Causeway

Undervaluation and “Self-Help”: A Powerful Combination

> AUGUST 2016 NEWSLETTER

Clearly, our clients cannot wait for policy nirvana. Global equities need to deliver expected return in the near term.

The global macroeconomic consensus forecast is like Los Angeles rush hour traffic—sluggish short-term prospects against a murky horizon. Political confusion in Europe does not help the problem of slack demand, one that the International Monetary Fund managing director, Christine Lagarde, called the “new mediocre,” and former US Treasury Secretary, Larry Summers, dubbed “secular stagnation.” In the wake of the Brexit referendum, disgruntled voters in a variety of countries might continue to upset the status quo. In November, many US citizens will go to the polls to select their next president, and the result, either way, will likely have anti-trade ramifications. In our ideal scenario, governments embrace pro-growth policies, specifically structural reforms to unleash productive capacity. Newly installed leaders, such as Great Britain’s prime minster, Theresa May, must forge a compromise between desires for immigration control and free trade—while staying in office. We also hope to see some propitious pan-European deregulation resulting from the various UK-EU negotiations ahead. And although it may take years, the ensuing reduction in EU bureaucracy should prove economically beneficial for all of Europe. In the meantime, central banks

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Undervaluation and "Self-Help": A Powerful Combination

Beyond identifying the cheapest stocks, we have deliberately embedded a "self-help" theme – described below – in Causeway portfolios.

cannot perform miracles indefinitely. Unconventional monetary policy in the West and in Japan has sent interest rates to pitifully low—and even negative—levels. This hurts fixed interest savers, widens wealth inequality via rising asset prices, and stunts growth in bank and insurance revenues. At some juncture, G7 countries will likely run out of other options and enact reforms including infrastructure spending and changes to tax systems. Imagine the combination of those reforms with IT-related productivity, innovation, and (in the United States) the deployment of over $1 trillion of corporate cash. This might offset the gross domestic product drag from aging populations, massive public sector debt and all the other impediments we blame for slow growth.

Clearly, our clients cannot wait for policy nirvana. Global equities need to deliver expected returns in the near term. The post 2008-9 global financial crisis rebound in economies and equity markets propelled the performance of Causeway portfolios versus their respective benchmarks for several years. Today, several major stock markets have set new highs, not lows, and valuations differ greatly between perceived moderate risk, long duration stocks and those with more near-term, cyclical challenges. Beyond identifying the cheapest stocks, we have deliberately embedded a "self-help" theme – described below – in Causeway portfolios. To clarify what some corporate managements are doing to boost earnings and cash flow in a tough economic environment, we spoke to portfolio managers, Jamie Doyle and Conor Muldoon, and senior research analyst, Brian Cho.

Jamie Doyle,
Portfolio Manager
Sector Coverage: Information Technology, Telecommunication Services, Health Care
Years with Team: 19

Jamie, Causeway's global and international equity portfolios appear considerably more overweight versus

Market pessimism gave us, as value managers, a chance to buy world-class firms in the process of transitioning to newer technologies.

Brian Cho, Senior Research Analyst
Sector Coverage: Information Technology, Telecommunication Services
Years with Team: 2

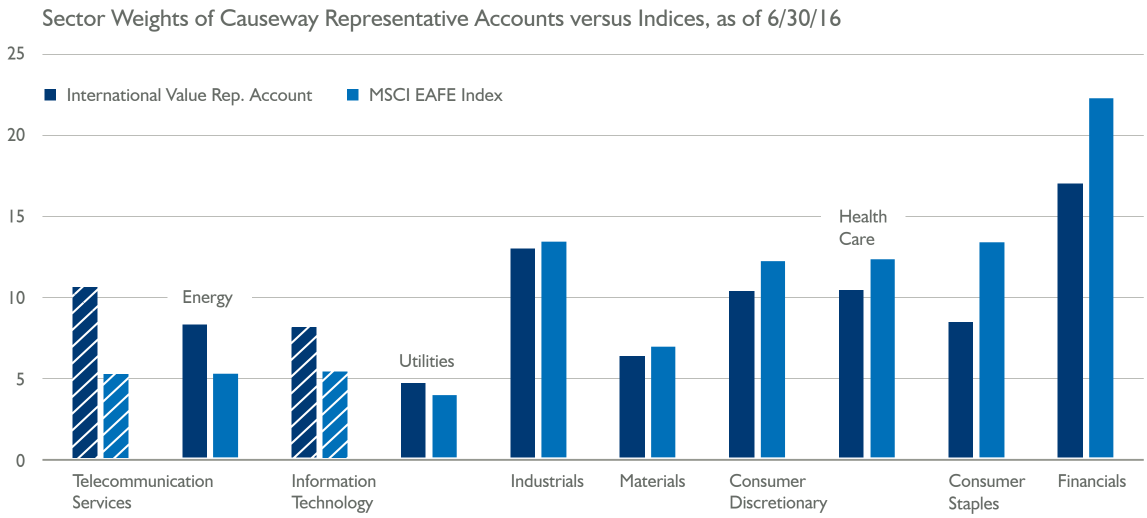
the MSCI World and MSCI EAFE indices in the telecommunications and information technology sectors than in prior years. Why?

