19th National Pension and Institutional Investor Summit
Tuesday, November 19, 2013

“The Winds of Change”
Is it Time to Trim the Sails to meet Changing Market Conditions?

Dallas Marriott Las Colinas Hotel
Dallas, Texas, November 18-19, 2013
Panel:

**Emerging Markets & Global:**
Is the return worth the risk? Can private equity provide higher returns without significantly increasing risk?

**Introduction Speaker:**
**Mike Ruff, CFA, Russell Investments**

**Moderator:**
**Roger Willis, CFA, Asset Consulting Group**

“The Winds of Change”
Is it Time to Trim the Sails to meet Changing Market Conditions?
The case for investing in emerging markets

› Emerging market equities represent 12% of the global equity universe as of March 31, 2013 and this weight is expected to increase in the next 20 years

› Emerging market countries produce around 50% of the world’s GDP

› Global growth in emerging countries is forecasted to be over 6% per year in 2013-16 while developed countries are expected to expand by less than 2.5% per year in the same period

› Growth in emerging economies is supported by public debt ratios of only about 30% of GDP so that local governments can afford to maintain an expansionary fiscal stance

› Additional capital is also expected to be available as foreign investment in emerging economies has rebounded sharply from the financial crisis of 2008-09

› Emerging market countries represent an attractive potential return differentiating opportunity from developed markets

› Correlations with S&P 500 Index and MSCI All Country World Index are only 0.73 and 0.84 respectively

› In the 10 years from March 2003 to March 2013, Emerging Markets equities have returned 14.5% annualized versus only 3.1% annualized for Russell 1000 over the same period

1. Data based on MSCI All Country World Index as of 03/31/2013
2. IMF World Economic Outlook, April 2013  http://www.imf.org/external/pubs/ft/weo/2012/01/
4. Source: Factset, as of March 31, 2013. Based on Russell Emerging Markets Total Return Index and Russell 1000 Total Return Index.

Indexes are unmanaged and cannot be invested in directly. Information is based on historical data and is not indicative of future results. Forecasting represents predictions of market prices and/or volume patterns utilizing varying analytical data. It is not representative of a projection of the stock market, or of any specific investment. There is no guarantee that the stated results will occur.
Why a Separate Allocation to Emerging Markets

› Non US developed investment managers tend to view emerging markets as a tactical bet; clients should have a strategic policy weight

› Non US developed investment managers emerging market exposure tends to be concentrated and not diversified

› Specialist emerging market managers offer more diversified exposure across all portfolio elements such as:
  › Country allocation
  › Sector exposure
  › Stock level bets

› Easier for clients to adjust emerging market exposure within the total plan portfolio as necessary
Composition of Global Domestic Product
Emerging and frontier markets becoming more dominant

Source: IMF, “World Economic Outlook Database”, available from: www.imf.org. Data as of 17 April 2012, Russell Investments. Data through 2017 represents actual and estimated data from the IMF, data after 2017 reflects annualised GDP growth estimates: Developed (2.5% pa), Emerging (4.5% pa) and Frontier Markets (5.5% pa). Data show GDP current prices (USD).

p.5
Composition of Global Market Capitalization
Emerging and Frontier Markets are becoming more dominant

Market Capitalization 2012
- Brazil: 2.7%
- China: 11.8%
- Africa: 1.4%
- USA: 32.6%
- Western Europe: 20.5%
- Japan: 8.5%
- Rest of the World: 6.5%
- Russia: 1.1%
- India: 3.0%
- Other EM: 11.9%

Expected Market Capitalization 2032
- Brazil: 4.1%
- China: 17.3%
- Africa: 5.1%
- USA: 26.6%
- Western Europe: 16.1%
- Japan: 4.2%
- Rest of the World: 4.0%
- India: 4.4%
- Russia: 3.9%
- Other EM: 14.3%

Source: Securities Africa, as of 31 March 2012; Factset for EM as % of global equities, as at 30 June 2013. Forecasting represents predictions of market prices and/or volume patterns utilizing varying analytical data. It is not representative of a projection of the stock market, or of any specific investment. There is no guarantee that the stated results will occur. Global equities = Russell Global Index.
Diversification Opportunities in Developing Markets
Correlations with global equities

36-week Rolling Correlations vs. MSCI World

Source: Bloomberg, as of 27 September 2013.

