Causeway

The Value Payoff

> MARCH 2016 NEWSLETTER

Despite what our emotions tell us, most bear markets decrease—rather than elevate—risk of future losses.

"Value investing is at its core the marriage of a contrarian streak and a calculator." —Seth Klarman

When stocks become cheap, the prognosis typically improves for an equity market recovery. Despite what our emotions tell us, most bear markets decrease—rather than elevate—risk of future losses. As with stocks, commodities follow a similar rule of thumb. With sharp (70% plus) declines in many commodity prices from recent peaks, the risk/reward balance swings in favor of reward. Furthermore, not all substantial and sustained equity market declines lead to recessions. In 1988 and 2002, the US equity market swooned over many months, yet recession did not ensue. What will calm investors and spur renewed buying interest? With the US dollar giving up ground this year, depreciating versus the euro and yen, the downward pressure on commodity prices should abate. We expect that stabilization of commodity prices should alleviate concerns of demand destruction, evident in the deterioration in both credit markets and bank balance sheets. Furthermore, emerging markets equites, undervalued relative to history and mature markets, should eventually attract more buying interest. Despite concerns about the developing world, these countries generally have younger populations, the prospect of renewed productivity, and superior economic growth rates relative to Europe, Japan, and even the mighty United States. However, with a steady economy, positive bond yields, and a legal haven for fleeing capital, the United States has enjoyed a strong currency for over two years. The US Federal Reserve is

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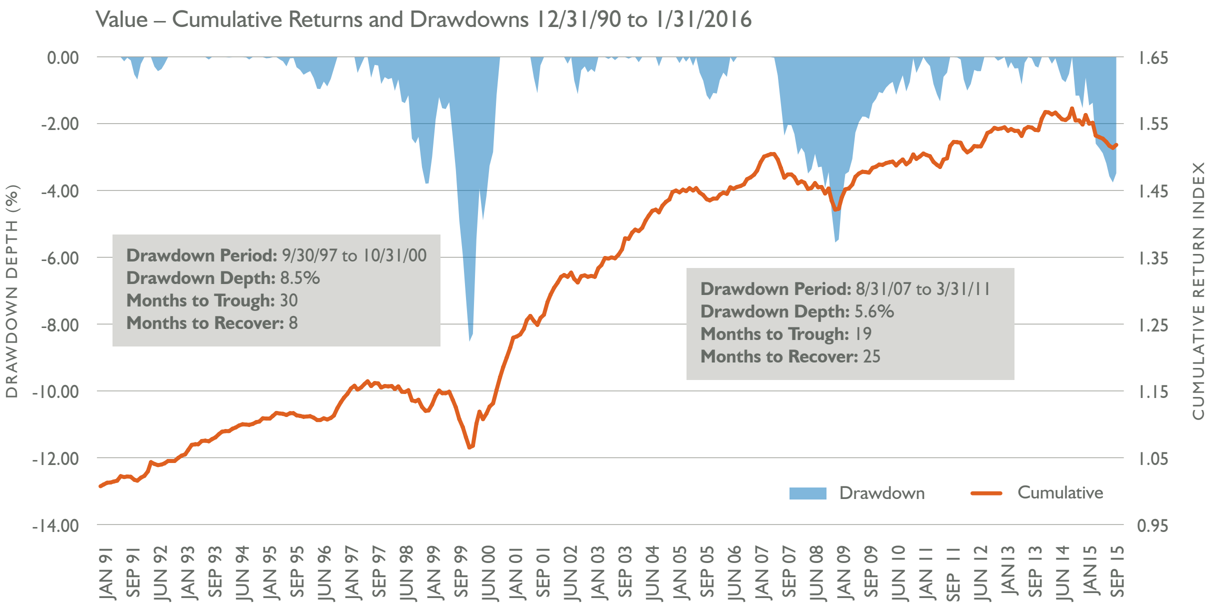
The Value Payoff

Simple mean reversion bodes well for a recovery in value stocks.

likely evaluating the deflationary effects globally of US dollar appreciation. This could mark the end of the rising dollar and weak commodity price trend since mid-2014. From Causeway's perspective, value stocks may be poised to outperform global markets in the near future. Value moves in cycles. Over the past 25 years, the current weakness in value rivals even the late 1990's technology, media and telecommunications bubble in depth. We do not need "reflation," as some critics argue. Simple mean reversion bodes well for a recovery in value stocks. Given the historically wide deviation in value versus growth within industries (value is historically cheap), a stabilization in inflation expectations should encourage investors to take risk, rather than crowd into stocks with perceived quality and upward earnings momentum. Unimpeded, stock markets should eventually price correctly the fundamentals of a business; this is the cornerstone of value investing.

