

All country world equity

Capital Guardian uses a seamless approach to managing all-country world portfolios, seeking to build a single portfolio containing “best-of-world” stocks rather than multiple portfolios containing “best-of-region” stocks. The line between developed and emerging markets is blurring. To take advantage of this trend, we use an integrated research process that compares companies cross-regionally and across sectors. Our managers choose what they believe are the best stocks globally for achieving long-term growth of capital and income. Our seamless approach results in a true bottom-up portfolio that looks beyond regional designations aiming to uncover the best investments internationally.

Objective

Long-term growth of capital and income by investing in companies in all countries.

Strategy characteristics

Invests in:

- Developed markets equities
- Emerging markets equities

Assets in strategy: \$3.4 billion*

Strategy inception date: 2001

Minimum account size:	Defined Contribution	\$0**
	Collective fund	\$10 million
	Separately managed	\$100 million

Benchmark: MSCI ACWI with net dividends reinvested

*Assets in strategy represent Capital Guardian and its global institutional affiliates as of March 31, 2010.

**Plan size minimum of \$250 million may apply.

Portfolio management team

Team averages 29 years of investment experience

- | | |
|-----------------|---------------------------|
| ■ Michael Cohen | ■ Lionel Sauvage |
| ■ David Fisher | ■ Alan Wilson |
| ■ Nancy Kyle | Research portfolio |

Global equity at Capital Guardian

Capital Guardian began managing domestic equity portfolios for institutional clients in 1968 and has offered international equity management since 1978. The Capital organization’s first emerging markets equity fund was launched in 1986, more than one year prior to the inception of the MSCI Emerging Markets Index. Our portfolios draw upon a deep pool of research conducted by more than 100 investment professionals, nearly half of whom are dedicated to international and emerging markets equity. Capital Guardian and its global institutional affiliates manage over \$90 billion in international equities as of March 31, 2010.

Investment process

A core belief in independent research, a long-term focus and diverse viewpoints through our multiple portfolio manager system define our investment process. As active managers, we believe that a comprehensive knowledge of companies in the global context in which they operate is a key to superior long-term investment returns.

The investment process begins with in-depth, independent research conducted by a large global team of analysts through visits to companies, their competitors, suppliers and other relevant parties. They also work with fixed-income and macroeconomic analysts when examining potential investments, especially in global industries such as energy, technology and materials, allowing managers the benefit of multiple views and vigorous discussion. Many of our analysts have made research their career, which affords long-standing relationships with the key people in the industries they follow. Analysts as a group are given assets to manage, each in their particular fields of knowledge and expertise. Because they manage money, analysts provide portfolio managers with clear signals about their strongest convictions.

The investment team consists of five portfolio managers, each of whom makes independent investment decisions. The different investment styles and approaches of the managers creates robust interaction with constant challenges to prevailing convictions and ideas, prompting frequent retesting of investment theses in each stock and market. We believe this allows us to create a portfolio of the team’s best ideas. The mandate manager helps ensure the team has the proper mix of complementary investment styles.

We have a comprehensive framework for addressing any risk. Our fundamental research process and multiple manager approach help diversify the portfolio. Capital Guardian’s independent portfolio control group monitors compliance with client guidelines. Our legal and compliance team reviews operations to help make certain we adhere to regulations in the markets in which we operate. A dedicated team of specialists monitors noninvestment risks in foreign markets.

Investment results

	Q210	YTD	1 year	3 years	5 years
All Country World Equity Stock Selection Composite ¹					
— gross ²	-11.45%	-9.83%	10.95%	-10.57%	1.09%
— net ³	-11.68	-10.29	9.85	-11.47	0.08
MSCI ACWI with net dividends reinvested ⁴	-12.12	-9.37	11.76	-10.51	1.16

Portfolio composition

	Portfolio ⁵	Index ⁴
Country exposure		
European Monetary Union	15.2%	11.6%
Other Europe ex. U.K.	4.7	5.1
United Kingdom	6.7	8.3
Pacific Basin ex. Japan	2.7	4.8
Japan	9.4	9.1
United States	37.3	43.0
Canada	2.4	4.5
Emerging markets	17.3	13.3
Sector exposure		
Energy	8.1%	10.7%
Materials	8.1	8.3
Industrials	7.1	10.3
Consumer discretionary	11.1	9.5
Consumer staples	10.7	10.0
Health care	8.8	8.9
Financials	15.0	21.0
Information technology	17.0	12.2
Telecom services	6.8	4.8
Utilities	3.5	4.3

	% of portfolio ⁵
Top five holdings	
Target	2.0
Roche	1.7
Nintendo	1.7
Procter & Gamble	1.5
Philip Morris International	1.4

	%
Turnover (one year)	59.82

Risk characteristics (based on monthly returns)

	Standard deviation		Information ratio		Tracking error	
	3 yrs	5 yrs	3 yrs	5 yrs	3 yrs	5 yrs
ACWE						
Stock Selection Composite ⁶	22.57%	18.70%	-0.02%	-0.03%	2.62%	2.52%
MSCI ACWI with net dividends reinvested ⁴	23.16	18.96				

Outlook and strategy

- As the euro zone's weaker economies struggle to produce credible plans to reduce their huge public debt burdens to more sustainable levels, the region's fragile recovery appears increasingly at risk. Even so, there are reasons for optimism. Corporate balance sheets remain very strong, earnings growth can be expected to continue, and business investment appears set to gather momentum. The developing world remains in better shape overall than developed markets, though some smaller European markets may come under further pressure. The portfolio is positioned to capitalize on these developments.
- Technology is a key theme in the portfolio: we have identified a number of companies that will benefit from a new product replacement cycle and increased capital spending as well as shifts in data use among both businesses and consumers. Telecommunications companies represent a dependable source of dividend income, and we continue to hold some large positions in the sector. Consumer staples stocks feature prominently in the portfolio, with managers attracted to the ability to increase profits during most phases of the business cycle. We have also increased investments in some consumer discretionary companies, particularly those with strong ties to fast-growing emerging markets. We have a more narrow focus in the financials sector, where regulatory scrutiny is intensifying and loan loss provisions among banks look likely to remain a factor.

All data as of June 30, 2010 unless otherwise specified.

Results are in US\$. Periods greater than one year are annualized. Results reflect the reinvestment of dividends, interest and other earnings.

¹Preliminary. Results are net of withholding taxes on dividends, interest and capital gains. Withholding tax rates apply primarily to U.S. institutional investors.

²Gross of management fees.

³Composite net results are calculated using the current highest management fees.

⁴MSCI ACWI with net dividends reinvested. All indices are unmanaged.

⁵Capital Guardian All Country World Equity Master Fund, distributing holdings in the Capital Guardian International (Non-U.S.) Small Capitalization Master Fund.

⁶Preliminary. Gross of management fees. The analysis is based on monthly data and periods greater than one year are annualized.

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