Russell Investments
Diversification Opportunities in Emerging Markets

Absolute volatility

Source: Bloomberg, Russell Global Indexes, as of 27 September 2013. Volatility = standard deviation of absolute returns. Indexes are unmanaged and cannot be invested in directly. Data are historical and are not a guarantee of future results.
Economic Growth in Developing Countries
Higher estimated growth than that for most developed economies


Frontier Markets
Emerging Markets
Developed Markets
Change in Estimate for 2014 (2013 vs 2012)
Differentiated Active Opportunities
Low analyst coverage creates informational advantage

Source: Analyst coverage=total analyst recommendations: Bloomberg, as of 19 March 2013; holdings data: FactSet, as of 18 March 2013. Based on Russell Global Large Cap Emerging Markets Index, Russell Global Small Cap Emerging Markets Index and Russell Frontier ex GCC Index.
Emerging Markets
Where are they currently relative to history

Emerging Markets - Discount to Long-Term High

Dates in brackets indicate when the highs were reached.

Source: Factset, as at 5 August 2013. Based on Russell Emerging Markets Index. Based on weekly index values from 29.02.2008.
Current Valuations – Price/Earnings
Emerging markets relative to history

Price-to-Earnings Ratio: Emerging Markets
Based on 5-year average inflation-adjusted EPS

Source: Factset, MSCI, Russell calculations, as at 15 April 2013.
Emerging Markets & Global:
Is the return worth the risk? Can private equity provide higher returns without significantly increasing risk?

Moderator:
Roger Willis, CFA, Asset Consulting Group

Panelist:
Steven Greenblatt, Causeway Capital Management LLC
Gregory S. Samorajski, CFA, McKinley Capital Management, LLC
Caio Rossoni, Itaú USA Asset Management Inc.
Jed Koenigsberg, MFS Investment Management

“The Winds of Change”
Is it Time to Trim the Sails to meet Changing Market Conditions?
## Style Rotation in EAFE

**1997 – September 2013**

<table>
<thead>
<tr>
<th>Year</th>
<th>EAFE High Momentum</th>
<th>EAFE Large Cap</th>
<th>EAFE Defensive</th>
<th>EAFE Value</th>
<th>EAFE Growth</th>
<th>EAFE Small Cap</th>
<th>Q3 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>14.7%</td>
<td>25.3%</td>
<td>10.8%</td>
<td>3.9%</td>
<td>2.3%</td>
<td>9.2%</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>42.4%</td>
<td>(15.3%)</td>
<td>30.2%</td>
<td>(5.3%)</td>
<td>20.3%</td>
<td>(18.2%)</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>(6.8%)</td>
<td>15.6%</td>
<td>18.1%</td>
<td>14.0%</td>
<td>29.7%</td>
<td>(21.2%)</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>62.1%</td>
<td>EAFE Value</td>
<td>46.0%</td>
<td>39.2%</td>
<td>23.3%</td>
<td>25.9%</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>31.3%</td>
<td>EAFE Defensive</td>
<td>23.7%</td>
<td>20.7%</td>
<td>EAFE Benchmark</td>
<td>11.6%</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>26.6%</td>
<td>EAFE Small Cap</td>
<td>14.5%</td>
<td>EAFE High Momentum</td>
<td>EAFE Large Cap</td>
<td>(43.1%)</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>EAFE Value</td>
<td>EAFE Defensive</td>
<td>25.9%</td>
<td>EAFE Large Cap</td>
<td>EAFE Value</td>
<td>32.3%</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>EAFE Growth</td>
<td>EAFE Small Cap</td>
<td>11.0%</td>
<td>EAFE Benchmark</td>
<td>EAFE Value</td>
<td>8.2%</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>EAFE Small Cap</td>
<td>EAFE Defensive</td>
<td>EAFE Large Cap</td>
<td>EAFE Dynamic</td>
<td>EAFE Value</td>
<td>EAFE Benchmark</td>
<td>(11.8%)</td>
</tr>
<tr>
<td>2006</td>
<td>EAFE Value</td>
<td>EAFE Large Cap</td>
<td>EAFE Small Cap</td>
<td>EAFE Low Momentum</td>
<td>EAFE Growth</td>
<td>7.0%</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>EAFE Growth</td>
<td>EAFE Low Momentum</td>
<td>EAFE Large Cap</td>
<td>EAFE High Momentum</td>
<td>EAFE Large Cap</td>
<td>(14.0%)</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>EAFE Small Cap</td>
<td>EAFE Defensive</td>
<td>EAFE Growth</td>
<td>EAFE Small Cap</td>
<td>EAFE Growth</td>
<td>17.3%</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>EAFE Value</td>
<td>EAFE Low Momentum</td>
<td>EAFE Low Momentum</td>
<td>EAFE Growth</td>
<td>EAFE Value</td>
<td>EAFE Defensive</td>
<td>15.7%</td>
</tr>
<tr>
<td>2010</td>
<td>EAFE Growth</td>
<td>EAFE Low Momentum</td>
<td>EAFE Value</td>
<td>EAFE High Momentum</td>
<td>EAFE Small Cap</td>
<td>(16.1%)</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>EAFE Small Cap</td>
<td>EAFE Defensive</td>
<td>EAFE Value</td>
<td>EAFE Low Momentum</td>
<td>EAFE Large Cap</td>
<td>15.2%</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>EAFE Value</td>
<td>EAFE Low Momentum</td>
<td>EAFE Value</td>
<td>EAFE High Momentum</td>
<td>EAFE Large Cap</td>
<td>(16.0%)</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>EAFE Growth</td>
<td>EAFE Low Momentum</td>
<td>EAFE Large Cap</td>
<td>EAFE Small Cap</td>
<td>EAFE Growth</td>
<td>14.9%</td>
<td></td>
</tr>
</tbody>
</table>