FIGURE 1: VALUE CYCLES – IS IT TIME TO TURN UPWARDS?



Note: Drawdown is the peak-to-trough decline during a specific period, measured as the percentage change between the peak and the trough. The universe represented in the chart above consists of developed markets global equities, including securities from other countries in the investable universe of Causeway's fundamental strategies, subject to minimum liquidity thresholds, that are used in Causeway's proprietary quantitative risk model. Cumulative return is calculated by compounding periodic returns to this risk factor. Source: Causeway Analytics

On behalf of our clients, we will gladly accept higher dividend payouts while waiting for a "re-rating" upward to valuations more consistent with disciplined capital allocation and an improving return on equity trajectory.

On several valuation metrics, certain equity style characteristics such as defensiveness and price momentum look expensive versus other segments of markets, with multiples well above their long-term averages.

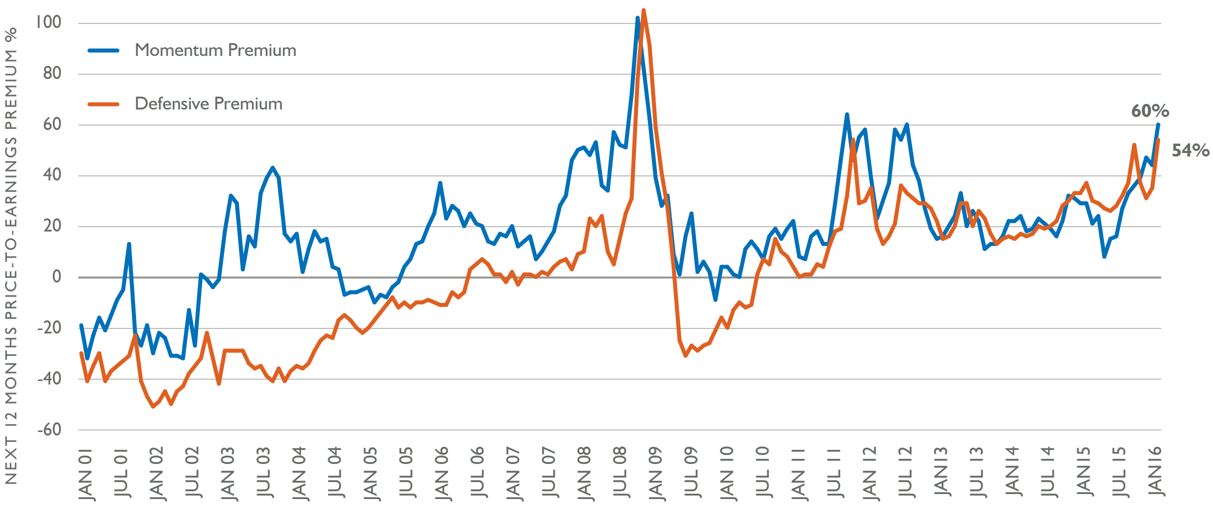
The conundrum for beleaguered value managers (and their clients) is that value and high beta stocks (stocks with high benchmark index sensitivity) dominate the list of the greatest bargains across equity markets, especially emerging markets.

In order to understand better the opportunity in value stocks, we spoke to Causeway fundamental portfolio managers Conor Muldoon (financials and materials sectors), and Jamie Doyle (technology and telecommunications sectors), and quantitative portfolio manager, Arjun Jayaraman, for their perspectives.

Arjun, how much longer do you expect value to continue its drawdown?

AJ: Based on history, we are due for a value rebound, although it is of course impossible to predict exactly when that rebound will occur. Investors would probably have a lot more confidence in cyclical and financials stocks if they expect stable (rather than deteriorating) Chinese and US real gross domestic product growth. With credit cheap in most regions, plus room for more fiscal spending, many developing economies will likely muddle through this period, avoiding a crisis. It would help if these governments, especially Beijing, would accelerate state-owned enterprise reform to re-invigorate investment and spark competition. Globally, especially in emerging markets, governments need to dismantle barriers to trade and foreign investment in goods and services. With adversity often comes the political will for change. Long before we see these improvements, equity markets typically rally with the prospect of rising productivity.

FIGURE 2: GLOBAL EQUITY INVESTORS ARE PAYING SUBSTANTIAL PREMIUMS FOR DEFENSIVENESS AND PRICE MOMENTUM



Note: "Momentum Premium" is the median forward price-to-earnings ("P/E") ratio of the quintile displaying the most momentum, or recent price appreciation, divided by the median forward P/E ratio of the quintile displaying the least momentum, less 1, shown in percentage terms. Momentum is a measure of a stock's relative price performance. "Defensive Premium" is the median forward P/E ratio of the most defensive quintile divided by the median forward P/E ratio of the most cyclical quintile, less 1, shown in percentage terms. Defensiveness is a measure of a stock's sensitivity to market cycles. The forward P/E ratio of a stock is its price divided by the consensus earnings per share estimate for the next twelve months. Universe consists of the constituents of the MSCI World Index. Source: Causeway Analytics, FactSet

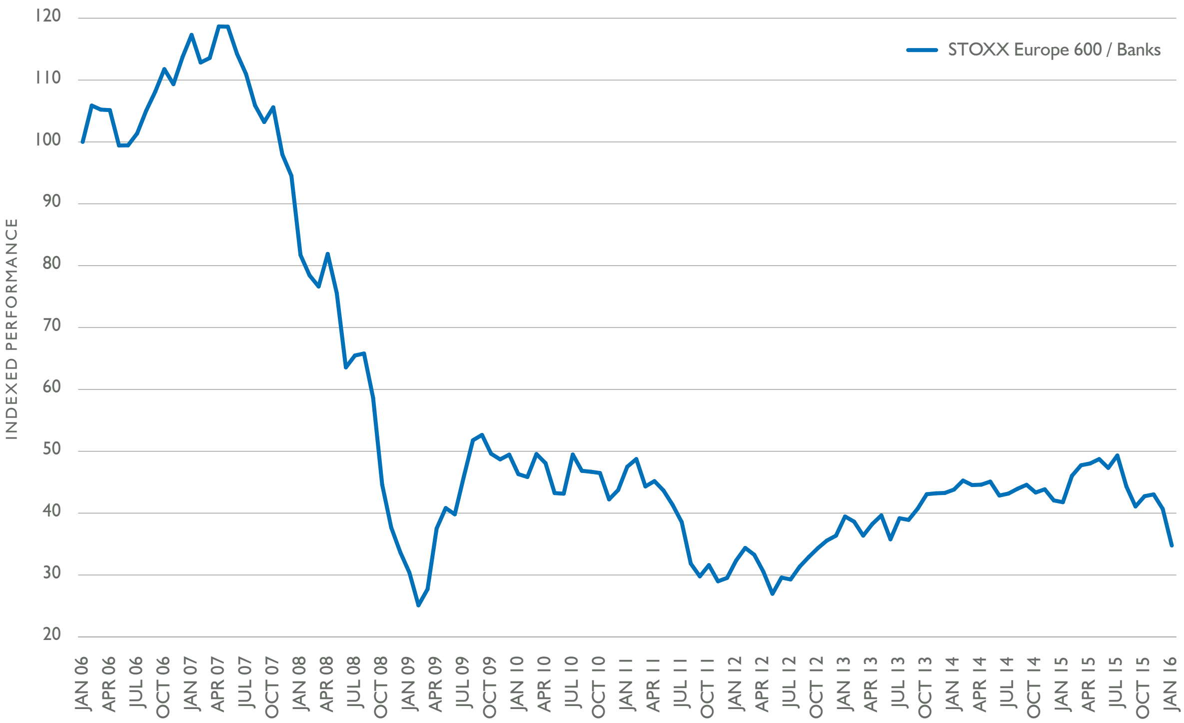
Conor, what do you see in the financials sector that should get investors' attention?

CM: Many of the banks that interest us are trading substantially below their tangible book values (book value less goodwill). As a group, bank stocks have performed very poorly in 2016. We believe the market has overreacted. We have not seen such low bank valuations since the 2011-12 euro crisis. Some banks are even trading well below their absolute lows reached in the 2008-09 financial crisis, when investors feared spiraling credit losses, recession and severe dilution of equity capital. We can understand the current anxiety evident in markets. The specter of flattening yield curves portends a likely hit to bank earnings. But it is hard to envision what would cause most banks to need capital replenishment. Capital ratios have more than doubled since the mortgage crisis and leverage has declined precipitously.

Lending standards have tightened. Liquidity at banks has improved significantly. Bank oversight—with annual stress tests—is highly stringent, and banks have shed volatile businesses, especially those that consume capital. Stagnating economies will likely push up loan loss provisions, but we still expect several prominent banks (well managed or restructuring), to be able to return capital to shareholders. We like some of the cheapest US money center banks as well as several European and UK banks. On behalf of our clients, we will gladly accept higher dividend payouts while waiting for a "re-rating" upward to valuations more consistent with disciplined capital allocation and an improving return on equity trajectory.

JD: Keep in mind that bank stocks' "leverage" works both ways. In a market rebound, banks will likely outperform overall indices by a wide margin. 2009 was a most spectacular example of this.

FIGURE 3: EUROPEAN BANK STOCKS ARE PRICED AT CRISIS LEVELS



Note: The STOXX Europe 600 / Banks measures the performance of the European Banks sector and is a subset of the STOXX® Europe 600 Index, which comprises 600 of the largest stocks across 18 European countries. Source: FactSet

We typically use stock market gloom to upgrade our client portfolios to the highest quality, best-positioned competitors in every sector.

Jamie, last but not least, what's happening in technology, another cyclical area of stock markets?

JD: Year-to-date to mid-February, the technology hardware & equipment industry group is still struggling, down over 13% within the MSCI World Index. The cyclical semiconductors stocks are faring the worst, then hardware, and software, and all areas of technology have declined by double digit percentages since the beginning of the year. Within software, the large cap "legacy" vendors have held up relatively well, while the high-flying, high-growth companies have been crushed. We typically use stock market gloom to upgrade our client portfolios to the highest quality, best-positioned competitors in every sector. One of our current holdings is a world leader in memory semiconductors (and other technology commodities), as well as mobile phones. In semiconductors, this giant has a sustainable cost advantage over peers. Best of all, the company has committed itself to sizable share buybacks. This makes a lot of sense given the stock's low valuation, trading currently below 10x next year's earnings and at a discount to book value. Although not yet wildly generous, the dividend yield, combined with superior financial strength, adds to our level of patience.

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

- 24 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

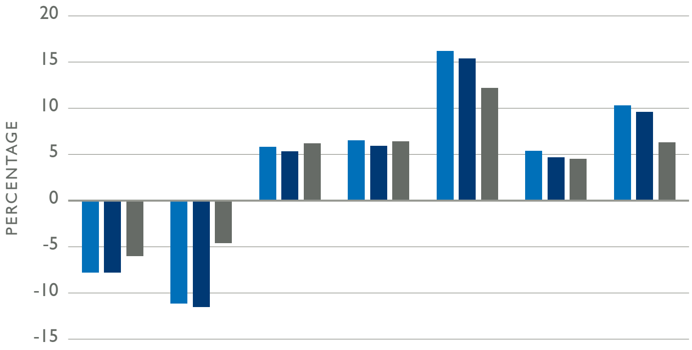
Portfolio Managers

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

PERFORMANCE *(as of 1/31/2016)*

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	-7.8	-11.1	5.8	6.5	16.2	5.4	10.3
Net of Fees	-7.8	-11.5	5.3	5.9	15.4	4.7	9.6
MSCI World	-6.0	-4.6	6.2	6.4	12.2	4.5	6.3

*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

- 23 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

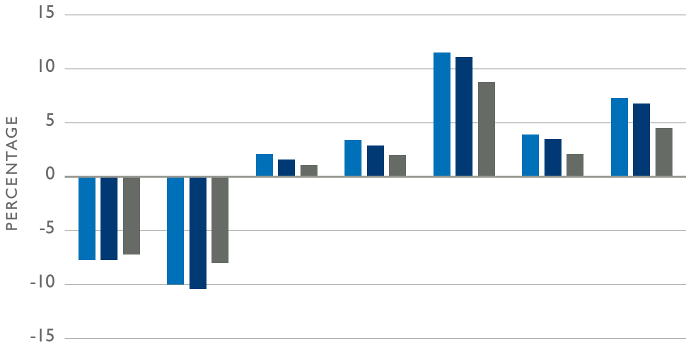
Portfolio Managers

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

PERFORMANCE *(as of 1/31/2016)*

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	-7.7	-10.0	2.1	3.4	11.5	3.9	7.3
Net of Fees	-7.7	-10.4	1.6	2.9	11.1	3.5	6.8
MSCI EAFE	-7.2	-8.0	1.1	2.0	8.8	2.1	4.5

*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

- 23 developed markets (EAFE, Canada, South Korea) 3,000 stock universe, $5B minimum market cap
- Screen by country and industry
- Fundamental analysis
- Validate price target
- Rank stocks by risk/return profile

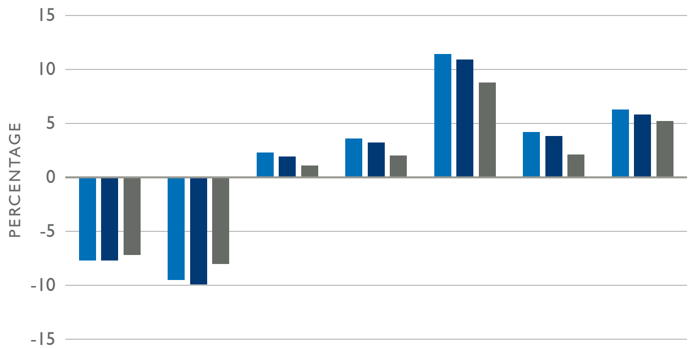
Portfolio Managers

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

PERFORMANCE *(as of 1/31/2016)*

Annualized for periods greater than one year

INTERNATIONAL VALUE SELECT COMPOSITE



	YTD	1 YEAR	3 YEARS	5 YEARS	7 YEARS	10 YEARS	INCEPTION*
Gross of Fees	-7.7	-9.5	2.3	3.6	11.4	4.2	6.3
Net of Fees	-7.7	-9.9	1.9	3.2	10.9	3.8	5.8
MSCI EAFE	-7.2	-8.0	1.1	2.0	8.8	2.1	5.2

*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

- 23 emerging markets
- 1,200 stock universe
- Employ stock ranking and risk models designed for emerging markets
- Use optimization to seek to maximize expected return per unit of risk

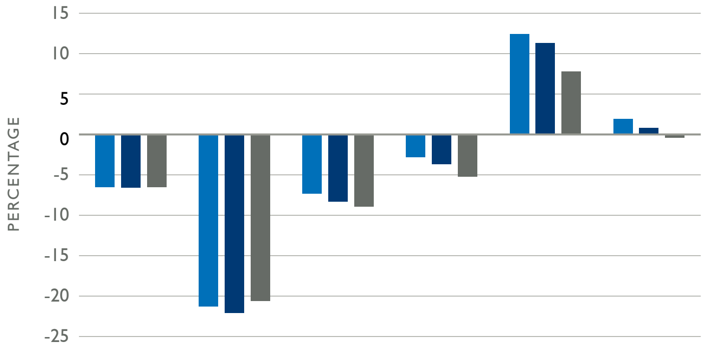
Portfolio Managers

- Arjun Jayaraman, MacDuff Kuhnert, Joe Gubler

PERFORMANCE *(as of 1/31/2016)*

Annualized for periods greater than one year

EMERGING MARKETS EQUITY COMPOSITE



	YTD	1 YEAR	3 YEARS	5 YEARS	7 YEARS	INCEPTION*
Gross of Fees	-6.5	-21.3	-7.3	-2.8	12.4	1.9
Net of Fees	-6.6	-22.1	-8.3	-3.7	11.3	0.8
MSCI EM	-6.5	-20.6	-8.9	-5.2	7.8	-0.4

