

# Capital National Alliance

## Emerging Markets Equity

Profile  
Capital International

### About Capital National Alliance

Capital National Alliance (CNA) is a strategic alliance between Capital International, Inc. and National Corporate Investment Services Limited (a National Australia Bank (NAB) company).

The alliance was established in 1997 and today has more than 60 clients and A\$6.7 billion under management. CNA's role is to provide local distribution and client service to Australian and New Zealand-based institutional investors. A dedicated team of seven people carries this out. Offices are located in Sydney and Melbourne.

### Mandates available through CNA:

#### Pooled

- Global equity
- Global equity + currency hedged
- Global equity + currency management
- Emerging Markets equity
- All Country World equity
- Global Small Cap equity
- Global Aggregate bonds
- Global High Yield bonds

#### Individually Managed (minimum A\$100m)

- Global equity
- All Country World equity  
(EM element pooled)
- EAFE equity
- Global Aggregate bonds
- Global High Yield bonds
- Emerging Markets debt

### Investment objective

To outperform the MSCI Emerging Markets Index or another appropriate benchmark over a full market cycle by investing in stocks in developing markets.

### Investment strategy

Capital International, Inc. (Capital International) believes that the economies of emerging countries are likely to grow much faster than the economies of countries in the developed world. The emerging markets are home to many world-class companies that are poised to benefit from this growth. In addition to these domestic-oriented companies, many leading companies that successfully compete against developed-market counterparts in global industries are also domiciled in emerging countries.

Capital International has an extensive commitment to fundamental research, with a large team of experienced analysts focused on gathering in-depth information firsthand on companies in emerging markets and throughout the world.

Their extensive research is leveraged through a unique, bottom-up approach to portfolio construction. Returns are pursued through active security selection. While portfolio managers are aware of benchmark characteristics, country and sector weightings are primarily the result of finding value in individual companies and securities.

The Capital organisation was one of the first managers to begin investing in emerging markets, starting the Emerging Markets Growth Fund in 1986 in cooperation with the International Finance Corporation, an affiliate of the World Bank. Today, Capital International is one of the world's largest managers of emerging markets assets.

### More about Capital

The Capital organisation, founded in 1931, is a privately owned investment management group with offices in major financial centres throughout the world. As one of the world's largest investment managers, Capital participates in equity and fixed-income markets in both developed and emerging economies on behalf of a diverse group of clients.

The Capital organisation is focused solely on investment management, and its investment capabilities and unparalleled research commitment are for the exclusive benefit of client portfolios.

# Investment process

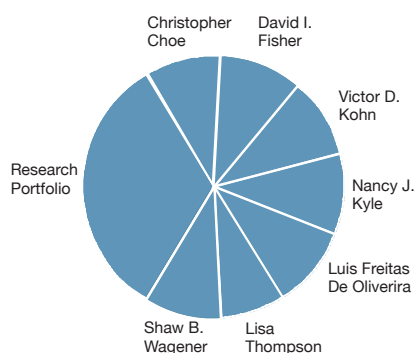
## Research

**Research and analysis** Capital International's global network of investment analysts performs in-depth quantitative and qualitative research on thousands of companies worldwide. Within this group there is a large team of analysts dedicated specifically to emerging markets. Analysts at Capital International tend to have many years of experience in their areas of expertise and long tenures at the firm. Consequently, they develop long-term relationships with the companies they follow, and with the top-level decision makers who run them, resulting in a deep level of knowledge and understanding of individual companies and the industries they operate in.

**Information exchange** Portfolio managers and analysts covering all asset classes share information through regular meetings, conference calls, joint research visits and internal investment publications and databases. Analysts covering the same industry in different parts of the world are grouped in "clusters" to compare similar companies in diverse markets on an ongoing basis.

## Decision-making

The multiple portfolio manager team



Portfolios are segmented, with each individual manager responsible for a portion, managing it as if it were a stand-alone portfolio. This allows for strong individual ideas to be acted upon while ensuring a diversity of ideas and continuity of management. The research analysts as a group also manage a portion of each emerging markets equity portfolio. The majority of the emerging market equity portfolio managers have over two decades of investment experience.

## CNA contact details

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**Security selection** Based on the research carried out by the analysts, portfolio managers look across countries and industry sectors in selecting stocks for client portfolios. Portfolio managers look for quality companies at attractive prices that will outperform their peers and the benchmark over time.

**Country and sector weightings** In keeping with Capital International's bottom-up philosophy, the weighting for any given country or sector is a reflection of their assessment of individual companies within that country or sector. Weightings are arrived at primarily through individual stock selection rather than through top-down judgments. Macroeconomic and political factors do, however, play a larger role in developing markets than in developed ones, and are taken into consideration.

## Implementation and risk control

**Risk management** The multiple portfolio manager system provides diversification of investment styles and ideas. The investment committee reviews each account regularly for adherence to investment policy and for compliance with account investment objectives.

**Portfolio Control** Capital International's independent Portfolio Control department further ensures strict adherence to guidelines. This department works closely with each portfolio manager and monitors client accounts, attends investment committee meetings and places trades with the trading department based on instructions from the portfolio managers and research analysts.

**Trading** Capital International manages a significant amount of institutional equity assets, enabling its trading department to take advantage of economies of scale in executing transactions for client portfolios. Trading is handled by associates in Los Angeles, Singapore and London, facilitating around-the-clock execution.

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