Note: "EAFE Benchmark" represents MSCI EAFE Index. "EAFE Value" and "EAFE Growth" represent the MSCI EAFE Value Index and the MSCI EAFE Growth Index, respectively. "EAFE Small Cap" represents the Russell Developed x US Small Cap Index from 1997 to 2001 and the MSCI EAFE Small Cap Index from 2002 forward. "EAFE Large Cap" represents the MSCI EAFE Large Cap Index. "EAFE Defensive" and "EAFE Dynamic" represent the Russell Developed x US Defensive Index and Russell Developed x US Dynamic Index, respectively. "EAFE High Momentum" and "EAFE Low Momentum" represent the geometrically linked float-weighted monthly returns of the top and bottom halves, respectively, of price performers in the MSCI EAFE Index over the previous 12 months. Source: Factset, MSCI, Russell Investment Indices.

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**Style Rotation in EAFE**

Steven Greenblatt | greenblatt@causewaycap.com | 310-231-6109
### Style Rotation in Emerging Markets

**1997 – September 2013**

| Year | EM High Momentum | EM Low Momentum | EM Growth | EM Low Value | EM High Value | EM Low Value | EM High Value | EM Low Value | EM High Value | EM Low Value | EM High Value | EM Low Value | EM High Value | EM Low Value | EM High Value | EM Low Value | EM High Value | EM Low Value | EM High Value | EM Low Value | EM High Value |
|------|------------------|-----------------|----------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|
| 1997 | 3.4%             | (15.5%)         | 86.8%    | 1.8%        | 1.6%          | 62.9%       | 31.2%         | 43.7%       | 34.2%         | 56.2%       | (44.8%)       | 114.3%      | 27.5%         | (11.2%)      | 23.2%         | (0.1%)       | 3.4%          | (15.5%)      | 86.8%         | 1.8%        |
| 1998 | (10.2%)          | 15.6%           | 77.1%    | 0.5%        | 13.3%         | 60.8%       | 33.7%         | 36.5%       | 33.7%         | 44.8%       | (47.4%)       | 108.0%      | 27.0%         | (17.4%)      | 22.6%         | (1.1%)       | (10.2%)       | 15.6%        | 77.1%         | 0.5%        |
| 1999 | 11.6%            | (16.3%)         | 71.1%    | 1.5%        | 14.8%         | 58.0%       | 33.7%         | 35.4%       | 33.7%         | 42.7%       | (50.1%)       | 91.3%       | 22.9%         | (17.6%)      | 22.3%         | (2.6%)       | 11.6%         | (16.3%)      | 71.1%         | 1.5%        |
| 2000 | 14.7%            | (24.3%)         | 66.4%    | 2.6%        | 14.8%         | 56.3%       | 32.6%         | 34.5%       | 32.6%         | 42.8%       | (52.6%)       | 79.7%       | 19.6%         | (18.0%)      | 20.9%         | (3.0%)       | 14.7%         | (24.3%)      | 66.4%         | 2.6%        |
| 2001 | 15.3%            | (25.3%)         | 63.2%    | 3.3%        | 14.8%         | 56.2%       | 32.5%         | 33.6%       | 32.5%         | 43.8%       | (54.8%)       | 78.4%       | 18.8%         | (18.8%)      | 18.2%         | (3.9%)       | 15.3%         | (25.3%)      | 63.2%         | 3.3%        |
