

Causeway Global Value Inst CGVIX

A solid--and relatively undiscovered--world large-stock fund.

Morningstar's Take CGVIX

Morningstar Rating ★★★★★

Morningstar Analyst Rating Silver

Morningstar Pillars

Process	+	Positive
Performance	+	Positive
People	+	Positive
Parent	+	Positive
Price	-	Negative

Role In Portfolio

Core

Fund Performance CGVIX

Year	Total Return (%)	+/- Category
YTD	-2.33	1.88
2017	17.93	-5.68
2016	7.70	2.16
2015	-6.31	-4.62
2014	5.36	2.57

Data through 10-31-18

12-08-17 | by Andrew Daniels

Causeway Global Value's talented investment staff, coupled with a disciplined value approach, make it a solid choice for global equity exposure. While fees could be lower, the fund earns a Morningstar Analyst Rating of Silver.

Causeway co-founders Sarah Ketterer and Harry Hartford lead this strategy. The duo is backed by six comanagers, each of whom have been with the team for more than a decade and head one of the firm's sector/industry clusters. Moreover, Causeway's senior research analysts are typically members of two clusters, so multiple people cover the same firms. This structure helps improve collaboration and reduce key-person risk. Still, Causeway is 100% employee-owned, which has helped tremendously with retention.

The managers and analysts seek firms around the world that are facing operational, but not financial,

distress. The firm's fundamental analysts dive into prospective holdings--meeting with management teams, conducting competitor analyses, and building valuation models--before assigning each with a two-year price target. The firm's quantitative team helps to offset company-specific risk with a risk overlay that weighs expected returns against potential volatility. Management then buys the names that look most attractive on a risk-adjusted basis. Nonetheless, this is an aggressive strategy, and investors should not expect it to provide downside protection.

While the fund boasts a solid long-term track record, it is struggling through one of its worst three-year stretches since its 2008 inception. Indeed, its 4.8% annualized return during the trailing three years ended November 2017 significantly lagged the MSCI ACWI Index's 8.0% gain as well as 90% of its world large-stock peers. The fund's underweighting to the strong-performing U.S market and corresponding overweighting to the relatively poor-performing U.K. market, have hurt. But the team is sticking to its knitting; expect the fund to bounce back.

All told, the fund is a solid choice for global equity exposure, but it is only appropriate for those who share the team's contrarian instincts and are comfortable with the attendant volatility.

Process Pillar + Positive | Andrew Daniels
12/08/2017

This fund's disciplined and well-managed approach merit a Positive Process rating.

This fund's managers seek firms around the world that are facing operational, but not financial, distress. The team combines fundamental and quantitative analyses in executing this somewhat aggressive approach. After stock screens narrow the investment universe to stocks that may look cheap, the firm's fundamental analysts--arranged in six

sector/industry clusters--conduct in-depth research on prospective holdings.

Ultimately, each prospective holding is rigorously vetted by the appropriate cluster team and assigned a two-year price target. After the firm's quant team conducts a detailed risk analysis, each stock is assigned a risk-adjusted return ranking, which weighs the two-year price target versus its potential risks. The comanagers make final portfolio decisions, ideally holding the highest-rated stocks on a risk-adjusted basis. This ranking system also helps the team identify sell candidates, opting to trim or sell when a stock's risk-adjusted ranking declines.

The fund's prospectus benchmark is the MSCI World Index, but the investable universe more closely resembles that of the MSCI ACWI Index. To offset stock-specific risk, position sizes are capped at 5% of assets. The team also tactically hedges currency exposure when a country's risk characteristics look poor. Still, the fund stays fully invested, contributing to above-average volatility.

Consistent with the fund's value emphasis, the portfolio's returns on invested capital and net margins were below the MSCI ACWI Index's as of September 2017. But management's focus on firms facing operational--not financial--distress is evident: Morningstar's quantitative risk model indicates it is tilted toward firms with financial health and lower risk of financial distress.

