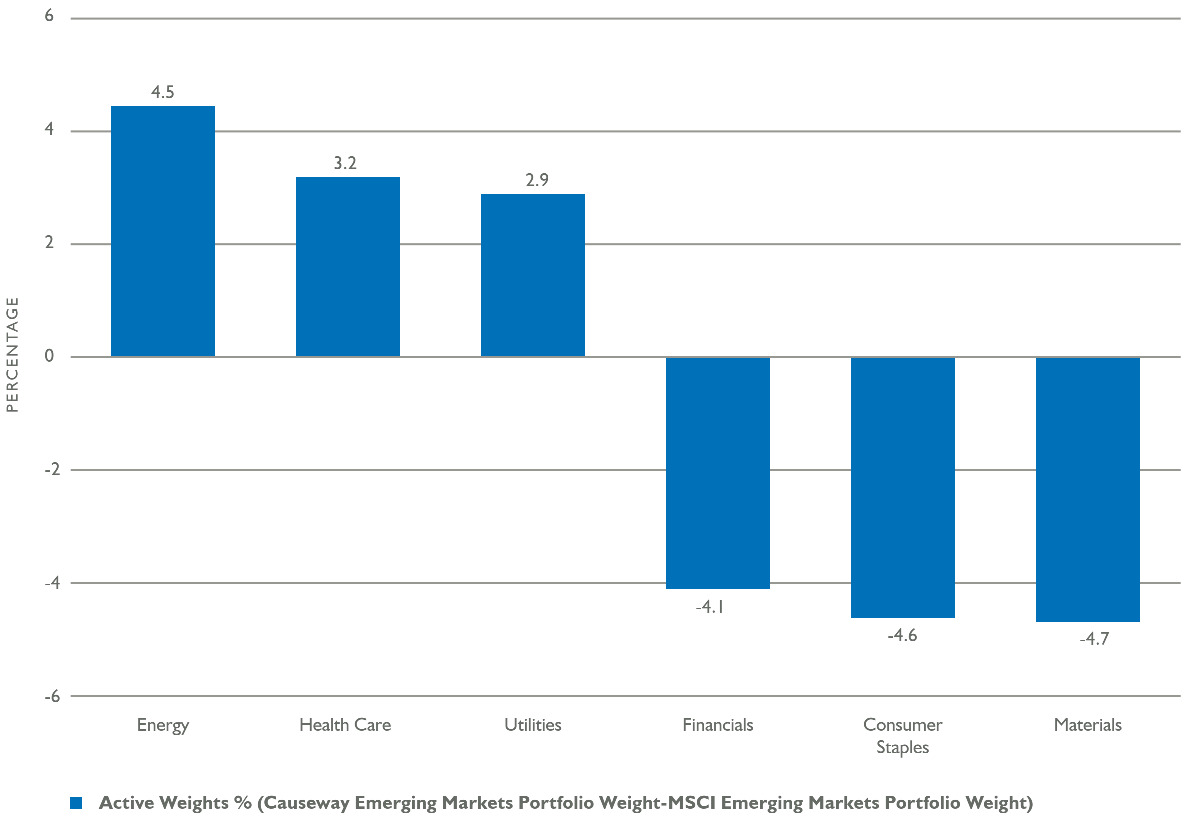
However, our proprietary allocation model measures more criteria than simply a valuation comparison. Our model is driven by relative earnings multiples and earnings growth, relative financial strength, the level of market risk aversion and the shape of the global yield curve. Long-term global bond yields declined recently. The flattening of the yield curve historically has been a bearish signal for emerging markets. Our allocation model favors rising investor risk aversion, somewhat of a contrarian indicator. But for a brief surge in risk aversion in May and June, investors' appetite for risk has increased. Consequently, our impetus to encourage more buying of emerging markets equities has dimmed – at least for now.

FIGURE 1: CHARACTERISTICS AS OF 7/31/13

	Causeway Global Value Representative Account	Causeway Emerging Markets Representative Account
FY2 Price/Earnings	11.3x	7.5x
Price/Book Value	1.9x	1.2x
Return on Equity	15.5%	18.3%
Average Dividend Yield	2.6%	3.2%

FY2= Fiscal Year 2

FIGURE 2: TOP 3 AND BOTTOM 3 SECTOR ACTIVE WEIGHTS AS OF 7/31/2013



If the economic data does not presently favor emerging markets, what action have you taken?