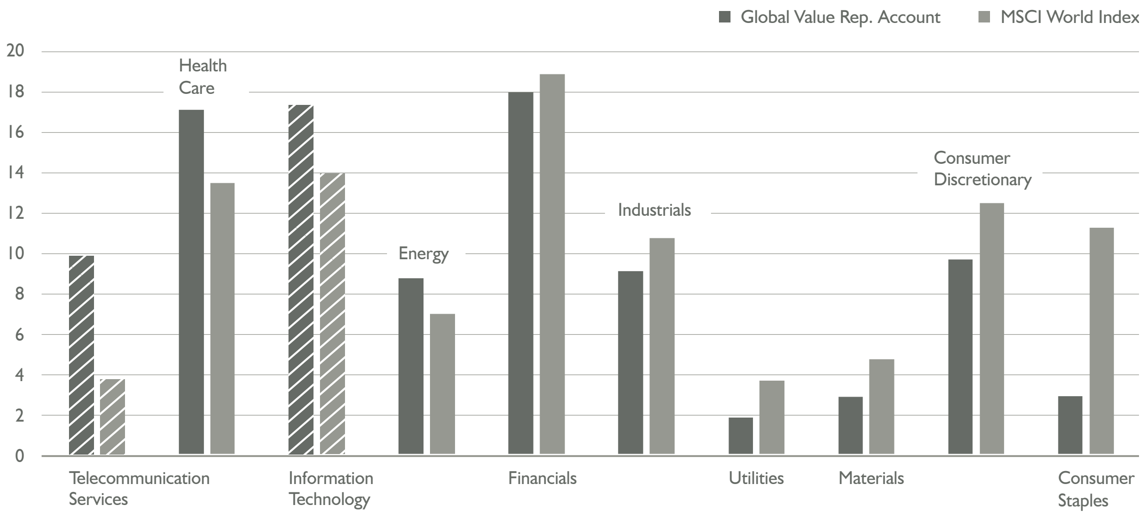
JD: We seek the highest risk-adjusted return stocks we can find for our portfolios, regardless of index weights. In part due to sustainable and generous dividend payouts, the mobile telecommunications stocks not only remain attractively valued, but we also expect them to continue to deliver satisfactory performance and temper overall portfolio volatility. Our largest holding is an Asian telecommunication operator, and we have met with management several times this year. The team and I have become even bigger fans of management's ability to extract returns from that country's mature telecom industry. Smart self-help moves by this company's CEO and his team have led to significant improvements in operations. Management controlled capital expenditures and operating costs, created innovative value added services, and introduced popular data plans, taking advantage of supportive regulation.

As for our technology stocks, Brian Cho and I have faced plenty of skepticism regarding the portfolios' "legacy" tech companies. Despite their valuable proprietary technology, these companies have fallen into the dinosaur category, heading for eventual extinction according to sell-side analysts. We disagree.

BC: Market pessimism gave us, as value managers, a chance to buy world-class firms in the process of transitioning to newer technologies. Examples include an enterprise software company transitioning from an on-premises licensing

FIGURE 1: CAUSEWAY HAS LARGE ACTIVE EXPOSURES TO THE TELECOMMUNICATION SERVICES AND INFORMATION TECHNOLOGY SECTORS





Source: FactSet

model to a cloud-computing subscription-based model, and a semiconductor company progressing in mobile wireless technology from one generation to the next, and in memory and display. In our research, we recognize the value of highly competitive intellectual property – even if management has stumbled and operated the business ineffectively. In the US market, in particular, there is a greater presence of activist investors. These investors often catalyze other impatient shareholders to uproot poor managements and replace them with more capable and proactive leaders. One of our global portfolio companies, a US-based large manufacturer of semiconductors and telecommunications equipment, needed to upgrade its board of directors, communicate clearly with shareholders and deliver a consistent, conservative message to the marketplace. It sounds simple, but when previously high-flying growth companies eventually mature, some fail to implement these more sophisticated company practices. Last year was a transition year for this manufacturer. With considerable self-help efforts, the company finally began to deliver: its latest quarterly results were consistent with our expectations for a return to earnings-per-share-growth, and its targets for the September 2016 quarter indicated continued improvement in its business fundamentals. Admittedly, overall end-market demand in the company's products remains muted, and there are some risks outstanding (e.g., competitors gaining market share and a regulatory investigation into the company's business practices). However, the company's initiatives appear to be working and we believe they can lead to above-market growth. The stock still trades at a substantial discount to its global peers, and as the company continues to improve operationally, we expect the valuation discount to narrow.

We believe that a hint of economic recovery and an even modestly steeper yield curve would, as history has proven, make the banks and life insurance stocks strong performers in their respective markets.

