

Causeway International Value Instl CIVIX

This fund is an excellent international-equity choice.

Morningstar's Take CIVIX

Morningstar Rating ★★★★★

Morningstar Analyst Rating Gold

Morningstar Pillars

Process	+	Positive
Performance	+	Positive
People	+	Positive
Parent	+	Positive
Price	○	Neutral

Role In Portfolio

Supporting

Fund Performance CIVIX

Year	Total Return (%)	+/- Category
YTD	-11.66	-1.07
2017	27.18	5.10
2016	0.44	-2.90
2015	-2.97	0.13
2014	-6.22	0.10

Data through 10-31-18

12-08-17 | by Andrew Daniels

Causeway International Value's deep and talented investment staff, coupled with a disciplined value approach, make it a top international equity option. The fund earns a Morningstar Analyst Rating of Gold.

Causeway co-founders Sarah Ketterer and Harry Hartford lead this strategy. The duo is backed by six additional 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 to improve collaboration and reduce key-person risk. Still, Causeway is 100% employee-owned, which has helped tremendously with retention.

The managers and analysts seek non-U.S. firms 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.

The fund boasts an excellent long-term track record. Since its late October 2001 inception through November 2017, its 8.2% annualized gain trounced the 6.6% and 6.4% respective gains of the MSCI EAFE Index and MSCI EAFE Value Index, as well as 86% of its foreign large-value peers. The fund has also been consistent: In the 134 rolling five-year periods since inception, it has outperformed the MSCI EAFE and MSCI EAFE Value indexes 72% and 69% of the time, respectively.

While this fund is an excellent choice for international equity exposure, 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

The disciplined and well-managed approach merits a Positive Process rating.

This fund's managers seek non-U.S. firms 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. Once management buys, it tends to be patient while its theses play out. As a result, turnover is generally below-average.

While the fund has the flexibility to currency-hedge, the team tends to do so only when risk characteristics look poor. To offset stock-specific risk, position sizes are capped at 5% of assets. Still, the fund stays fully invested, contributing to above-average volatility at times.

Consistent with the value emphasis, the portfolio's returns on invested capital and net margins were below the MSCI EAFE 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 20% exposure to industrials stocks was significantly more than the index's 14% 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 that it deems are trading at compelling valuations, namely United Kingdom-based BP BP and Canada-based Encana ECA. On the contrary, the portfolio had more than a 5-percentage-point underweighting to both the consumer cyclicals and consumer defensive sectors.

The team significantly increased its U.K. exposure following the Brexit vote in June 2016. As of September 2017, the U.K. allocation stood at 33% of assets, compared with the index's 17%.

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. Also, 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 an excellent long-term track record, earning it a Positive Performance rating.

Since the fund's late October 2001 inception through November 2017, its 8.2% annualized gain trounces the 6.6% and 6.4% respective gains of the MSCI EAFE Index and the MSCI EAFE Value Index, as well as 86% of foreign large-value peers. It has also been consistent: In the 134 rolling five-year periods since inception, it has outperformed the MSCI EAFE and MSCI EAFE Value Indexes 72% and 69% of the time, respectively.

During the trailing five-year period through November 2017, the fund's 8.0% annualized gain lagged the MSCI EAFE Index's 8.2% gain but still outpaced the MSCI EAFE Value Index's 7.5% gain as well as 70% of its foreign large-value peers. The portfolio's underexposure to—and poor stock selection within—the strong-performing Japanese market detracted from results. What's more, the portfolio was hurt by its overweighting to the U.K., including such banks as HSBC Holdings and Barclays. Helping to offset these results were solid picks in the eurozone, specifically such consumer cyclicals as Volkswagen and RELX.

The fund has had a strong 2017 through November, gaining 24.6% and outperforming 86% of peers. Solid stock selection in consumer cyclicals and technology have buoyed the fund. Primary contributors included Volkswagen VOW3 and luxury-goods maker Cie Financier Richemont CFRUY.

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 lost only one portfolio manager in its history, Kevin Durkin, in 2016.

All managers except for Eng own shares in the fund, with Ketterer and Hartford maintaining positions worth more than \$1 million. Still, 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 ● Neutral | Andrew Daniels
12/08/2017

This fund doesn't offer a fee advantage, so it earns a Neutral Price rating.

More than 90% of this fund's assets are in the Institutional share class, which charges 0.90% and earns a Morningstar Fee Level of Average. The remaining assets are in the no-load Investor share class, which charges 1.15% and earns an Above Average fee level. For comparison, the median net expense ratio for the foreign large-cap no-load peer group is 1.02%.

Below-average turnover does help keep trading costs down. Moreover, the fund's 2% redemption charge on shares held less than 60 days helps keep short-term traders away.

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. Investments in smaller companies typically exhibit higher volatility. Diversification does not prevent all investment losses. There is no guarantee that risk can be managed successfully or that a fund will achieve its stated objective.

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

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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/international-value-fund/>. Performance greater than one year is annualized

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

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As of 9/30/18, the Causeway International Value Fund was rated against 276 Foreign Large Value Funds based on risk adjusted returns over a three year period, 225 funds over a five year period and 146 funds over a ten year period. The Causeway International Value Fund Institutional Class received 3 stars, 3 stars and 4 stars, the Investor Class received 3 stars, 3 stars and 4 stars.

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