As of September 2017, the fund's 16% exposure to industrials stocks was more than the index's 11% weighting and included diversified players Schneider Electric SU and ABB ABB. What's more, historically low oil prices have led the team to increase its stake in energy stocks it deems are trading at compelling valuations, namely United Kingdom-based Royal Dutch Shell RDSB and U.S.-based Halliburton HAL. On the contrary, the portfolio had more than a 5-

percentage-point underweighting to both the consumer cyclicals and consumer defensive sectors.

The team increased its U.K. exposure following the Brexit vote in June 2016. As of September 2017, the U.K. allocation stood at 22% of assets, compared with the index's 6%. Management notes that the majority of its U.K. holdings are large global companies such as British American Tobacco BATS and AstraZeneca AZN, helping to offset country-specific risk. Moreover, the team has increased the portfolio's exposure to China in recent years: It currently stands at 8% of assets, up from 0% at the end of 2011.

Performance Pillar + Positive | Andrew Daniels
12/08/2017

This fund has a respectable long-term track record, earning it a Positive Performance rating.

Since the fund's late April 2008 inception through November 2017, its 5.4% annualized return beat the 5.2% and 4.1% respective gains of the MSCI ACWI Index and MSCI ACWI Value Index. The fund has also been consistent: In the 80 rolling three-year periods since inception, the fund has outperformed the MSCI ACWI and MSCI ACWI Value indexes 78% and 83% of the time, respectively. The team's aggressive approach means that the fund's standard deviation of returns was materially higher than its bogies' during the same period, so risk-adjusted results are less impressive. Indeed, investors here should be comfortable with volatility.

The fund has performed poorly in recent years. During the trailing three years ended November 2017, the fund's 4.8% annualized gain significantly underperformed the MSCI ACWI Index's 8.0% gain as well as 90% of its world large-stock peers. While the fund's value tilt hasn't helped in this growth environment, results have been subpar elsewhere. The fund's underweighting to--and poor stock selection within--the strong-performing U.S. market has been a detractor. Moreover, the portfolio's overweighting to the relatively poor performing U.K. market dragged on results. Despite poor performance recently, expect this fund to bounce back.

People Pillar + Positive | Andrew Daniels
12/08/2017

This fund benefits from a deep and experienced management team, earning it a Positive People rating.

Lead managers Sarah Ketterer and Harry Hartford left Hotchkis & Wiley to co-found Causeway in 2001. Comanagers James Doyle and Jonathan Eng, both of whom worked with the duo going back to 1997, also joined Causeway at that time. Four additional comanagers--each of whom have been with the team for more than a decade--round out the management team.

There are six sector/industry clusters, and each is led by one of the portfolio managers. Moreover, the firm's six fundamental senior research analysts are typically members of at least two clusters. The goal of this structure is to have multiple people covering the same companies, which helps to increase collaboration and reduce key-person risk. The team is further supported by eight research analysts on two- to four-year contracts, allowing the firm to thoroughly vet prospective talent for senior roles.

The fact that the firm is 100% employee-owned has helped tremendously with retention. Indeed, the fund has only lost one portfolio manager in its history, Kevin Durkin, in 2016.

Manager ownership is fairly weak, with Ketterer the only one holding a position in the fund worth more than \$1 million. The fund's other comanagers could invest more alongside fundholders to better align incentives.

Parent Pillar + Positive | Andrew Daniels
03/20/2018

Causeway's strong investment culture merits a Positive Parent rating.

Sarah Ketterer and Harry Hartford left Hotchkis & Wiley to co-found Causeway in 2001. Current portfolio managers James Doyle and Jonathan Eng, both of whom worked with the co-founders going back to 1997, also joined Causeway at that time. The Los Angeles-based firm has since experienced robust growth: As of December 2017, it had 86

employees--30 of whom were investment professionals--and \$60 billion in assets under management.

Causeway has two investment teams, fundamental and quantitative. While the fundamental team is responsible for 80% of the firm's assets, the two teams work in complementary fashion. For instance, the quant team provides a risk overlay on the fundamental strategies while the fundamental team provides a check on the quant models.

The firm has done an excellent job of retaining talent, losing just one portfolio manager in its history. The near-perfect retention record owes in good measure to the breadth of employee ownership. Indeed, all 11 portfolio managers own equity in the firm. Ketterer and Hartford have proactively spread the wealth, selling a sizable portion of their shares to employees since 2014.

