

## Capital International, Inc.

(a subsidiary of The Capital Group Companies, Inc.)

- Manages global emerging markets mandate for MLC, since 2011.

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- Over 80 years of investment management experience.

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- Manages over US\$111 billion across the world, as at 31 December 2011.

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- Part of the Capital Group Companies, with assets under management totalling over US\$1.09 trillion worldwide.

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- Utilises the unique Multiple Portfolio Manager system, allowing high conviction investing and avoiding dilution of ideas.

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- Investment offices in 12 locations worldwide.

In 1986, Capital Group launched the world's first global EM equity fund, Emerging Markets Growth Fund, a US\$50 million closed-end fund. The fund was the initiative of the International Finance Corporation, a subsidiary of the World Bank.

## Why MLC has chosen Capital International in emerging markets?

MLC has chosen Capital International to manage an emerging markets portfolio to gain exposure to emerging economies. It is expected to be more resilient than an equities-only portfolio when equity markets decline. Capital's Emerging Total Opportunities (ETOP) portfolio can opportunistically shift exposures between asset classes (for example, from equity instruments to debt instruments). Further, security selection is not limited to securities listed in emerging markets. The portfolio can invest in securities outside emerging markets provided these securities derive the majority of their revenue from emerging economies. The strategy seeks a higher reward for the risk taken, while controlling the overall volatility of the portfolio. The team managing the portfolio comprises three highly experienced portfolio managers. MLC views Capital's ETOP portfolio as a prudent way of managing money in a volatile asset class like emerging markets.

## Philosophy on investing

Capital's approach to investing is research driven. Investment research is almost entirely internally generated, based on extensive field research and direct company contact. Capital's philosophy can best be described as "relative" value-oriented, as efforts are focused on valuing each company in a broad investable universe on a three to five year view and comparing that valuation to the current market price. Research is aimed at identifying high quality businesses that have a sustainable competitive edge and whose shares are reasonably priced relative to their long term earnings potential. The analysts are encouraged to see companies as businesses and to value the business in the context of their knowledge of the growth dynamics of the industry they research. For fixed income, intensive macro and credit research is the foundation of the investment process. The fixed income research team is integrated into the extensive global equity research team at Capital.

## Investment process

The Emerging Markets Total Opportunities (ETOP) investment process looks at emerging markets as a single asset class. It invests in the broadest opportunity set within the emerging markets to take advantage of their inherent diversity. Drawing on Capital's extensive equity and fixed income analysis as well as their macroeconomic research on countries and industries, the three portfolio managers are able to select from the entire universe of tradable emerging markets securities. They invest in large, mid and small capitalisation stocks, dollar sovereign bonds, local currency sovereign bonds, corporate bonds, convertibles and inflation-linked securities, with the aim of generating equity-like returns with lower volatility than an equity-only portfolio. Cash may also be actively used to dampen volatility. ETOP allows them to execute macro themes efficiently and invest in the most attractively valued securities based on Capital's research. At the same time, careful portfolio construction with close attention to correlations at all levels — market, sector and security — enables portfolio managers to mitigate political, country and currency risk. The result is a strategy that provides investors with access to some of the most dynamic areas of the capital markets, with greater consistency of returns.

## Investment people

Name	Title	Location	Years Investment Experience	Years with Capital
Laurentius Harrer	Portfolio Manager	Los Angeles	23	18
Luis Oliveira	Portfolio Manager	Geneva	23	18
Shaw Wagener	Portfolio Manager	Los Angeles	30	30

### Biographies

#### **Laurentius Harrer**

Laurentius Harrer is a senior vice president of Capital Guardian Trust Company, a vice president of Capital International Research, Inc., and a chairman of the Fixed-Income Asset Allocation Committee. He serves as a director of several of Capital's Luxembourg-based mutual funds. Laurentius has portfolio manager responsibilities for emerging markets debt, emerging market total opportunity portfolios, and global fixed-income accounts. Prior to joining Capital in 1993, Laurentius was with Metzler Investment in Frankfurt, Germany, where he was a senior fixed income portfolio manager, responsible for global bond and currency markets. Before that, he spent two years in institutional sales with Bayerische Vereinsbank in Munich. Mr. Harrer graduated from the University of Landshut in Germany with a Bachelor of Business Administration degree. He is based in Los Angeles.

#### **Luis Oliveira**

Luis Oliveira is an investment professional of Capital International based in Geneva, Switzerland. He has been involved with Capital's global emerging market activities since he joined the company in 1994. He is a member of the board and Chairman of the group's Swiss subsidiary, Capital International Sàrl, and a director of Capital International, Inc. He serves as a director of several of Capital's Luxembourg-based mutual funds and is the chairman of Capital International Emerging Markets Fund. He has an MBA from INSEAD, in France, and a BA in economics from the Federal University of Minas Gerais, in Brazil. Prior to his schooling at INSEAD, between 1988 and 1992, he worked for Citibank N.A. in Brazil, as a corporate banker.

#### **Shaw B. Wagener**

Shaw B. Wagener is a portfolio manager in the Emerging Markets Growth Fund (EMGF). Shaw looks for improving fundamentals and catalysts that should lead to higher security prices. He began his involvement in emerging markets as a trader in 1986, then researched and managed emerging markets debt for 12 years in addition to becoming an emerging markets equity portfolio manager in 1988. Shaw is chairman and a director of Capital Group International, Inc. (CGII), chairman and a director of Capital International, Inc., as well as a senior vice president of Capital Guardian Trust Company. He is also a portfolio manager in the Emerging Markets Total Opportunities Fund. He is also on Capital International's Private Equity Investment Committee. He serves on various business-related committees, including the CGII Global Executive Office and the Capital Group Companies Management Committee. Shaw joined our organization in 1981 and has also served as the head of equity trading for Capital Research and Management Company. He is a graduate of Claremont McKenna College (cum laude) with a BA in international relations. He holds the Chartered Financial Analyst® designation and is a member of the Los Angeles Society of Financial Analysts. He is based in Los Angeles.

The organisation chart of the team:

Capital adopts the Multiple Portfolio Manager system. The Emerging Markets Total Opportunities team consists of the following three managers.

		
<b>Laurentius Harrer</b>	<b>Luis Oliveira</b>	<b>Shaw Wagener</b>
Los Angeles	Geneva	Los Angeles
18 years with Capital	18 years with Capital	30 years with Capital
23 years in profession	23 years in profession	30 years in profession

## Investment idea

**Gazprom** is the world's largest natural gas producer, with 2P reserves of 140 billion boe. The state controlled company controls all gas exports, 160km of pipelines, and 65 bcm of storage capacity. Gazprom generates half of its revenues from exports to Europe, where it has a 25% market share with long term oil linked contract. Domestic gas price is low and regulated.

**Mexican Udibonos.** Investments in inflation-linked bonds in several markets, including Mexico, have been in place for



a couple of years, as managers anticipated inflationary pressures early on in the economic cycle, and these have provided both income and capital appreciation. Mexico has been one of the stronger economies in the region as it is less dependent on commodity exports to China and has improved its competitive position in terms of exports to the U.S. in recent years.

*This security may no longer be included in Capital International, Inc. portfolio as their view may have changed since this document was prepared.*

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