

**CAPITAL GUARDIAN TRUST COMPANY**  
**GLOBAL EQUITY: RUSSELL 3000 BENCHMARK**

FOR THE MONTH OF:                      **SEPTEMBER**                      **2016**

**MANAGER PERFORMANCE CALCULATIONS**

\* Annualized returns

	Last <u>Month</u>	Last <u>3 Months</u>	Last <u>1 Year</u>	Last <u>3 Years*</u>	Last <u>5 Years*</u>
Capital Guardian	0.74%	6.60%	12.40%	5.71%	12.53%
MSCI World	0.61%	5.30%	11.96%	5.17%	10.63%

**PERFORMANCE ATTRIBUTION & STRATEGY COMMENTS**

**Q3 2016 Market Review** • Stocks rebounded amid signs of stabilization in the global economy, strong earnings at bellwether companies and ongoing central bank stimulus measures. A “risk on” rally characterized the July-to-September period, following a highly volatile second quarter.

Technology and materials stocks led markets higher, while the utilities and telecommunication services sectors declined. High-grade bonds advanced and the U.S. dollar fell against the euro and the yen.

- U.S. stocks advanced, buoyed by the Federal Reserve’s decision to stand pat on interest rates, positive economic news and strong quarterly earnings reports from several companies. The Standard & Poor’s 500 Composite Index gained 4%, the Dow Jones Industrial Average rose 3% and the Nasdaq composite index soared 10%. Information technology stocks lifted the S&P index, surging 13% while dividend-oriented sectors lagged during the quarter. In bond markets, the Bloomberg Barclays U.S. Aggregate Index gained 0.5%. The yield on the benchmark 10-year Treasury note rose 11 basis points to 1.60%. Investment-grade corporate spreads to Treasuries ended 18 basis points tighter at 138 basis points.
- European stocks rebounded from steep losses experienced in the second quarter after U.K. voters shocked markets by opting to leave the European Union. Within three weeks of the June 23 Brexit vote, investor sentiment reversed course as it became evident that the European and U.K. economies would not suffer immediate consequences from the departure of a key EU nation. Overall, the MSCI Europe Index advanced 6% and the euro rose modestly against the U.S. dollar. In fixed income markets, European government bond prices rose amid market expectations for additional central bank stimulus measures. The yield on the U.K.’s benchmark 10-year note declined by 12 basis points to 0.75%. German yields were essentially flat.
- Japanese equities rebounded in the third quarter amid fresh stimulus measures after lagging most developed markets in the first half. Following years of large-scale quantitative easing, the Bank of Japan introduced a long-term interest rate target and the government announced a fiscal stimulus package. The MSCI Japan and MSCI Pacific indexes both rose 7%. The yen gained 1% against the U.S. dollar, and has appreciated 19% year to date.
- Emerging markets notched their strongest quarterly gain since early 2012 as U.S. interest rates remained unchanged and central banks globally provided further stimulus. Fiscal stimulus in China and attractive valuations in the developing world also helped boost sentiment. The MSCI Emerging Markets IMI climbed 9%, its year-to-date return to 15% — the best among major global equity indices. In the third quarter, technology stocks posted the strongest returns to lead all sectors. U.S. dollar-denominated bonds, as measured by the J.P. Morgan EMBI Global index, rose 4% as investors searched for higher yields in a low-rate environment. Local currency debt, as measured by the J.P. Morgan GBI-EM Global Diversified index, gained 3% in dollar terms.

**Q3 2016 Portfolio Review** • Above-benchmark position and stock selection in the Materials sector (LafargeHolcim +30.14% and ISR: Vale +14.49%) plus below-benchmark weighting in the Health Care sector propelled results.