Causeway has also been judicious with its product development. It has launched only one new strategy in the past five years, Causeway International Small Cap CIISX in October 2014.

Price Pillar - Negative | Andrew Daniels
12/08/2017

This fund is expensive, so it earns a Negative Price rating.

More than 95% of this fund's assets are in the Institutional share class, which charges 1.04% and earns a Morningstar Fee Level of Above Average. For comparison, the median net expense ratio for the world-stock institutional peer group is 0.96%. A fee waiver caps the expense ratio at 1.05% through January 2018.

The remaining assets are in the no-load Investor share class, which charges 1.29% and also earns an Above Average fee level. This compares with the world-stock no-load peer group's 1.13% median expense ratio.

To determine if the Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. This and other information can be found in the Fund's full or summary prospectus, which may be viewed and downloaded by visiting <http://www.causewayfunds.com/> or by calling 1-866-947-7000. Read it carefully before investing.

Investing involves risk including loss of principal. 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. Diversification does not prevent all investment losses. There is no guarantee that the fund will achieve its stated objective.

Holdings are subject to change. Current and future holdings are subject to risk.

This material is not intended as an offer or solicitation for purchase or sale of any security, nor is it individual or personalized investment advice. Causeway Funds and SEI Investments Distribution Co. do not sponsor the opinions or information presented in articles, nor do they assume liability for any loss that may result from relying on these opinions or information.

The Causeway Funds are distributed by SEI Investments Distribution Co. (SIDCO) 1 Freedom Valley Drive, Oaks, PA 19456. SIDCO is not affiliated with Causeway Capital Management LLC. Neither SIDCO nor Causeway Capital Management LLC is affiliated with Morningstar.

For performance data current to the most recent month end, please call 1-866-947-7000 or visit our website at <https://www.causewaycap.com/fund/global-value/>. Performance greater than one year is annualized.

The performance data quoted represents past performance. Past performance is not a guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth less than their original cost, and current performance may be lower than the performance quoted. The expense ratio of the Investor Class is 1.30%, the Institutional Class 1.05%. The Fund has a 2% redemption fee on shares held less than 60 days. If your account incurred a redemption fee, your performance will be lower than the performance quoted. Total returns assume reinvestment of dividends and capital gains distributions at net asset value when paid. Investor Class shares charge up to a 0.25% annual shareholder service fee. For performance data current to the most recent month end, please call 1-866-947-7000.

Please visit our website at <https://www.causewaycap.com/fund/global-value/> for the top 10 Holdings as of 9/30/18.

The Causeway Global Value Fund is a Morningstar Analyst Rated Silver Fund. The Morningstar Analyst Rating is not a credit or risk rating. It is a subjective evaluation performed by Morningstar's manager research group, which consists of various Morningstar, Inc. subsidiaries ("Manager Research Group"). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses this five pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark, or in the case of exchange-traded funds and index mutual funds, a relevant peer group, over the long term on a risk-adjusted basis. They consider quantitative and qualitative factors in their research, and the weight of each pillar may vary. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. A Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's conviction in a fund's prospects for outperformance.

Analyst Ratings ultimately reflect the Manager Research Group's overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and reevaluated at least every 14 months. For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to global.morningstar.com/managerdisclosures/.

The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties which may cause Analyst expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund.

©2018 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to <http://corporate.morningstar.com/us/documents/MethodologyDocuments/AnalystRatingforFundsMethodology.pdf>.

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three- year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. The Morningstar Rating does not include any adjustment for sales loads.

As of 9/30/18, the Causeway Global Value Fund was rated against 739 World Large Stock Funds based on risk adjusted returns over a three year period, 611 funds over a five year period and 348 funds over a ten year period. The Causeway Global Value Fund Institutional Class received 2 stars, 3 stars and 2 stars, the Investor Class received 2 stars and 2 stars.

© 2018 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

Standard deviation of returns measures how much the investment returns deviate from the mean of the probability distribution of investments.