| 2002 | 26.5%            | (34.8%)         | 62.0%    | 5.1%        | 9.9%          | 52.4%       | 32.2%         | 24.8%       | 32.2%         | 37.0%       | (56.2%)       | 76.4%       | 18.7%         | (19.5%)      | 16.9%         | (4.3%)       | 26.5%         | (34.8%)      | 62.0%         | 5.1%        |
| 2003 | 34.5%            | (36.9%)         | 56.1%    | 6.5%        | 11.8%         | 50.6%       | 31.9%         | 24.6%       | 31.9%         | 34.6%       | (58.1%)       | 68.1%       | 18.7%         | (24.2%)      | 16.4%         | (5.2%)       | 34.5%         | (36.9%)      | 56.1%         | 6.5%        |
| 2004 | 42.5%            | (32.4%)         | 41.0%    | 7.7%        | 12.6%         | 49.6%       | 20.9%         | 18.0%       | 30.3%         | 26.5%       | (59.1%)       | 63.3%       | 16.0%         | (27.0%)      | 15.5%         | (5.3%)       | 42.5%         | (32.4%)      | 41.0%         | 7.7%        |

*Note: “EM Benchmark” represents MSCI Emerging Markets Index. “EM Value” and “EM Growth” represent the MSCI Emerging Markets Value Index and the MSCI Emerging Market Growth Index, respectively. “EM Small Cap” and “EM Large Cap” represent the MSCI Emerging Market Small Cap Index and MSCI Emerging Market Large Cap Index, respectively. “EM Defensive” and “EM Dynamic” represent the Russell Emerging Market Defensive Index and Russell Emerging Market Dynamic Index, respectively. “EM High Momentum” and “EM Low Momentum” represent the geometrically linked float-weighted monthly returns of the top and bottom halves, respectively, of price performers in the MSCI Emerging Markets Index over the previous 12 months. Source: Factset, MSCI, Russell Investment Indices.*

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**Style Rotation in Emerging Markets**

Steven Greenblatt | greenblatt@causewaycap.com | 310-231-6109
How Expensive are Emerging Market Defensive Stocks?

Emerging Market Defensive Stocks Trade at Significant Premium to Cyclical (“Dynamic”) Stocks

September 2001 – September 2013

Median Forward P/E Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Most Cyclical Quintile</th>
<th>Most Defensive Quintile</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>16.0x</td>
<td>13.2x</td>
</tr>
<tr>
<td>2002</td>
<td>14.0x</td>
<td>11.7x</td>
</tr>
<tr>
<td>2003</td>
<td>12.0x</td>
<td>11.0x</td>
</tr>
<tr>
<td>2004</td>
<td>10.0x</td>
<td>9.7x</td>
</tr>
<tr>
<td>2005</td>
<td>8.0x</td>
<td>8.5x</td>
</tr>
<tr>
<td>2006</td>
<td>6.0x</td>
<td>6.2x</td>
</tr>
<tr>
<td>2007</td>
<td>4.0x</td>
<td>4.5x</td>
</tr>
<tr>
<td>2008</td>
<td>2.0x</td>
<td>2.2x</td>
</tr>
<tr>
<td>2009</td>
<td>10.2x</td>
<td>10.6x</td>
</tr>
<tr>
<td>2010</td>
<td>8.0x</td>
<td>8.4x</td>
</tr>
<tr>
<td>2011</td>
<td>6.0x</td>
<td>6.4x</td>
</tr>
<tr>
<td>2012</td>
<td>4.0x</td>
<td>4.4x</td>
</tr>
<tr>
<td>2013</td>
<td>2.0x</td>
<td>2.4x</td>
</tr>
</tbody>
</table>

Defensive Premium / Discount to Cyclical

- EM Defensive at Premium: Median 14.6%
- EM Defensive at Discount: 57%

Note: The “Forward P/E” of a stock is its price divided by the consensus EPS estimate for the next twelve months. “Premium/Discount” 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 100%. The cyclicity of a stock is calculated as its 60-month beta to the monthly performance spread between the Russell Emerging Markets Dynamic and Russell Emerging Markets Defensive indices. Universe consists of the constituents of the MSCI Emerging Markets Index.

Source: Factset, MSCI, Russell Investment Indices
Panel:
Emerging Markets & Global:
Is the return worth the risk? Can private equity provide higher returns without significantly increasing risk?

Moderator:
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“The Winds of Change”
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Presentation For
National Pension & Institutional Investor Summit

Gregory S. Samorajski, CFA
Director of Investments, Portfolio Manager
McKinley Capital Management, LLC

November 19, 2013
### INDEX RETURNS FOR THE PERIOD 1/31/1995-6/30/2013

<table>
<thead>
<tr>
<th>Index</th>
<th>Annualized Return</th>
<th>Annualized Standard Deviation</th>
<th>Sharpe Ratio*</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI EAFE</td>
<td>5.44%</td>
<td>17.05%</td>
<td>0.14</td>
</tr>
<tr>
<td>MSCI EM</td>
<td>6.86%</td>
<td>24.13%</td>
<td>0.16</td>
</tr>
<tr>
<td>MSCI World</td>
<td>7.09%</td>
<td>15.67%</td>
<td>0.26</td>
</tr>
<tr>
<td>MSCI AC World</td>
<td>7.06%</td>
<td>16.06%</td>
<td>0.25</td>
</tr>
</tbody>
</table>

Source: Zephyr StyleADVISOR; 7/9/2013
*Risk Free Rate: 3%
# INDEX RETURNS – CORRELATION
FOR THE PERIOD 1/31/1995-6/30/2013

<table>
<thead>
<tr>
<th>Index</th>
<th>MSCI EAFE</th>
<th>MSCI EM</th>
<th>MSCI World</th>
<th>MSCI AC World</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI EAFE</td>
<td>1.00</td>
<td>0.82</td>
<td>0.96</td>
<td>0.96</td>
</tr>
<tr>
<td>MSCI EM</td>
<td>0.82</td>
<td>1.00</td>
<td>0.82</td>
<td>0.86</td>
</tr>
<tr>
<td>MSCI World</td>
<td>0.96</td>
<td>0.82</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>MSCI AC World</td>
<td>0.96</td>
<td>0.86</td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Source: Zephyr StyleADVISOR; 7/9/2013
*Risk Free Rate: 3%
## EQUAL WEIGHTED EM PORTFOLIOS BY MARKET CAP IN MSCI EM INDEX
FOR THE PERIOD 1/31/1995-6/30/2013

<table>
<thead>
<tr>
<th>Quintile or Portfolio</th>
<th>Annualized Return</th>
<th>Annualized Standard Deviation</th>
<th>Sharpe Ratio*</th>
<th>Average Market Cap (6/30/2013) in Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Largest Market Cap Quintile</td>
<td>8.39%</td>
<td>23.75%</td>
<td>0.23</td>
<td>26,870</td>
</tr>
<tr>
<td>2nd Market Cap Quintile</td>
<td>8.20%</td>
<td>23.92%</td>
<td>0.22</td>
<td>7,973</td>
</tr>
<tr>
<td>3rd Market Cap Quintile</td>
<td>8.57%</td>
<td>24.87%</td>
<td>0.22</td>
<td>4,330</td>
</tr>
<tr>
<td>4th Market Cap Quintile</td>
<td>10.54%</td>
<td>25.33%</td>
<td>0.30</td>
<td>2,695</td>
</tr>
<tr>
<td>Smallest Market Cap Quintile</td>
<td>15.01%</td>
<td>28.26%</td>
<td>0.43</td>
<td>1,514</td>
</tr>
<tr>
<td>Equal Weighted EM</td>
<td>10.34%</td>
<td>24.31%</td>
<td>0.30</td>
<td></td>
</tr>
<tr>
<td>Blended 10% Equal Weighted EM 90% MSCI World</td>
<td>7.53%</td>
<td>16.03%</td>
<td>0.28</td>
<td></td>
</tr>
</tbody>
</table>

Source: ClariFI, Zephyr StyleADVISOR; 7/9/2013
*Risk Free Rate: 3%
### Equal Weighted EM Portfolios by Dollar Volume ("DolVol") in MSCI EM Index for the Period 1/31/1995-6/30/2013

<table>
<thead>
<tr>
<th>Dollar Volume Quintile</th>
<th>Annualized Return</th>
<th>Standard Deviation</th>
<th>Sharpe Ratio*</th>
<th>Average DolVol (6/30/2013) in Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Largest DolVol Quintile</td>
<td>4.62%</td>
<td>28.15%</td>
<td>0.06</td>
<td>71.6</td>
</tr>
<tr>
<td>2nd DolVol Quintile</td>
<td>8.61%</td>
<td>27.04%</td>
<td>0.21</td>
<td>20.3</td>
</tr>
<tr>
<td>3rd DolVol Quintile</td>
<td>9.19%</td>
<td>26.03%</td>
<td>0.24</td>
<td>10.2</td>
</tr>
<tr>
<td>4th DolVol Quintile</td>
<td>12.18%</td>
<td>25.88%</td>
<td>0.36</td>
<td>5.5</td>
</tr>
<tr>
<td>Smallest DolVol Quintile</td>
<td>11.13%</td>
<td>23.93%</td>
<td>0.34</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Source: ClariFI, Zephyr StyleADVISOR; 7/9/2013
*Risk Free Rate: 3%
EQUAL WEIGHTED EM PORTFOLIOS BY NUMBER OF ANALYSTS IN MSCI EM INDEX FOR THE PERIOD 1/31/1995-6/30/2013

<table>
<thead>
<tr>
<th>Number of Analysts</th>
<th>Annualized Return</th>
<th>Standard Deviation</th>
<th>Sharpe Ratio*</th>
</tr>
</thead>
<tbody>
<tr>
<td>20+</td>
<td>5.79%</td>
<td>31.42%</td>
<td>0.09</td>
</tr>
<tr>
<td>16 - 20</td>
<td>9.41%</td>
<td>27.73%</td>
<td>0.23</td>
</tr>
<tr>
<td>11 – 15</td>
<td>9.05%</td>
<td>26.14%</td>
<td>0.23</td>
</tr>
<tr>
<td>6 – 10</td>
<td>11.72%</td>
<td>24.51%</td>
<td>0.36</td>
</tr>
<tr>
<td>0 - 5</td>
<td>8.81%</td>
<td>24.32%</td>
<td>0.24</td>
</tr>
</tbody>
</table>

Source: Bloomberg, Zephyr StyleADVISOR; 7/9/2013
*Risk Free Rate: 3%
Disclosure

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Emerging Markets & Global:
Is the return worth the risk? Can private equity provide higher returns without significantly increasing risk?

Moderator:
Roger Willis, CFA, Asset Consulting Group

Panelist:
Steven Greenblatt, Causeway Capital Management LLC
Gregory S. Samorajski, CFA, McKinley Capital Management, LLC
Caio Rossoni, Itaú USA Asset Management Inc.
Jed Koenigsberg, MFS Investment Management

“The Winds of Change”
Is it Time to Trim the Sails to meet Changing Market Conditions?
NSIIP

2013 National Pension & Institutional Investment Summit

November 2013

“The Winds of Change – time to trim the sails?”

Emerging Markets
Is the Consumer Boom over for Brazil and other EMs?
Hard to see the same degree of tectonic plate shift as in the last 10 years

1 Source: Bloomberg as of August 30th, 2013.
2 Source: IBGE as of July 31st, 2013.
3 Source: Brazil Central Bank as of June 1st, 2013.
Not over, but definitely more subdued
Low unemployment keeps it going in short to medium term

Source: Bloomberg, IBGE as of August 30th, 2013.
When the trend isn’t your friend
And the future is really uncertain

Source: Brazil Central Bank as of September 13th, 2013
You focus on what you can control

More than 60% of IBX weight is ongoing cost and capex rationalization

MSCI Brazil ROE (%)

Source: Bloomberg as of September 17th, 2013.
Brazil Market Leadership Candidate?

Industrials: Last 15 years in reverse

MSCI Brazil Industrials vs MSCI Brazil

Source: Bloomberg as of August 30th, 2013.
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“The Winds of Change”
Is it Time to Trim the Sails to meet Changing Market Conditions?
The EM debt story
Emerging markets GDP growth stronger than developed markets

Sources: IMF, WEO Database. Report (E) estimates and (F) forecasts as of April 2013.
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EMD-MF-U-QL/Appendix-10/03.5
The EM debt story
Emerging markets fiscal positions stronger than developed markets

Sources: IMF, 2013 estimates as of April 2013.
For Investment Professional Use Only. Not intended for retail investors
The EM debt story
EM sovereign fundamentals vs. US

<table>
<thead>
<tr>
<th></th>
<th>EM Countries</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current account/GDP</td>
<td>1.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Fx reserves ($ billion)</td>
<td>716</td>
<td>4,062</td>
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<tr>
<td>Fiscal balance/GDP</td>
<td>-3.5</td>
<td>-0.4</td>
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<tr>
<td>Public debt/GDP</td>
<td>42.5</td>
<td>33.2</td>
</tr>
<tr>
<td>GDP growth (%)</td>
<td>3.8</td>
<td>5.6</td>
</tr>
</tbody>
</table>

Sources: JPMorgan, Bloomberg.
As of 31-Mar-13, most recent data available. No forecast can be guaranteed.
F = Forecast, E = Estimate
The EM countries include: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand, Turkey, Hong Kong, Singapore and Saudi Arabia.
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Why consider allocating to EM
The EM debt story – positive trends intact

The ratings refer to the percentage of the JP Morgan EMBI Global Index rated investment grade and B or lower.
Sources: Bloomberg, JP Morgan EMBI Global Index, as of 30-Sep-13. Principal and interest of U.S. Treasury securities are guaranteed by the U.S. government if held to maturity. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

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Why consider allocating to EM
A good diversifier...

Limited correlations with other asset classes have provided diversification benefits

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>JP Morgan EMBIG</td>
<td>1.00</td>
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<tr>
<td>JP Morgan GBI-EM</td>
<td>0.82</td>
<td>1.00</td>
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<tr>
<td>Global Div</td>
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<tr>
<td>JP Morgan GBI Global</td>
<td>0.17</td>
<td>0.52</td>
<td>1.00</td>
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<tr>
<td>JP Morgan HY</td>
<td>0.56</td>
<td>0.65</td>
<td>0.10</td>
<td>1.00</td>
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</tr>
<tr>
<td>S&amp;P 500</td>
<td>0.52</td>
<td>0.61</td>
<td>0.04</td>
<td>0.62</td>
<td>1.00</td>
<td></td>
<td></td>
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<tr>
<td>U.S. Treasury</td>
<td>0.18</td>
<td>0.19</td>
<td>0.63</td>
<td>-0.10</td>
<td>-0.19</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>JP Morgan EM Free</td>
<td>0.68</td>
<td>0.79</td>
<td>0.07</td>
<td>0.67</td>
<td>0.74</td>
<td>-0.20</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Correlation key
- Negative correlation = below -0.11
- No correlation = -0.10 to 0.10
- Low correlation = 0.11 to 0.39
- Moderate correlation = 0.40 to 0.69
- High correlation = 0.70 to 1.00

Source: JP Morgan.
For time period 1-Jan-94 to 30-Sep-13 except for JPM GBI-EM Global Div which is from 1-Jan-03.
Diversification does not guarantee a profit.

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Panel:

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