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

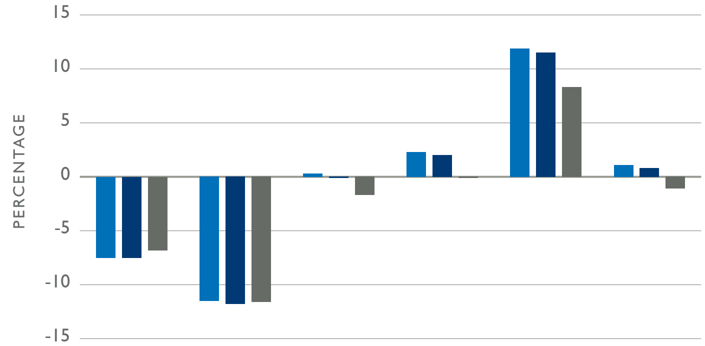
Portfolio Managers

- 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 1/31/2016)*

Annualized for periods greater than one year

INTERNATIONAL OPPORTUNITIES COMPOSITE



	YTD	1 YEAR	3 YEARS	5 YEARS	7 YEARS	INCEPTION*
Gross of Fees	-7.5	-11.5	0.3	2.3	11.9	1.1
Net of Fees	-7.5	-11.8	-0.1	2.0	11.5	0.8
MSCI ACWI Ex US	-6.8	-11.6	-1.7	-0.1	8.3	-1.1

*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

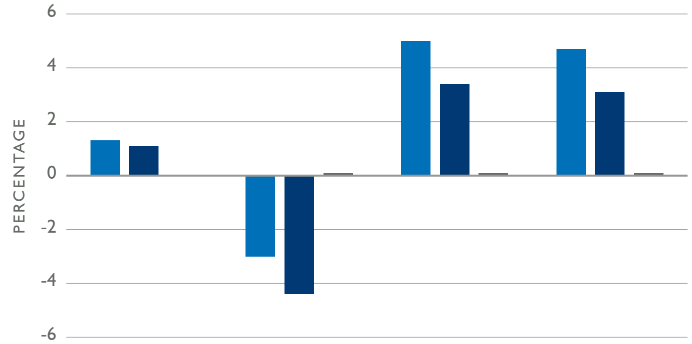
Portfolio Managers

- 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 1/31/2016)*

Annualized for periods greater than one year

GLOBAL ABSOLUTE RETURN COMPOSITE



	YTD	1 YEAR	3 YEARS	INCEPTION*
Gross of Fees	1.3	-3.0	5.0	4.7
Net of Fees	1.1	-4.4	3.4	3.1
BofA/ML 90 T-Bills	0.0	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

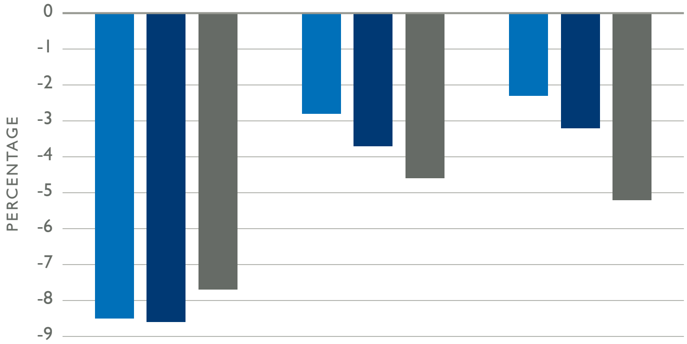
Portfolio Managers

- Arjun Jayaraman, MacDuff Kuhnert, Joe Gubler

PERFORMANCE *(as of 1/31/2016)*

Annualized for periods greater than one year

INTERNATIONAL SMALL CAP COMPOSITE



	YTD	1 YEAR	INCEPTION*
Gross of Fees	**-8.5**	**-2.8**	**-2.3**
Net of Fees	**-8.6**	**-3.7**	**-3.2**
MSCI ACWI ex US Small Cap	**-7.7**	**-4.6**	**-5.2**

*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 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

The newsletter expresses the authors' views as of 2/24/2016 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.