- Stock selection in the Consumer Discretionary sector (Great Wall Motor +17.63% and Daimler AG +18.53%) also boosted performance.
- Stock selection in the United States helped on a relative basis. Contributors included holdings in NetApp, Inc. (+46.76%) and Incyte Corp. (+17.89%).
- Mexican holdings detracted from relative returns. Investments in stocks of ISR: America Movil and Grupo Sanborns SAB were down 5.17% and 14.42%, respectively.
- The 7% cash holdings and an above-benchmark position in Telecommunication Services sector dragged results.
- On an individual security basis, the top 3 contributors to relative returns were holdings in LafargeHolcim, ISR: Vale and ISR: Taiwan Semiconductor Manufacturing (+16.13%). The three holdings that most negatively impacted relative returns were ISR: America Movil, Grupo Sanborns and Mr. Price Group Limited (-21.64%).
- From a country perspective, stock selections in the United States, Switzerland and Brazil enhanced relative performance, while holdings in Mexico, South Africa, and Australia hurt relative results.

**ORGANIZATIONAL/PERSONNEL CHANGES**

None.

**ACCOUNT TURNOVER**

Gained:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
Lost:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
	Reason(s):	The account turnover reflects data for Capital's ACWE strategy during the month of August 2016.			

**MANAGER STYLE SUMMARY**

*Capital Guardian is a "bottom-up" manager, focusing on individual security selection in light of macroeconomic factors (country, sectors, currency). Capital Guardian's investment process is unique in that it is essentially a portfolio of 10 independently managed portfolios consisting of one U.S., one North America, three non-U.S., and five global managers (one of which is the research portfolio). Portfolio manager allocations are based on portfolio management experience.*

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**PORTFOLIO GUIDELINE COMPLIANCE**

SEPTEMBER

2016

Portfolio Guideline:	Index	CGTC	Calc	Min	Max	Compliance
B3. Security position <= 5% of the account @ purchase						ok
B4. Number of issues		203		200	250	ok
B5. Normal Country Exposures:						
United States		32%			75%	ok
Emerging Markets		17%			10%	check
The following are limited to the larger of 25% of the total portfolio or 2 times the MSCI World benchmark weight:						
Japan	8%	8%	1.0		25%	ok
United Kingdom	6%	7%	1.1		25%	ok
Germany	3%	2%	0.8		25%	ok
France	3%	4%	1.1		25%	ok
Switzerland	3%	5%	1.8		25%	ok
The following are limited to the larger of 10% of the total portfolio or 3 times the MSCI World benchmark weight:						
Other MSCI World (incl Can)	13%	25%	1.9		10%	ok
B6. Normal International Portfolio Characteristics (MSCI EAFE)						
Capitalization (wtd avg)	51.2	43.3	85%	60%	100%	ok
Price/Earnings (trail)	14.2	16.1	113%	80%	135%	ok
Dividend Yield	3.1	3.1	101%	80%	105%	ok
Price/Book Value	1.5	1.7	116%	90%	120%	ok
B7. Normal U.S. Portfolio Characteristics (Russell 3000)						
Capitalization (wtd avg)	112.9	127.0	113%	40%	75%	check
Price/Earnings (trail)	18.8	21.8	116%	90%	125%	ok
Dividend Yield	2.0	2.2	110%	70%	110%	ok
Price/Book Value	2.4	3.2	132%	70%	105%	check
C1. Currency or cross-currency position <= value of hedged securities						ok
No executed forward w/o a corresponding securities position.						ok
C2. Max forward w/ counterpart <= 30% of total mv of account						ok
F2. Brokerage commissions not to exceed \$0.05/share for U.S. equities						ok
F3. Annual turnover		64%			120%	ok
The portfolio is in compliance with all other aspects of the Portfolio Guidelines						<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**MANAGER EXPLANATIONS FOR DEVIATIONS FROM PORTFOLIO GUIDELINES**

- B6. Dividend Yield: Through our bottom-up stock selection process, we are holding names that on average have a relatively low dividend yield.
- B6. Price/Book Value: Through our bottom-up stock selection process, we are holding names that on average have a relatively high price to book value.
- B7. Capitalization (wtd avg): Through our bottom-up stock selection process, we are holding names that on average have a relatively high market capitalization.
- B7. Price/Book Value: Through our bottom-up stock selection process, we are holding names that on average have a relatively high price to book value.
- B4. Number of Issues:
- F2. Commissions: