

# Seagate GLOBAL

## Due Diligence and Return on Capital Study

on

**William Lawton**  
CEO, Seagate Global Group

Prepared at the Request of

**The Government of Malaysia**

*2015*

This study was prepared in this format at the request of the Government of Malaysia for their internal purposes and should not be used by others to make investment decisions. It is not presented as an audited track record or an investment vehicle that can be invested in. Past performance is no guarantee of future returns. This is neither an offer to buy or sell securities. The study represents the integral footnotes for the calculations presented herein.

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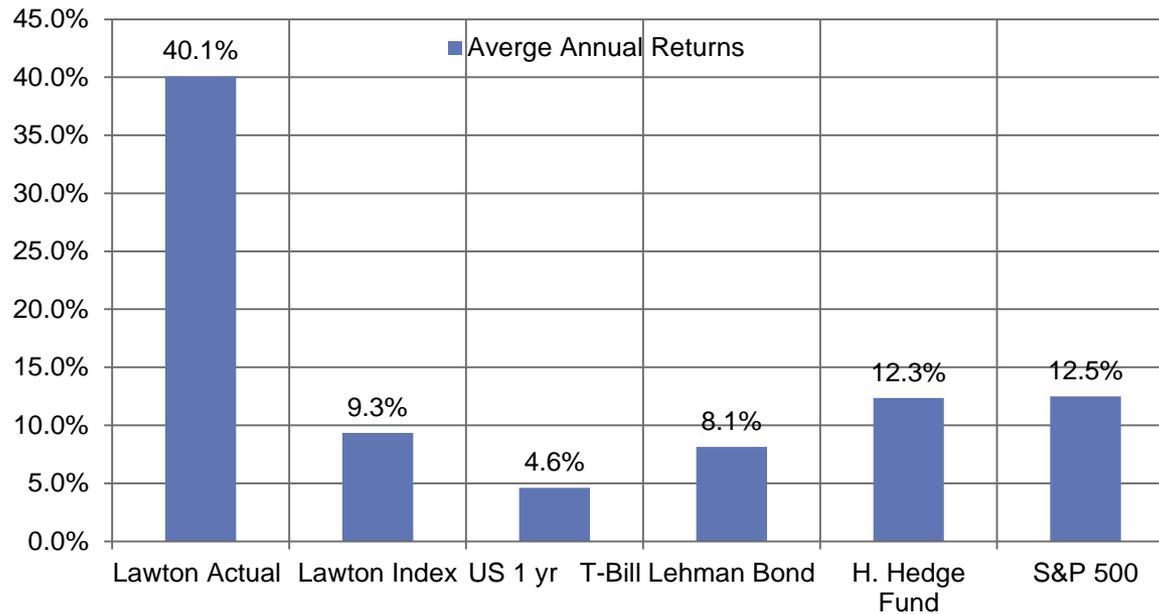
**The Government of Malaysia** requested comprehensive background information and return on capital analysis for William Lawton for capital he managed, traded or supervised over his 30 year career as investment manager, trader and financier as part of its due diligence with respect to various projects Malaysia and Mr. Lawton are jointly pursuing.

Some key observations of the analysis include:

- Using the methodology described in detail in this report, the Lawton Return on Capital Composite for the period 1983-2012 was 40.1% per year vs the composite index of 9.3%.\*
- Lawton had some extraordinary trading years in fixed income derivatives (1984-1988) when he produced average annual returns of 395% per year.\*
- Excluding fixed income derivative returns, the Lawton Composite ex- FI Derivatives drops to 15.1% per year for the period 1983-2012 vs the index of 9.3%.\*
- Lawton's focus of ROC (return on capital) vs AUM (assets under management) helped to produce a high ROC
- Lawton focused on country selection and asset allocation first, placing capital in front of very large macro trends that he identified, including:
  - The rise of Japan from 1972 to 1990
  - The bull market in fixed income from the peak in rates in 1982 to 2009
  - The rise of China from 1993 to today
  - Fixed income derivatives at the inception of those markets in 1984 to 1988
  - The trend toward global investing from the beginning of his career to today
  - The integration of ASEAN countries starting in 2008 to present
- Lawton's disciplined research and investment process using The Lawton Bond Model and the Lawton Investment Model gave him an edge in analyzing potential opportunities and markets.
- Lawton's investment process helped him avoid (or even profit from) many of the big market dislocations over his career.
- Lawton's performance was aided by his ability to understand and use a variety of instruments to manage risk in all market conditions.
- Lawton's training as an international economist assisted him in analyzing international economic and market trends which helped him in country selection and asset allocation.
- Lawton put together talented investment teams that contributed to the performance.
- Lawton's current focus is on the growing countries of SE Asia such as Malaysia.

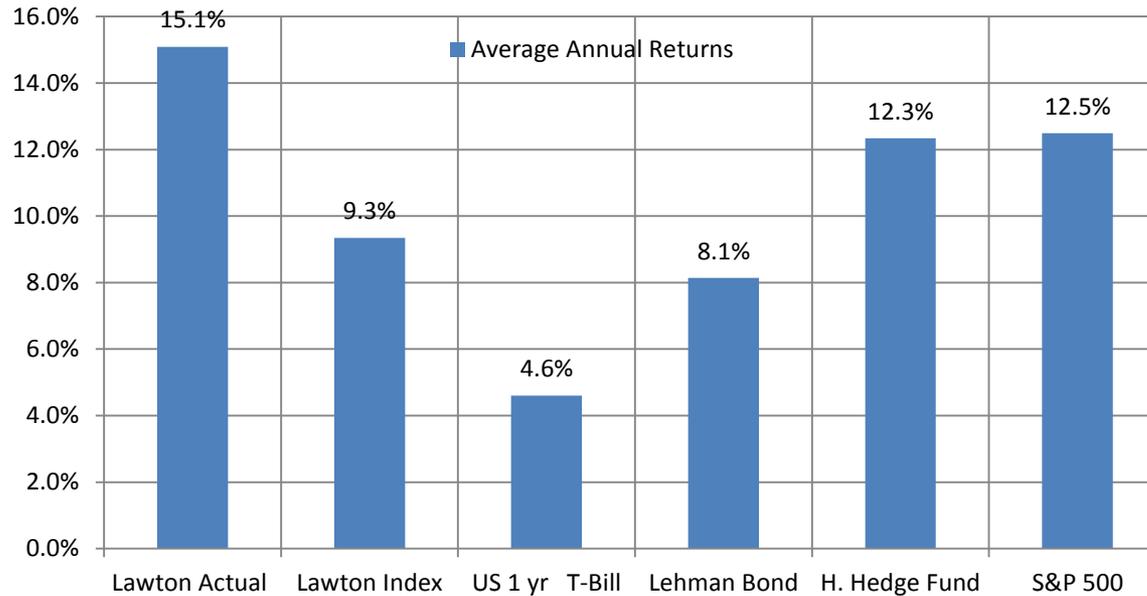
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## Lawton Return on Capital Composite 1983-2012 Comparison to Various Indices