This "catch up rally" has occurred recently from value tech stocks with above market average dividend yields.

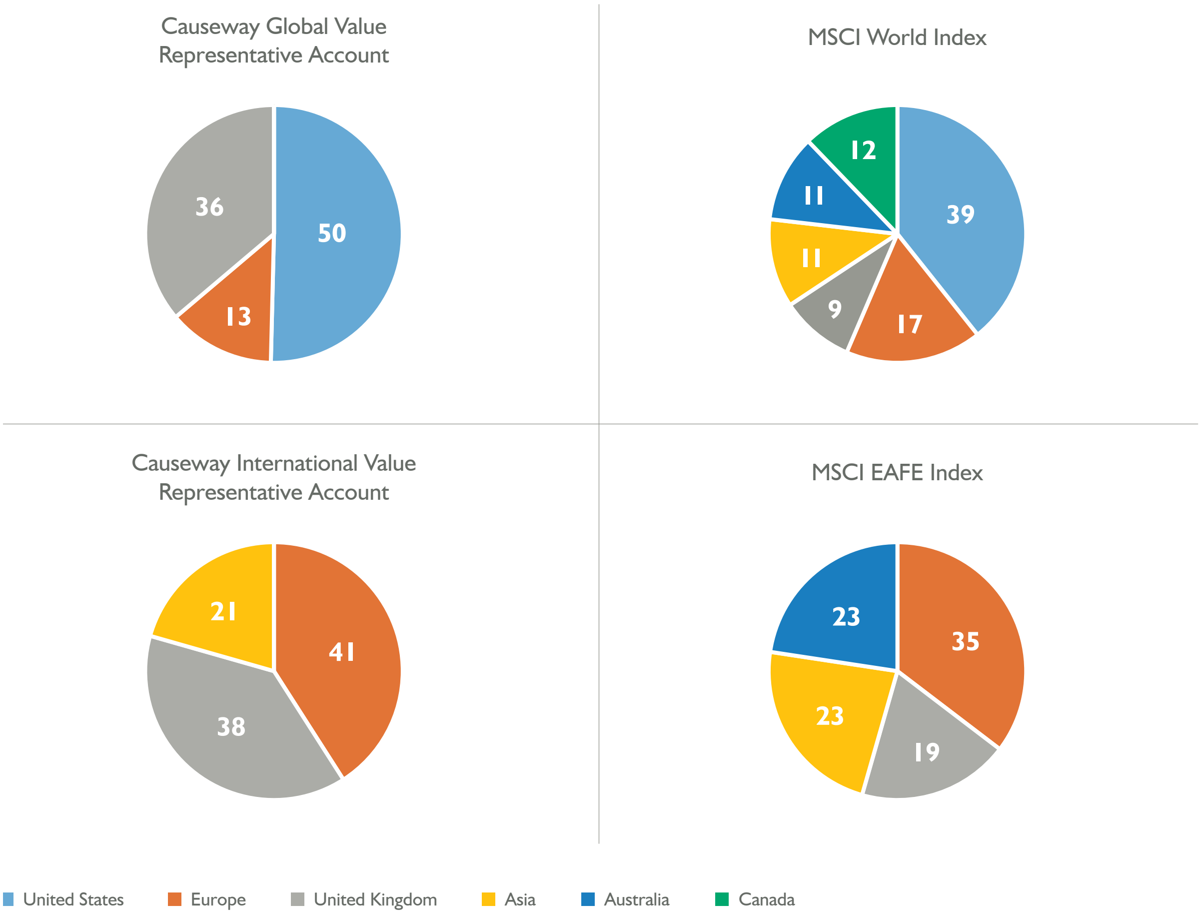
JD: One of our recent successes is another Asian technology company which has innovated through its product cycle and regained considerable market share. In our internal research presentation in July 2015, our two-part investment thesis was (1) the memory industry has consolidated, and the technology/scale leader should benefit, and (2) investors might be too bearish on the company's smartphone business. Overall, the company's end markets are still cyclical, but one of its product's cycles is approaching the trough while another is entering an upturn. This company enjoys a cost advantage due to its technology and scale leadership, which should make it more defensive than its peers. At the same time, the company reinvests a substantial part of its free cash flow in research and development and capital expenditures, which have helped it continue to widen its technology leadership in end-markets.

Conor Muldoon,
Portfolio Manager
Sector Coverage: Financials, Materials
Years with Team: 13

Conor, what parallels do you see between the Causeway approach to technology and telecommunications stocks compared to banks?

There are a lot of similarities. In our global and international portfolios, we have a sizable overweight relative to benchmarks to European (including UK) banks. In a sustained low interest rate environment, clients ask us, why own these stocks? We know that the primary reason, undervaluation, is insufficient. Like the typical Causeway technology stock, these banks have embarked on a dramatic program of internal restructuring of operations, shedding low return assets, cutting costs, reinvesting in higher return

FIGURE 2: BANK EXPOSURE (% WEIGHT IN PORTFOLIO) BY COUNTRY OF DOMICILE, AS OF 6/30/16



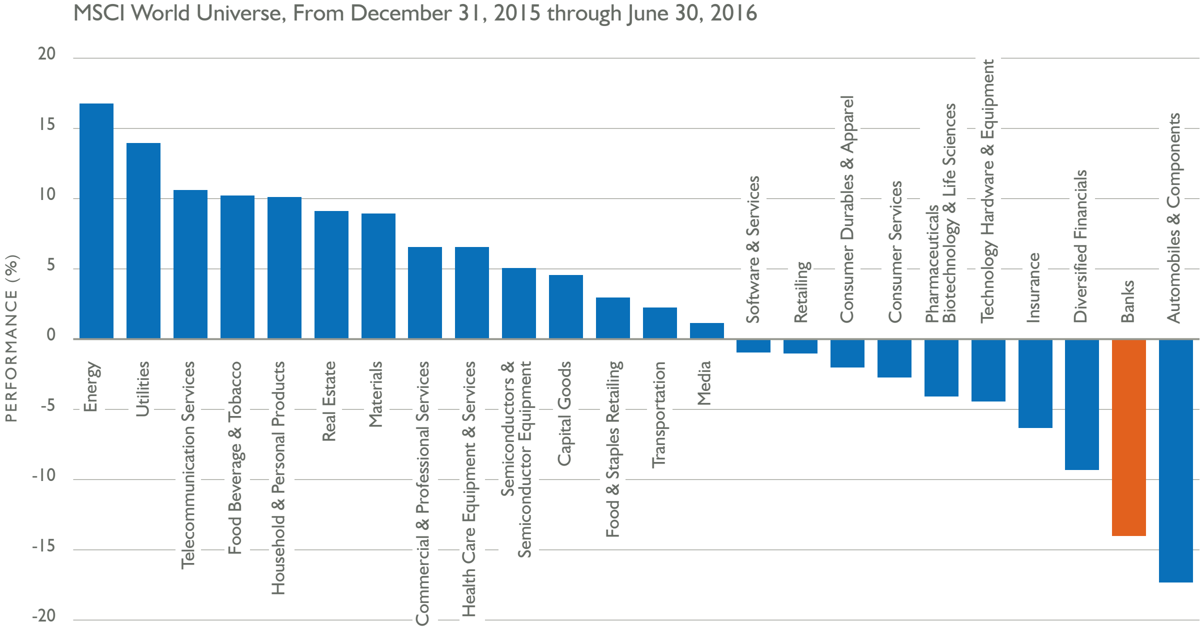
Source: FactSet

areas operationally and geographically, and staying ahead of the changes in technology. Importantly, our two-year share price targets do not require interest rates to rise from today's low levels. We believe that a hint of economic recovery and an even modestly steeper yield curve would, as history has proven, make the banks and life insurance stocks strong performers in their respective markets.

The UK banks dropped sharply in price after last month's Brexit referendum. Why did Causeway continue to hold UK banks?

CM: We assume an uptick in bad debt provisions in the next two years, but not to the extent seen in the 2008 global financial crisis or the early 1990s recession. The UK's HM Treasury published a detailed Brexit scenario analysis in May this year. The Treasury envisioned a level of uncertainty on par with the early 1990s recession when the cost of risk for UK banks expanded to 1.5-2.0% (cost of risk is the ratio of loan loss provisions to risk-weighted assets). While we think a UK recession is likely given the post-referendum damage to business and consumer confidence, the UK banking system has consolidated and conformed to comprehensive regulatory oversight. We do not currently model for a bad debt provision increase of prior crisis magnitudes. The current environment of lower interest rates, slower recent credit growth, and tighter risk controls suggests a more benign uptick in bad

FIGURE 3: BANKS AMONGST THE WEAKEST GLOBAL INDUSTRIES YEAR-TO-DATE

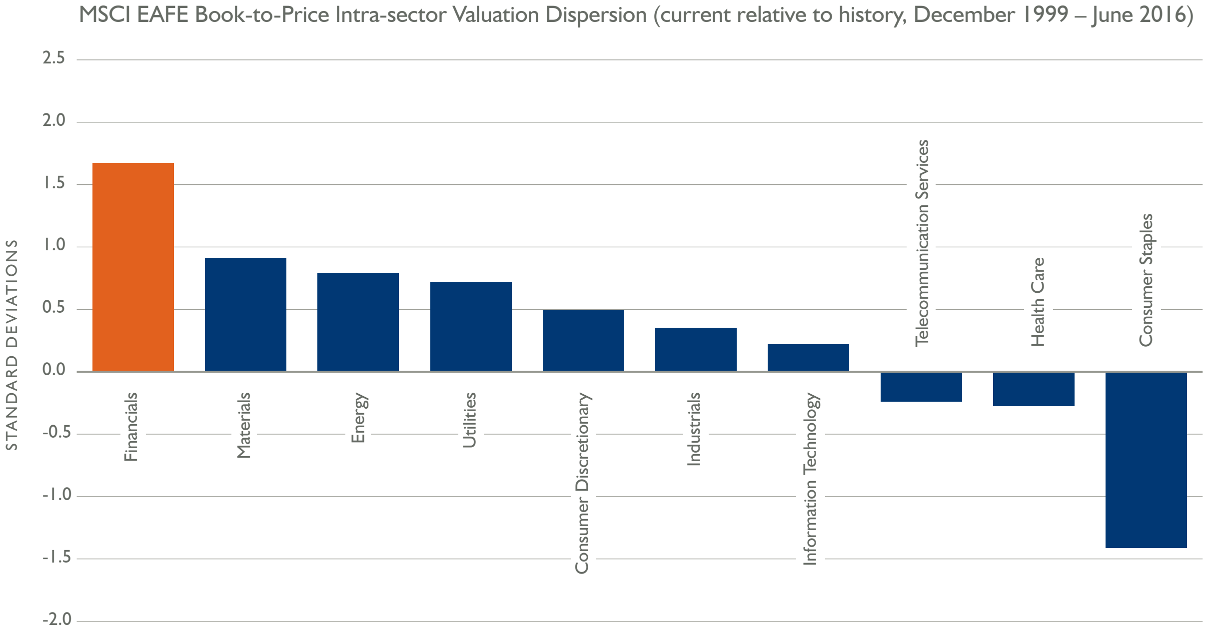


Source: FactSet

debt provisions compared to conditions that prevailed in the past. Despite the lack of crisis, investors have abandoned these banking stocks. UK banks trade below book value (in some cases, less than 50% of book), yet have the balance sheet strength to return a rising percentage of profits to shareholders through dividends and share repurchases. As a comparison, in what we consider similar consolidated banking markets, namely Australia and Canada, the four largest banks in each of those markets trade at average price to book value of 1.7x. That is quite a valuation gap.

Beyond the UK, why hold any European banks in a period of negative interest rates?

FIGURE 4: THE FINANCIALS SECTOR HAS THE MOST PRONOUNCED VALUATION DISPERSION



Note: Within each sector, valuation dispersion is measured as the historical standard deviation (z-score) of the difference between the median book-to-price ratio of the top quintile (cheapest) and bottom quintile (most expensive) stocks. Source: FactSet, Causeway Analytics

All of our banks started "self-help" at least a year ago, by cutting costs agressively, shrinking capital intensive low return activities, and shifting toward fee income.

Amazingly, the Stoxx Europe 600 Banks Index constituents are cheaper in price-to-book value ratio than in the crisis periods of 2008 and 2011. Of course, low interest rates impact bank revenues, but they also support debt service. UK and European bank loan books are skewed toward mortgages with low levels of loans-to-value, and pre-provision profits should be more than enough to protect book value. With few exceptions, European banks hold the highest level of capital in their history – helped by a regulatory push after 2008 to counter the tail risk that an unexpected event such as Brexit brings.

All of our banks started "self-help" at least a year ago, by cutting costs aggressively, shrinking capital-intensive low return activities, and shifting toward fee income. One of our UK banks provides a prime example of beneficial restructuring: it announced it will begin selling its ownership stake in another bank, accelerate the rundown of non-core assets (which improves the overall bank profit mix), and focus on its strength as a transatlantic consumer, corporate and investment bank.

Although they cannot control monetary or fiscal policy, many of the banks that get the attention of our research team can implement waves of reforms internally. Given the abundant levels of bank capital, we believe that our clients will benefit from their patience over the long term.

Causeway Global Value Equity

STRATEGY HIGHLIGHTS

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

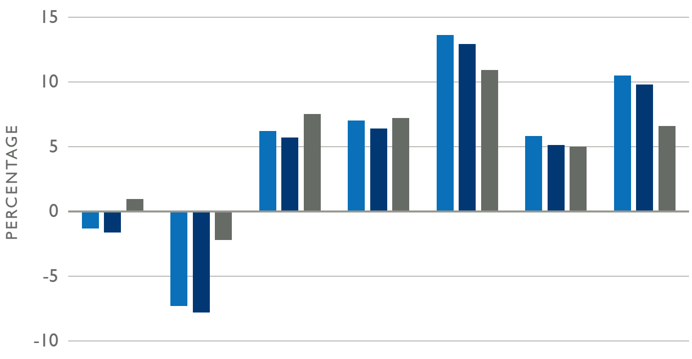
Process Highlights
- Global stock universe
- Screen by country and industry
- Fundamental analysis
- Validate price target
- Rank stocks by risk/return profile

Portfolio Managers
- Sarah Ketterer, Harry Hartford, James Doyle, Jonathan Eng, Conor Muldoon, Foster Corwith, Alessandro Valentini, Ellen Lee

PERFORMANCE *(as of 6/30/2016)*

Annualized for periods greater than one year

GLOBAL VALUE EQUITY COMPOSITE



	YTD	1 YEAR	3 YEARS	5 YEARS	7 YEARS	10 YEARS	INCEPTION*
Gross of Fees	-1.3	-7.3	6.2	7.0	13.6	5.8	10.5
Net of Fees	-1.6	-7.8	5.7	6.4	12.9	5.1	9.8
MSCI World	1.0	-2.2	7.5	7.2	10.9	5.0	6.6

*Inception: September 30, 2001

Causeway International Value Equity

STRATEGY HIGHLIGHTS

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

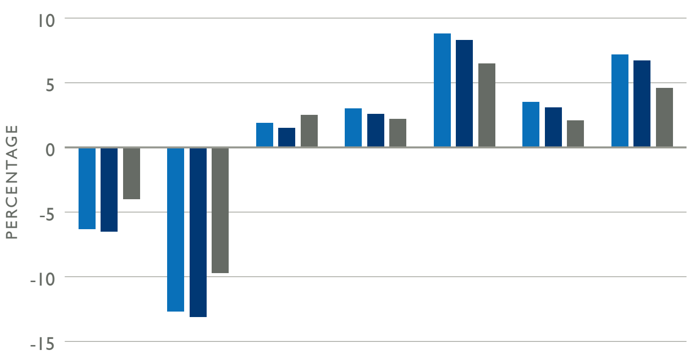
Process Highlights
- International stock universe
- Screen by country and industry
- Fundamental analysis
- Validate price target
- Rank stocks by risk/return profile

Portfolio Managers
- Sarah Ketterer, Harry Hartford, James Doyle, Jonathan Eng, Conor Muldoon, Foster Corwith, Alessandro Valentini, Ellen Lee

PERFORMANCE *(as of 6/30/2016)*

Annualized for periods greater than one year

INTERNATIONAL VALUE EQUITY COMPOSITE



	YTD	1 YEAR	3 YEARS	5 YEARS	7 YEARS	10 YEARS	INCEPTION*
Gross of Fees	-6.3	-12.7	1.9	3.0	8.8	3.5	7.2
Net of Fees	-6.5	-13.1	1.5	2.6	8.3	3.1	6.7
MSCI EAFE	-4.0	-9.7	2.5	2.2	6.5	2.1	4.6

*Inception: June 11, 2001

Causeway International Value Select

STRATEGY HIGHLIGHTS

Philosophy

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

Process Highlights

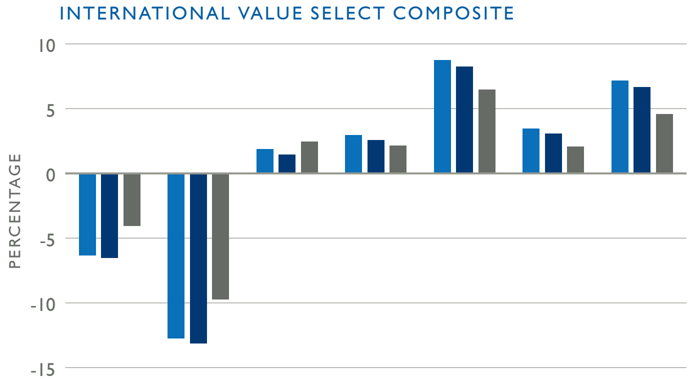
- International stock universe, $5B minimum market cap
- Screen by country and industry
- Fundamental analysis
- Validate price target
- Rank stocks by risk/return profile

Portfolio Managers

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

PERFORMANCE *(as of 6/30/2016)*

Annualized for periods greater than one year



	YTD	1 YEAR	3 YEARS	5 YEARS	7 YEARS	10 YEARS	INCEPTION*
Gross of Fees	-5.8	-11.7	2.4	3.4	8.9	3.8	5.3
Net of Fees	-6.0	-12.0	2.0	3.0	8.5	3.3	4.8
MSCI EAFE	-4.0	-9.8	2.5	2.2	6.5	2.1	3.9

*Inception: April 30, 2005

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 management:
  - Constrain country/sector weights versus benchmark
  - Use proprietary quantitative tools

Process Highlights

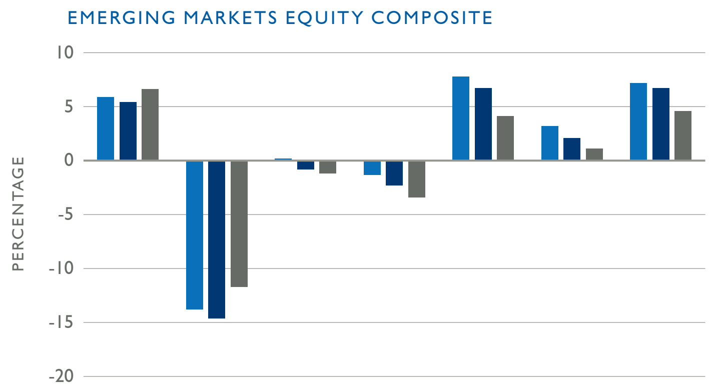
- Emerging markets stock universe
- Employ stock ranking and risk models designed for emerging markets
- Use optimization to seek to maximize expected return per unit of risk

