

Dow Jones Newswires

FRIDAY, JULY 22, 2011

© 2011 Dow Jones & Company, Inc. All Rights Reserved.

TIP SHEET:

Causeway Offers Alternate Route To Emerging Markets

—Causeway investing in OECD markets via companies in developed countries

—EU banks providing investment opportunities

—Causeway returns beating benchmark

By **BEN LEFEBVRE**

Financial chaos in Europe. Southeast Asian smoking habits. Faulty brakes in Japanese sedans. For the Causeway International Value Fund (CIVVX), such is the stuff of opportunity.

Causeway, which has \$1.6 billion under management, offers exposure to emerging markets but in a roundabout way. Instead of investing directly in companies based in Brazil, China and other developing markets, Causeway's view is that a company's physical address has little connection with where it actually does business.

One example is Tecnicas Reunidas SA (TRE). The Spanish engineering services company, which accounts for 1.3% of Causeway's portfolio, helps build refineries, natural gas plants and other energy assets in the Middle East, South America and other emerging markets.

Or, as Causeway fund manager Sarah Ketterer put it, "It's a backdoor investment in rapid infrastruc-

ture growth in the developed world, but at a bombed-out Spanish price."

Another big player in Causeway's portfolio is British American Tobacco PLC (BATS), which accounts for 3% of the portfolio. Although the number of smokers is in long-term decline in the U.S., sales to southeast Asia and Vietnam helped the London-based company bring its profit up to 4.3 billion pounds (\$7 billion USD) in 2010, up from 2.6 billion pounds in 2005.

Causeway is now on the lookout for opportunities in what could be considered one of the riskiest areas around—European banking. As banks in the European Union face possible calamity because of debt issues in Greece, Ireland and Portugal, among other nations, Causeway is hoping to scoop up shares of fundamentally sound banks whose stock price just happened to become collateral damage.

"The strategy is to identify the highest quality banks in the most unnerving regions," Ketterer said.

One possibility - UniCredit SpA (UCG) in Italy. The holding company has financial assets throughout the EU but is trading at only 60% of its book value, making it an attractive target as long as the Eurozone can stay cohesive, Ketterer said.

So far, the strategy has been worked in Causeway's favor. As of July 19, the fund is up 3.86% year-to-

date, and has a one-year return of nearly 23%, according to investment Web site Morninstar.com. That's compared to year-to-date growth of 2.16% and one-year growth of 2.94% for Morningstar's benchmark fund, MSCI EAFE.

Causeway has more-than-doubled its returns since its inception in October 2001, beating Morningstar's benchmark of 86%.

Causeway's strategy does have its downside. The fund made Toyota Motor Corp. (TM) 2.4% of its portfolio after problems with accelerator pedals sticking in cars without floor mats led to a massive recall in January 2010. Causeway thought the blow to Toyota's reputation would be temporary, and the company's share price seemed to justify that - by February 2011, Toyota shares had regained the previous year's losses.

Mother Nature had a different plan for the company, however: the massive earthquake and tsunami that hit Japan in March 2011 has contributed to volatility in Toyota's share price.

Investors who don't mind zigging when the rest of the market has zagged may wish to follow Causeway's road signs, said Kevin McDevitt, who analyzes the fund at Morningstar.

"They really have genuinely contrarian managers, willing to dive in and buy things that have very negative sentiment attached to them," McDevitt said.

(over please)

THE PUBLISHER'S SALE OF THIS REPRINT DOES NOT CONSTITUTE OR IMPLY ANY ENDORSEMENT OR SPONSORSHIP OF ANY PRODUCT, SERVICE, COMPANY OR ORGANIZATION. Custom Reprints (609)520-4331 P.O. Box 300 Princeton, N.J. 08543-0300. DO NOT EDIT OR ALTER REPRINT/REPRODUCTIONS NOT PERMITTED #44733

DOW JONES

The performance data quoted herein 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. For performance data current to the most recent month end, please call 1.866.947.7000.

Performance through 9/30/2011 for the Causeway International Value Fund Investor Class is: -10.28% (1yr), -3.24% (5 yr), and 6.25% annualized since inception. Inception date is 10/26/01. Total returns assume reinvestment of dividends and capital gains distributions at net asset value when paid. The expense ratio for the Investor Class Shares is 1.22%. There is a 2% redemption fee on shares held less than 60 days to protect shareholders from short term investors. If your account incurred a redemption fee, your performance will be lower than the performance quoted.

Index returns are for illustrative purposes only and do not represent Fund performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.

Mutual fund investing involves risk, including loss of principal. In addition to the normal risks associated with equity investing, international investing may involve risk of capital loss from unfavorable fluctuations 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.

To determine if this 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 prospectus, which may be obtained by calling 1-866-947-7000 or visit our website at www.causewayfunds.com

Causeway Capital Management LLC serves as investment adviser for the Causeway Funds. The Funds are distributed by SEI Investments Distribution Co., which is not affiliated with Causeway Capital Management LLC.

The above commentary expresses the adviser's views as of the date shown and should not be relied upon by the reader as research or investment advice regarding any stock. These views and the portfolio holdings are subject to change. There is no guarantee that any forecasts made will come to pass.

Top Ten holdings in the Causeway International Value Fund as of 9/30/2011 are: British American Tobacco PLC (3.3%), Rolls-Royce Group PLC (3.3%), Reed Elsevier NV (3.2%), Novartis AG-REG SHS (3.1%), KT&G Corp (2.9%), Sanofi (2.6%), Toyota Motor Corp (2.6%), Siemens AG (2.6%), Akzo Nobel (2.6%), Linde AG (2.4%).