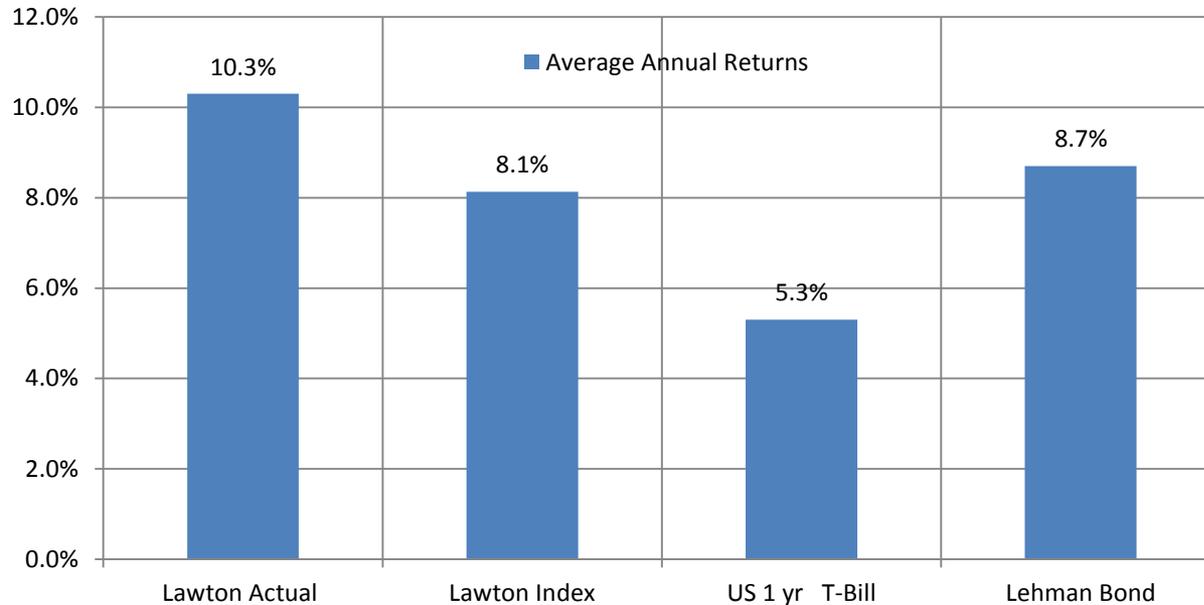


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## Lawton Composite ex-FI Derivatives 1983-2012 Comparison to Various Indices



## Lawton Fixed Income Career Composite 1983-2009 Comparison to Various Indices



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## The Government of Malaysia requested the following information:

1. Educational background of Mr. Lawton.
2. Comprehensive work experience of Mr. Lawton.
3. Return on capital analysis for William Lawton for capital he managed, traded or supervised over his 30 year career as investment manager, trader and financier.
4. For each year for each strategy in which Mr. Lawton traded, managed or supervised provide annual return on capital.
5. Provide a “Seagate Global Investment Composite” with annual returns and comparison to the composite index weighted by assets.
6. Provide a linked “Lawton Career Return on Capital Composite” for the portfolios listed above weighted by assets.
7. For the Seagate Global Investment Composite and the Lawton Career Composite, include an asset weighted average annual return, an asset weighted index average annual return, comparison of the composite return to index return by year, the average annual return of both composites and both indices and other relevant statistical analysis which will provide insight into the investment returns and performance of Seagate Global and Lawton.
8. In addition to the information provided above, provide any qualitative commentary you deem relevant.
9. Please provide information as to Mr. Lawton’s investment philosophy.
10. Include annual return of T-Bills, Lehman Aggregate Bond Index (now Barclays), the S&P 500 with dividends included, and the Hennessee Hedge Fund Index.
11. Please include information on risk management capabilities, strategies and actions taken with results and commentary.

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## William Lawton

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1996-Present	Chairman & CEO <u>Seagate Global Group, Ltd., HK</u>
2011-2015	Adjunct Professor of Investments <u>Tsinghua University, Beijing</u>
2002-Present	Director CEO (2002-2008) SeaBright Asset Management, Ltd., HK (JV with China Everbright Ltd.)
2004-2013	Director <u>Citic Capital Management, Ltd., HK</u>
1992-1995	Senior Vice President, Global Fixed Income <u>Trust Company of the West, LA</u>
1993-2008	Advisor <u>People's Bank of China, Beijing</u>
1988-1992	Co-Chief Investment Officer <u>Nikko Capital Management, NY</u>
1984-1987	Head Trader, Fixed Income Derivatives <u>First Interstate Bank, LA</u>
1982-1984	Manager of Investments <u>Fireman's Fund Insurance Company, SF</u>
1976-1979	International Banking Officer <u>Sumitomo Bank, SF</u>
1979-1980	MBA, Finance <u>Columbia University, NYC</u>
1974-1976	MA International Economics <u>Monterey Institute of International Studies</u>
1970-1972	BA, Economics <u>University of California, Berkeley</u>



**William Lawton, Chairman**

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## Discussion

(These Notes and Commentary are an integral part of this study.)

## Background and Methodology

The Government of Malaysia asked for a detailed analysis on capital returns for each portfolio or trading book that Lawton either managed, traded or supervised over his career including a linked composite. They also asked for an asset weighted composite for Seagate Global as well as a Lawton Career Composite. This requires linking together performance from different institutions and prior affiliations which is not AIMR compliant, nor supported by prior institutions. AIMR maintains that prior institutional performance may only be presented as supplemental information. Therefore, any performance prior to Seagate's formation in 1996 is supplemental, and former institutions have no responsibility for nor endorsement thereof. The information was required by the Government of Malaysia.

Many of the portfolio returns listed here were independently audited by the relevant institutions at the time of reporting. Many of the results were from SEC registered financial advisory firms or regulated financial institutions (e.g., insurance company and bank), and results were computed by those institutions per accepted standards and regulatory oversight. Several portfolio results were from unaudited portfolios, but for which the results provided are deemed to be accurate. In some cases a significant amount of leverage was used, especially in fixed income derivatives, and the capital allocated to the portfolio by the institution is what is used to calculate the return on capital in those cases.

There was no one investment vehicle that an investor could have invested from 1983- 2012 and compounded the returns presented. Also, a variety of markets and strategies are involved, and comparison to some indices may be misleading. Composite asset weighted returns and indices were prepared to provide an overall performance measure and comparison, and various other indices are provided for the same time periods of the portfolio for additional information and convenience only. All return numbers are net of fees and brokerages.

The return on career capital format was specifically prepared for the internal purposes of the Government of Malaysia and is not presented as audited investable vehicle or track record, and should not be used to make investment decisions nor does it imply future investment returns. Neither is this a offer to buy or sell securities in Hong Kong, the home of Seagate Global Group Ltd., or any other jurisdiction outside of Hong Kong.

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## Overview of Lawton's Investing Principals

- Modern markets are the single most powerful tool to help improve the human condition.
- Focusing on what helps people and the planet can actually increase, not decrease, returns.
- A disciplined approach to risk management is a key to producing consistent superior investment returns.
- Early identification and entry into positively trending inefficient markets produces high returns.
- Aggressive global asset allocation between countries and asset classes is a key driver to superior returns.
- Markets are complex discount mechanisms. Different markets discount information differently. Some markets are more efficient than others. It is easier to produce superior risk adjusted returns in less efficient markets.
- Markets are a function of human nature which we consider in every investment
- Understanding a market's structure and the motivation and stimuli that cause the market participants to buy or sell in that market can provide an edge.
- The same type of market may operate differently in different countries based on culture, economic and other factors, making it necessary to adjust process for the country.
- Markets are organic, and evolve over time, therefore Seagate has a process that identifies fundamental changes in markets, and adjusts asset allocation and strategies accordingly.
- Seagate's investment process is forward looking based on what we expect to happen, not backward looking based on historical information or models as many strategies are.
- Economic incentives work (tax policy, tariffs, regulations, supervision).
- The development of China is the single most important economic event of this era, thus we focus on our China relationships to provide Seagate with a competitive edge.

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## Overview and General Approach to Markets

One of the challenges to understand Lawton's 30+ year career as a banker, trader and investor is that his investment philosophy and process caused him to end up with what on the surface may appear a random variety of countries, markets, investment vehicles and instruments. The opposite is true, and will be explained.

Typical practice is to specialize in a market and then attempt to outperform that market, and judge performance based on actual results versus the index for that market. Lawton believes this approach is flawed because it causes the investment manager to spend most of their time on security selection rather than market analysis and asset allocation. Lawton believes that the asset allocation decision is responsible for 90% or more of portfolio returns, not security selection. General thinking on markets is that financial markets are efficient and higher return requires greater risk. Lawton disagrees.

Instead Lawton focused on analyzing the intersection of economic growth and markets, and sought low risk/high absolute return situations. This caused him to analyze a variety of markets around the world, use various instruments and strategies to benefit from market inefficiencies, and even help create new markets when none existed such as in fixed income derivatives or China private equity because this is where the inefficiencies were the greatest and the risk adjusted return on capital the highest. This approach partially explains why Lawton's career return on capital is relatively high.

Lawton did his Master's degree thesis on the post-war economic development of Japan, and documented how Japan had unlocked the formula to sustainable economic development, even in a country with limited material resources. He early in his career focused on Japan, and later looked around the world for other countries that were following a similar pro-growth development model as Japan's to invest in. For example he identified China in 1993 as a country that would develop more quickly than Japan, but was 10 times larger than Japan, and this would change the global financial landscape. His acting on this single insight is another explanation of why Lawton produced a relatively high career return on capital.

Lawton never viewed performance versus an index as the correct measure for investment performance nor volatility as the correct definition of risk. Rather, Lawton views absolute positive returns under all market conditions as the investment objective, and return on capital as the correct measure of performance. He developed forward looking measures of risk incorporated in models such as The Lawton Bond Model and the Lawton Investment Model rather than rely on backward looking measures. This helped him to avoid or profit from many of the big market dislocations over his career.

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By identifying low risk/high return opportunities Lawton then strategically looked to add leverage to increase returns when prudent and feasible. The judicious use of leverage helped “turbo-charge” Lawton’s career return on capital.

Lawton’s first job in finance was as International Banking Officer at Sumitomo Bank where he learned credit analysis and international banking. He went back to business school at Columbia University to improve accounting and finance skills.

## **Year by Year Return on Capital Discussion- 1983 to 2012**

In early 1982 Lawton saw that long term interest rates above 15% meant a bull market in bonds would ensue. He obtained a position in bond management at Fireman’s Fund Insurance Company. He identified the new mortgage securities market as inefficient, and constructed a unique strategy of buying specified pools of mortgage securities. Lawton produced returns of 8.8% in 1983 and 14.0% in 1984, outperforming the Lehman Bond Aggregate index by 0.7% and 0.8% respectively. He had analyzed the new mortgage securities market and identified inefficiencies that directly lead to him producing better than market returns. This experience convinced him that financial markets did have inefficiencies that could be exploited. Also the entry into fixed income at the beginning of a 25 year bull market in bonds contributed to his high career ROC.

Another lesson from the Fireman’s Fund position was that he used interest rate swaps to manage the risk in the bond portfolios, and he became intrigued with the investment possibilities of that new market, and took a job as Head FI Derivatives Trader at First Interstate Bank, now part of Wells Fargo Bank, to develop a trading books in the instruments.

The interest rate swap market was new in 1984. Lawton had to develop management techniques from scratch. How was one to analyze and manage individual positions and a portfolio of positions? Lawton devised new models and techniques to manage large complex derivative portfolios. He wrote several papers on the subject which were published by Euromoney Books, and Euromoney dubbed Lawton’s First Interstate derivatives team one of the 5 best in the world in 1986.

The fixed income derivatives market drew Lawton because it was a rapid growth market, provided useful products, created value, was low risk when properly managed, had very high margins, and was ideal to apply leverage to increase return on capital. Lawton and his team built a US\$20 billion trading book and produced over \$100 million of income for First Interstate Bank. He set up a similar operation for Nikko Securities. Between 1984 and 1988 Lawton’s trading books produced an average return on capital of 395% *per year*. These years greatly increased Lawton’s career ROC, and taught him many lessons that he would later apply to other markets.

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As more players started to come into the fixed income derivatives markets Lawton saw that margins were falling, so he looked around for the next big opportunity. He identified global fixed income as a good place to focus, and took the position of Co-Chief Investment Officer, Fixed Income, at Nikko Capital Management, a firm with global assets under management of \$16 billion in 1989. The contraction of derivative market margins further convinced Lawton that financial markets evolve and become more efficient over time, therefore to continue to earn a high ROC it was important to move to less efficient high margin markets.

At Nikko Lawton designed a new approach to fixed income markets he called “The Lawton Bond Model.” He started managing a short-term global fixed income strategy, a long-term fixed income strategy, and a convertible bond strategy. He also identified a niche market opportunity in Mexico T-bills and launched a product on it that returned over 20% a year for 3 years. Asset weighted Investment returns were: 1989, +14.4; 1990, 10.2%; 1991; 21.3% and 1992, 18.8%. (More detail for these and all portfolios can be found further in this analysis.)

In late 1992 Lawton moved back to California from NY as SVP, Global Fixed Income, at a large asset management company and set up a global bond investment department.

He launched ST and LT global fixed income products similar to what he managed at Nikko. His asset weighted returns at that company were: 1993, 16.6%; 1994, 1.7%; and 1995, 18.8%.

While at that company, in 1993 Lawton made a presentation to the People’s Bank of China (PBOC), China’s central bank, and was hired as an outside advisor by PBOC to help modernize the bank, which he did. Lawton saw China as the next country to specialize in as there were no financial markets to speak of, and that spelled opportunity to him.

In 1996 Lawton set up his own independent company, Seagate Global Advisors, to assist PBOC in managing its growing assets. Lawton and PBOC maintained an advisory and brokerage relationships until 2008.

PBOC was Seagate’s first and most important client. Lawton set up ST and LT global fixed income strategies for PBOC, and worked with Banker’s Trust on a large structured bond portfolio. Seagate started several FI related hedge funds that generally did well. Several of those funds experienced several poor years, primarily due to having to sell off the portfolios in illiquid market conditions to provide liquidity to large shareholders.

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In 2002, one of Lawton's contacts from PBOC whom was promoted to CEO of China Everbright, one of China's largest state owned companies, asked Lawton to set up their asset management function. Seagate and China EverBright Ltd., (CEL) set up an asset management joint venture. Lawton determined that the best opportunity at that time was to focus on the pre-IPO sector of the private equity market in China given very low valuations for pre-IPO investments and poor prospects for the public stock market in China. The company was 65% owned by CEL and 35% by Seagate Global. Lawton was appointed CEO, while also remaining the CEO of Seagate Global.

The company was named SeaBright Asset Management. SeaBright launched one of the first private equity funds for foreign investors in China in 2004 with \$50 million primarily from Seagate and CEL. Another such fund was launched in 2007 with \$200 million. The first fund, SeaBright China Special Opportunities Fund I, did extremely well, and averaged 26% a year from 2004 to 2012. Lawton resigned as CEO of SeaBright in 2008, therefore results for Fund II are not included here, but that fund is performing well, though not as well as Fund I as more PE companies enter China. SeaBright was one of the first private equity companies in China, today there are over 7,000 such firms, and margins in deals are nothing like they were in 2004, so Lawton exited that market.

In 2008, Seagate's flagship fund, the HFR Macro Seagate Fund was up +17.6% versus the Hennessee Hedge Fund Index of -19%. In 2009 Lawton decided Seagate would exit the hedge fund space and focus on other things. HFR Macro Seagate strategy which was started in 2000 and ended in 2009 by Seagate averaged 13.3% per year with relatively low volatility.

After 2010 saw opportunities in China diminishing, and the integration of Southeast Asia as the next geographic area of focus, including Malaysia. Lawton focused more on working with governments directly on a new economic development approach partly designed and funded by Lawton called POGE for Programs of Global Excellence. POGE now has over 150,000 member families.

Because Lawton is working closely with governments, he is being asked to raise more funds for POGE's in different countries. From that, Lawton is seeing new investment opportunities not seen by many funders, and finding opportunities that meet his high return on capital expectations. He has operations now in Malaysia, the Philippines and Papua New Guinea. Since he has primarily been managing his own funds since 2012, the study ends in 2012.

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## Seagate Global Group Return on Capital Composites and Methodology

The Seagate Composite includes strategies of high grade fixed income accounts, global fixed income and emerging markets accounts, hedge funds which are primarily fixed income oriented, several non-discretionary FI accounts and private equity. For clarity three sub-component indices were constructed: fixed income; hedge fund and private equity.

The Seagate Global Group return on capital composite index covers the years 1996 to 2012. Seagate's average annual asset weighted capital return during that 16 year period for all strategies supervised, managed or traded by Mr. Lawton was 13.9% per year. The asset weighted index return for that period for all Seagate accounts was 5.7%, so average annual outperformance versus the composite index was +8.2% per year.

The Seagate Global Fixed Income Composite covers the years 1996-2009 and had an average annual return of 7.9% versus its asset weighted index of 5.5%, producing 2.4% above its index over the 13 year period. The Lehman Aggregate bond index averaged 6.1% over the same period. Seagate outperformed the Lehman Agg by an average 1.8% a year for 13 years with lower downside volatility.

The Seagate Global Hedge Fund index returned 13.3% per year on average from 2000 to the middle of 2009. For comparison over the same period, the Hennessee Hedge Fund Index averaged 9.0%, the Hennessee Macro Hedge Fund Index averaged 6.4%, the S&P 500 2.2%. The strategy was closed by Seagate in 2009 to focus on POGE and direct investing as more competition entered the space and Lawton's perception of a coming negative regulatory environment.

In private equity, the SeaBright China Special Opportunities Fund I produced an average annual return of 26% per year from 2004 to 2012. Due to the difficulty of calculating yearly returns, average return per year was used for every year, this has the impact of reducing the PE return volatility which was higher. There is no exact index for China PE over that period, but the Shanghai Stock Exchange was up of 1.6% as year during this period. Lawton's decision to focus on the private equity market in China instead of the public equity market there helped produce returns of over 20% per year better than the public market. This is another example of a decision that Lawton made that positively impacted his career ROC. For comparison average annual returns for several indices over the same period are: Cambridge Associates Private Equity Index for the US, 13.8%; The Hennessee Hedge Fund Index of 6.3%; the S&P 500, 5.6%.

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Fixed income and hedge fund strategies were exited mid-2009 as Lawton expected that FI market returns and the regulatory environment going forward would make it hard to keep FI performance at high levels. In Lawton's view, the big bull market in bonds that started just about the time he started managing bond portfolios at Fireman's Fund in the early 1980's was close to over, and it was time to look for better market opportunities.

While Lawton actively managed, traded and/or supervised all the accounts listed, talented portfolio managers, traders, risk managers and researchers also contributed to performance results. It is an underappreciated talent to be able to put together the right team which Lawton demonstrated in putting together six investment operations, but the valuable contribution of the individuals must be acknowledged.

In the tables that follow, where feasible, a composite index is provided which is asset weighted using the relevant index for each portfolio for the same time period. Additional indices are included for comparison purposes only. Some comparisons may not be relevant to some readers.

## **Lawton Career Return on Capital Composites and Methodology**

The Lawton Return on Capital Composite was created per the Government of Malaysia's guidelines and covers the years 1983 to 2012. Lawton's average annual performance during that 30 year period was 40.1% per year. The asset weighted composite index for over that period for all accounts managed, traded or supervised by Lawton over that 30 year period was 9.3%, with an average annual outperformance of 30.7% per year.

The relatively high average annual returns Lawton produced are pulled up sharply by the period of 1984-1988 in which Lawton was the Head Trader for two fixed income derivatives operations. Therefore, in order to provide additional insight into Lawton's performance in markets other than fixed income derivatives, several additional indices were created.

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The fixed income derivative returns were broken out separately and produced average annual returns of 395% per year from 1984-1988. This helps the reader to understand one of the reasons Lawton's career returns are so high, and also running the composite without them helps the reader to understand that Lawton performed well in other markets as well, though it is hard to replicate the exceptional 1984-1988 period.

Then, the 30 year Lawton Composite was re-run. For the years 1984-1988, the actual derivative performance was taken out, and the higher of the Hennessee Hedge Fund Index or the S&P 500 return for each year was used.

That index is labelled Lawton Career Composite Index-ex Fixed Income Derivative Trading and returned 15.1% per year versus the relevant index of 9.3% for an average annual outperformance over the index of 5.8%. This index includes private equity and convertible bond portfolios in addition to fixed income portfolios.

The final Lawton composite return on capital index focuses only on fixed income. The private equity portfolio returns and convertible bond portfolio returns were excluded. The HFR Macro Seagate Fund was included as it was primarily an unconstrained fixed income strategy but included other instruments as well. For the fixed income derivative years 1984 to 1988, the returns of the Lehman Aggregate Bond Index were used.

The Lawton Career Composite Fixed Income Index had an average annual return of 10.3% versus the relevant index of 8.1%. Lawton outperformed his fixed income index by an average 2.2% per year for 30 years and the Lehman Aggregate Bond Index by 1.6% a year over the 30 year period.

There was no single fund or investment vehicle to invest in and compound the returns cited in this study. Some academics believe it is easier to produce higher rates of return on smaller principal amounts which may have helped Lawton to produce the returns cited in this report.

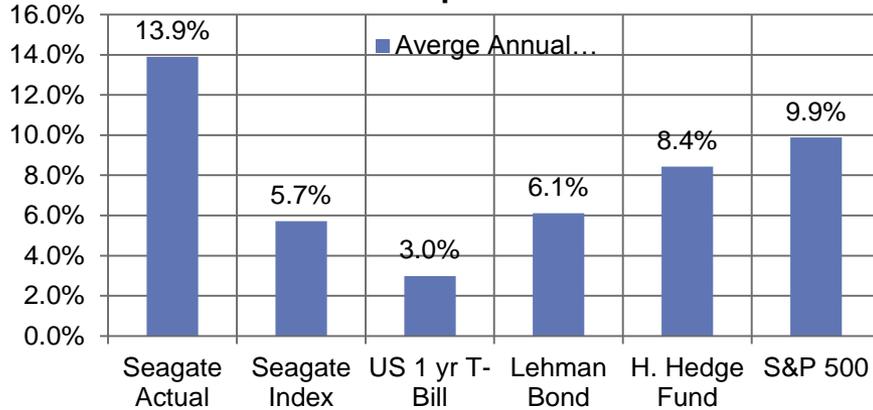
These results are presented graphically below in which all the discussion above apply to those graphs. Also, there is additional supplemental detail by company or employer, information on risk management and investment philosophy. The study ends with a select group of pictures describing Seagate and Lawton's activities.