Portfolio Managers

- Arjun Jayaraman, MacDuff Kuhnert, Joe Gubler

PERFORMANCE *(as of 6/30/2016)*

Annualized for periods greater than one year



	YTD	1 YEAR	3 YEARS	5 YEARS	7 YEARS	INCEPTION*
Gross of Fees	5.9	-13.8	0.2	-1.3	7.8	3.2
Net of Fees	5.4	-14.6	-0.8	-2.3	6.7	2.1
MSCI EM	6.6	-11.7	-1.2	-3.4	4.1	1.1

*Inception: April 30, 2007

Causeway Global Opportunities

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

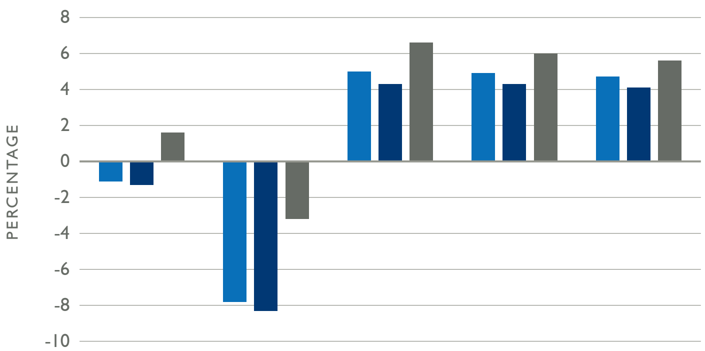
Portfolio Managers

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

PERFORMANCE *(as of 6/30/2016)*

Annualized for periods greater than one year

GLOBAL OPPORTUNITIES COMPOSITE



	YTD	1 YEAR	3 YEARS	5 YEARS	INCEPTION*
Gross of Fees	-1.1	-7.8	5.0	4.9	4.7
Net of Fees	-1.3	-8.3	4.3	4.3	4.1
MSCI ACWI ex US	1.6	-3.2	6.6	6.0	5.6

*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
- Fundamental research
- Active, bottom-up stock selection
- Disciplined quantitative approach with fundamental underpinnings
- Proprietary risk models developed in-house

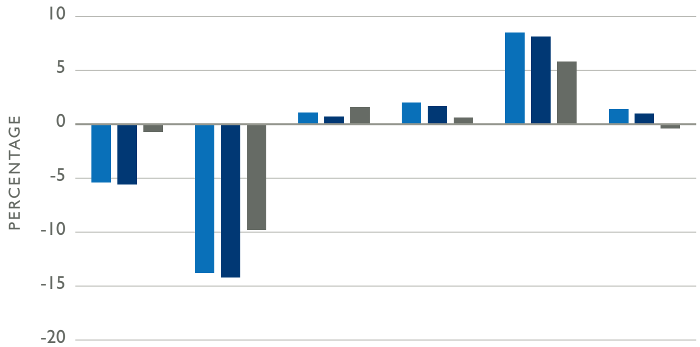
Portfolio Managers

- Sarah Ketterer, Harry Hartford, James Doyle, Jonathan Eng, Conor Muldoon, Foster Corwith, Alessandro Valentini, Ellen Lee, Arjun Jayaraman, MacDuff Kuhnert, Joe Gubler

PERFORMANCE *(as of 6/30/2016)*

Annualized for periods greater than one year

INTERNATIONAL OPPORTUNITIES COMPOSITE



	YTD	1 YEAR	3 YEARS	5 YEARS	7 YEARS	INCEPTION*
Gross of Fees	-5.4	-13.8	1.1	2.0	8.5	1.4
Net of Fees	-5.6	-14.2	0.7	1.7	8.1	1.0
MSCI ACWI Ex US	-0.7	-9.8	1.6	0.6	5.8	-0.4

*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

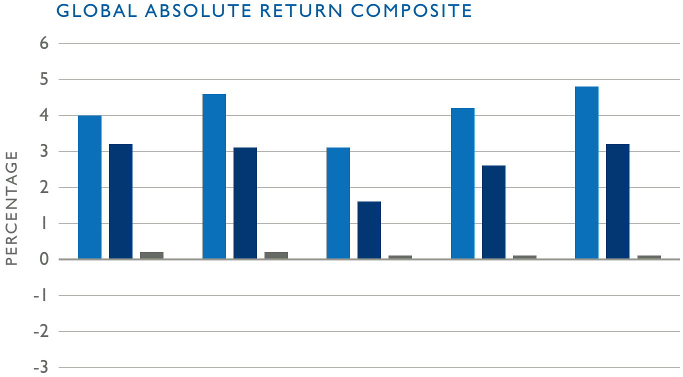
- Global developed market value equity (long/short)
- Fundamental long (typically 35-55 exposures), 2-3 year time horizon
- Quantitative short (typically 50-125 exposures), 3-6 month time horizon
- Dollar value of longs approximately equals dollar value of shorts
- Typically low or no correlation to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

Portfolio Managers

- Sarah Ketterer, Harry Hartford, James Doyle, Jonathan Eng, Conor Muldoon, Foster Corwith, Alessandro Valentini, Ellen Lee, Arjun Jayaraman, MacDuff Kuhnert, Joe Gubler

PERFORMANCE *(as of 6/30/2016)*

Annualized for periods greater than one year



	YTD	1 YEAR	3 YEARS	5 YEARS	INCEPTION*
Gross of Fees	4.0	4.6	3.1	4.2	4.8
Net of Fees	3.2	3.1	1.6	2.6	3.2
BofA/ML 90 T-Bills	0.2	0.2	0.1	0.1	0.1

*Inception: February 28, 2011

Causeway International Small Cap

STRATEGY HIGHLIGHTS

Philosophy

- Actively managed, tracking-error oriented, quantitative small cap equity strategy
- Combines value, earnings growth, technical, and quality factors in security selection
- Risk management:
  - Constrain country/currency/sector weights versus benchmark
  - Proprietary cross-sectional risk model

Process Highlights

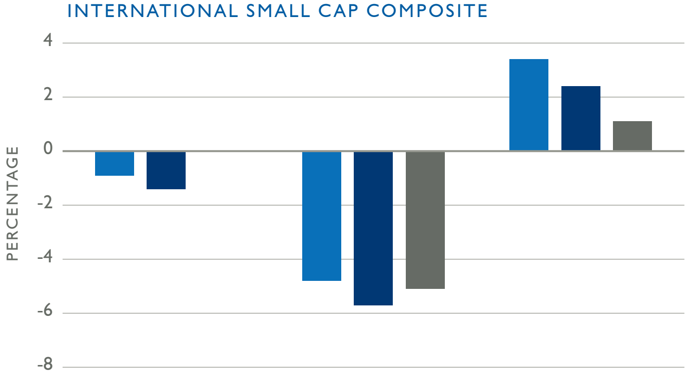
- Developed and emerging markets
- 2,800 stock universe
- Employ stock ranking and risk models designed for small cap equities
- Use optimization to seek to maximize expected return per unit of risk

Portfolio Managers

- Arjun Jayaraman, MacDuff Kuhnert, Joe Gubler

PERFORMANCE *(as of 6/30/2016)*

Annualized for periods greater than one year



	YTD	1 YEAR	INCEPTION*
Gross of Fees	-0.9	-4.8	3.4
Net of Fees	-1.4	-5.7	2.4
MSCI ACWI ex US Small Cap	0.0	-5.1	1.1

*Inception: November 30, 2014

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, sovereign wealth funds, superannuation funds, Taft-Hartley pension plans, endowments and foundations, mutual funds and other collective investment vehicles, 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 International Value Select Composite includes all U.S. dollar denominated, discretionary accounts in the international value equity strategy which apply a minimum market capitalization requirement of $2.5 billion or higher at the time of initial investment ($5 billion or higher prior to November 2008). 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. The benchmark is the MSCI EAFE 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 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 International Opportunities Composite includes all U.S. dollar denominated, discretionary accounts in the international opportunities strategy that are not constrained by socially responsible investment restrictions. 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 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 or becomes insolvent. 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.

The International Small Cap Equity Composite includes all U.S. dollar denominated, discretionary accounts in the international small cap equity strategy. The international small cap equity strategy seeks long-term growth of capital through investment primarily in common stocks of companies with small market capitalizations located in developed and emerging markets outside the U.S. The benchmark is the MSCI ACWI ex USA Small Cap Index.

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, except returns of Causeway-sponsored mutual funds are net of such withholding taxes and reflect accrued tax treaty reclaims. 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. Investments in smaller companies involve additional risks and typically exhibit higher volatility.

The MSCI EAFE Index is a free float-adjusted market capitalization weighted index, designed to measure developed market equity performance excluding the U.S. and Canada, consisting of 21 stock markets in Europe, Australasia, and the Far East. The MSCI World Index is a free float-adjusted market capitalization weighted index, designed to measure developed market equity performance, consisting of 23 developed country indices, including the U.S. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index, designed to measure equity market performance of emerging markets, consisting of 23 emerging country indices. The MSCI All Country World Index ex U.S. is a free float-adjusted market capitalization weighted index, designed to measure the equity market performance of developed and emerging markets excluding the U.S. consisting of 45 country indices. 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. Accounts in the GAR strategy will primarily be exposed to securities that will not be similarly guaranteed by the U.S. government. The MSCI ACWI ex USA Small Cap Index is a free float-adjusted market capitalization weighted index, designed to measure the equity market performance of smaller capitalization stocks in developed and emerging markets excluding the U.S. market, consisting of 45 country indices. The MSCI ACWI ex USA Small Cap Index covers approximately 14% of the free float-adjusted market capitalization in each country. 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

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