JG: Our model has remained negative in the past year, but not extremely negative. As a result, we have moved the emerging markets allocation gradually lower in the past 12 months. Furthermore, we positioned our clients' emerging markets portfolios to emphasize indigenous companies and avoid large exposures to the most economically sensitive segments. For example, two of the largest active sector weights in our emerging markets portfolios are to health care and utilities, domestically focused sectors, and our largest underweight is to the materials sector.

Conor, what comments do you have on the Causeway emerging markets current bias against bank stocks, and on the few selected bank holdings well in excess of benchmark?

CM: Even with higher levels of equity capital, banks respond to the fortunes of their local economies. They reflect the macroeconomic environment and magnify it in their earnings. With nervousness of a reduction in abundant credit and slower growth in pivotal countries such as China, many emerging markets bank stocks have performed poorly this year. Interesting exceptions include one of Causeway's emerging markets portfolio stocks, a large bank in developing Asia. This company offers positive attributes such as best-in-industry loan growth – fueled by micro-loans, 20% return on equity, a large cushion of capital, and a direct connection to the expanding domestic economy. Few – if any – developed markets banks can match those characteristics.

Have other emerging markets banks caught your eye?

CM: While researching one of Europe's largest banks, my colleagues and I spent some time understanding its 75%-owned subsidiary in Mexico. We believe this well-managed Mexican banking franchise is positioned to benefit from a superior client-centric business model, cost efficiency, and enviable capital position. Mexico's banking industry offers attractive growth driven by rising penetration and macro stability. Mexico has significant pent-up demand for

We impose additional risk constraints on the (emerging markets) process to avoid excessive concentrations in any single stock, country, or sector.

lending, and the economic and regulatory conditions for a multi-year period of strong growth, aligned with recovery in the US economy.

JG: And from a quantitative perspective, these bank stocks have more than compelling valuations; they are part of a mosaic of holdings that optimizes return for every unit of risk (with risk defined as prospective volatility of active returns). This means not only looking at the returns we expect a stock to deliver, but also at the incremental risk it will add to the portfolio. Keep in mind that the "incremental risk" of a stock (the volatility it adds to the overall portfolio) is potentially quite different from its "stand-alone" risk (the individual security's volatility). Stocks that diversify the portfolio's existing risk exposures can have low incremental risk even if their stand-alone risk is high. Conversely, stocks that magnify existing portfolio exposures are likely to exhibit high incremental risk. The most attractive stocks have expected returns that more than compensate for the risk they bring to the portfolio. We impose additional risk constraints on the process to avoid excessive concentrations in any single stock, country, or sector. The result is a diversified portfolio designed to seek superior risk-adjusted long-term returns.

You mentioned an underweight to the materials sector, and you have only one materials stock in the top 20 holdings. Why?

JG: Our model has steered us away from a large weight in materials, especially metals & mining stocks. The earnings growth and price momentum factors do not favor these stocks. There are a few exceptions, such as one large mining company in Brazil.

CM: This particular mining company trades at a reasonable valuation for this point in the metals cycle, discounting iron ore spot prices around $85 per dry metric ton from 2013 onward and bottom-up improvements (cost-cutting, asset sales and turnaround of base metals). In addition, assuming nothing else changes, the company's earnings should benefit from Brazilian real depreciation versus the US dollar.

JG: With quantitative tools and access to fundamental research review of each stock, we enhance our confidence in successful long-term performance. This research collaboration is an integral component of Causeway's investment process, and should continue to benefit our clients in the years ahead.

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

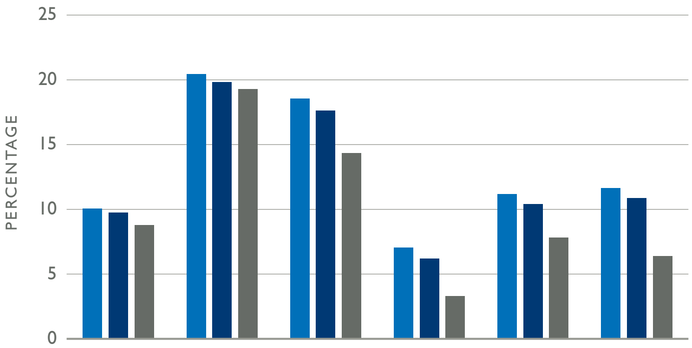
Portfolio Managers

- Sarah Ketterer, Harry Hartford, James Doyle, Jonathan Eng, Kevin Durkin, Conor Muldoon, Foster Corwith, Alessandro Valentini

PERFORMANCE *(as of 6/30/2013)*

Annualized for periods greater than one year

GLOBAL VALUE EQUITY COMPOSITE



	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	INCEPTION*
Gross of Fees	10.04	20.46	18.55	7.05	11.18	11.65
Net of Fees	9.75	19.82	17.63	6.21	10.40	10.88
MSCI World	8.79	19.27	14.36	3.30	7.82	6.38

*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

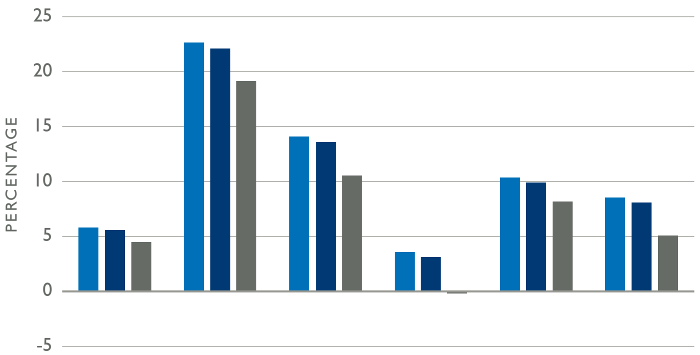
Portfolio Managers

- Sarah Ketterer, Harry Hartford, James Doyle, Jonathan Eng, Kevin Durkin, Conor Muldoon, Foster Corwith, Alessandro Valentini

PERFORMANCE *(as of 6/30/2013)*

Annualized for periods greater than one year

INTERNATIONAL VALUE EQUITY COMPOSITE



	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	INCEPTION*
Gross of Fees	5.81	22.63	14.08	3.58	10.36	8.52
Net of Fees	5.59	22.11	13.59	3.13	9.89	8.08
MSCI EAFE	4.47	19.14	10.55	-0.16	8.16	5.08

*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

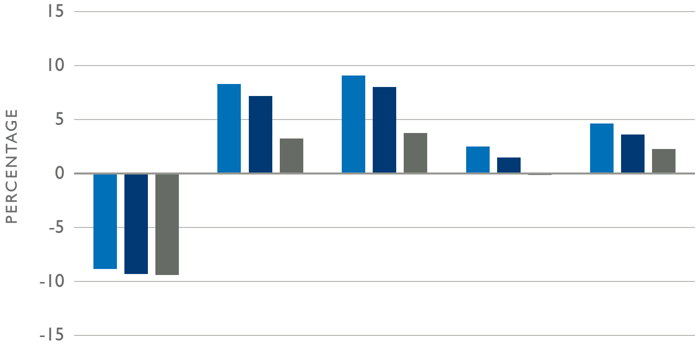
Portfolio Managers

- Arjun Jayaraman, MacDuff Kuhnert

PERFORMANCE *(as of 6/30/2013)*

Annualized for periods greater than one year

EMERGING MARKETS EQUITY COMPOSITE



	YTD	1 YEAR	3 YEAR	5 YEARS	INCEPTION*
Gross of Fees	-8.83	8.28	9.08	2.50	4.62
Net of Fees	-9.30	7.18	7.97	1.48	3.57
MSCI EM	-9.40	3.23	3.72	-0.11	2.24

*Inception: April 30, 2007

Causeway Global Absolute Return

STRATEGY HIGHLIGHTS

Philosophy

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

Process Highlights

- Global developed market value equity (long/short)
- Fundamental long (typically 35-55 exposures), 2-3 year time horizon
- Quantitive 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

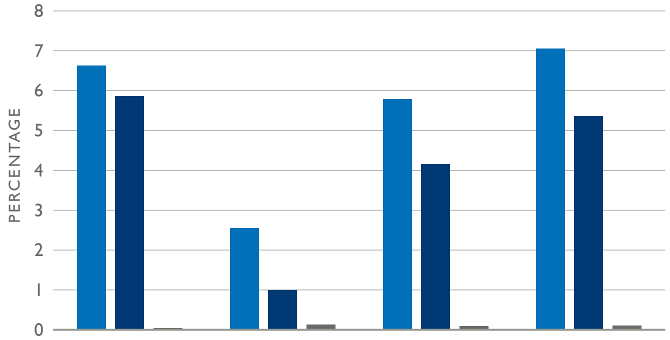
Portfolio Managers

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

PERFORMANCE *(as of 6/30/2013)*

Annualized for periods greater than one year

GLOBAL ABSOLUTE RETURN COMPOSITE



	YTD	1 YEAR	2 YEAR	INCEPTION*
Gross of Fees	6.63	2.55	5.79	7.05
Net of Fees	5.86	1.00	4.16	5.36
BofA/ML 90 T-Bills	0.04	0.13	0.09	0.11

*Inception: February 28, 2011

Causeway Global Opportunities

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)
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Portfolio Managers
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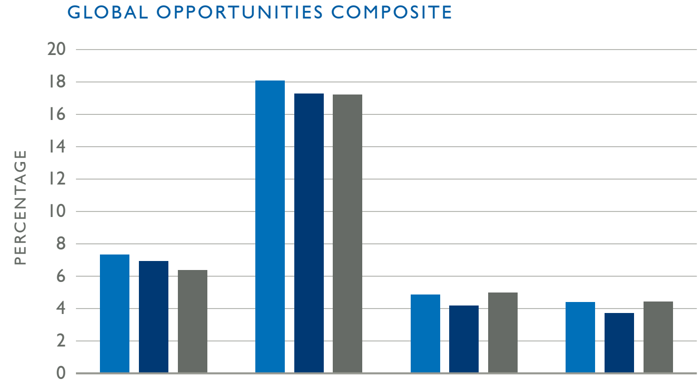


	YTD	1 YEAR	2 YEAR	INCEPTION*
Gross of Fees	7.34	18.10	4.85	4.40
Net of Fees	6.94	17.29	4.17	3.71
MSCI ACWI	6.38	17.21	4.99	4.42

*Inception: February 28, 2011

Causeway International Opportunities

STRATEGY HIGHLIGHTS

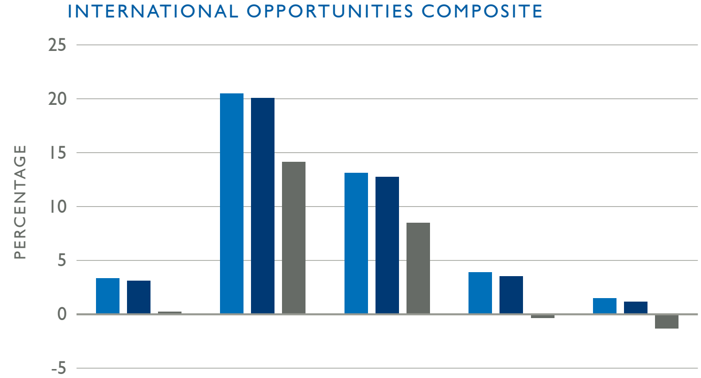
Philosophy
- Combines active fundamental international developed markets strategy with active quantitative emerging markets strategy

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, Foster Corwith, Alessandro Valentini, Arjun Jayaraman, MacDuff Kuhnert

PERFORMANCE *(as of 6/30/2013)*

Annualized for periods greater than one year



	YTD	1 YEAR	3 YEAR	5 YEARS	INCEPTION*
Gross of Fees	3.33	20.51	13.14	3.89	1.49
Net of Fees	3.14	20.06	12.74	3.55	1.16
MSCI ACWI Ex US	0.27	14.14	8.48	-0.34	-1.34

*Inception: June 30, 2007

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 7/31/2013 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.