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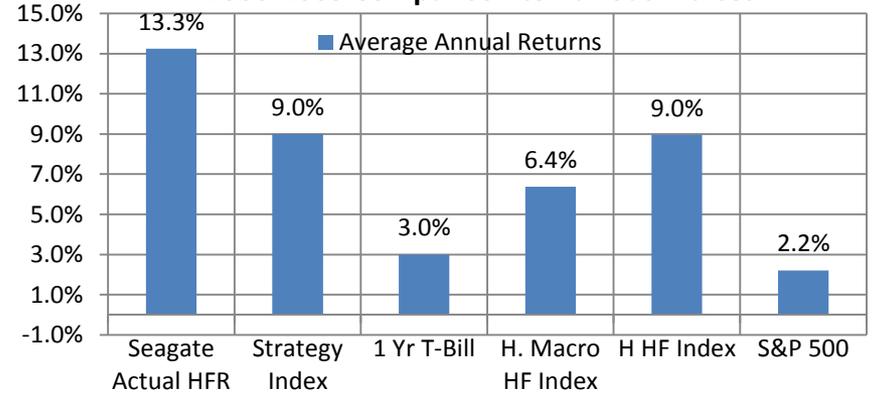
Year	Lawton Career Composite	Lawton Composite Index	Assets Under Management (\$1,000's)	US 1 YR T- Bill	Lehman Aggregate Bond Index	Hennessey Hedge Fund Index	S&P 500 Index w/Dividends
1983	8.8%	8.1%	\$1,130.0	9.1%	8.1%	22.6%	22.6%
1984	29.5%	15.5%	\$1,977.0	10.2%	15.2%	6.3%	6.3%
1985	540.0%	20.0%	\$13,000.0	8.1%	22.1%	31.7%	31.7%
1986	820.0%	20.0%	\$20,000.0	6.8%	15.3%	18.7%	18.7%
1987	390.0%	20.0%	\$20,000.0	6.7%	2.8%	12.0%	5.3%
1988	165.2%	20.0%	\$350.0	7.6%	7.9%	20.8%	16.6%
1989	14.44%	13.95%	\$76.0	9.2%	14.5%	24.6%	31.7%
1990	8.87%	7.30%	\$255.4	8.1%	8.9%	12.0%	-3.1%
1991	20.83%	24.29%	\$1,342.0	5.7%	16.0%	25.8%	30.5%
1992	18.18%	17.32%	\$1,644.0	3.5%	7.4%	15.6%	7.6%
1993	16.59%	8.44%	\$269.0	3.0%	9.8%	25.7%	10.1%
1994	1.65%	-0.91%	\$361.0	4.2%	-2.9%	0.2%	1.3%
1995	18.00%	14.03%	\$422.0	5.8%	18.5%	17.7%	37.6%
1996	12.1%	4.5%	\$200.0	5.3%	3.6%	19.1%	23.0%
1997	11.8%	7.5%	\$200.0	5.5%	9.6%	18.2%	33.4%
1998	9.8%	6.4%	\$333.5	5.4%	8.7%	1.4%	28.6%
1999	5.7%	3.8%	\$342.3	5.0%	0.8%	30.8%	21.0%
2000	4.5%	2.6%	\$86.6	6.2%	11.6%	8.2%	-9.1%
2001	11.2%	4.4%	\$57.5	3.9%	8.4%	4.4%	-11.9%
2002	-15.1%	-2.9%	\$113.7	1.7%	10.2%	-2.9%	22.1%
2003	29.1%	18.8%	\$36.7	1.1%	4.1%	18.8%	28.7%
2004	16.6%	9.5%	\$109.0	1.4%	4.3%	8.3%	10.9%
2005	17.5%	6.5%	\$108.2	3.2%	2.4%	7.9%	4.9%
2006	11.6%	12.4%	\$110.5	5.0%	4.3%	11.4%	15.8%
2007	11.6%	7.9%	\$145.5	5.0%	6.9%	11.2%	5.5%
2008	20.1%	-27.4%	\$80.0	1.9%	5.2%	-19.8%	-37.0%
2009	20.5%	20.2%	\$92.0	0.2%	5.9%	25.2%	26.5%
2010	26.0%	15.1%	\$50.0	0.2%	6.5%	9.9%	15.1%
2011	26.0%	2.1%	\$50.0	0.1%	7.8%	-4.6%	2.1%
2012	26.0%	16.0%	\$50.0	0.1%	4.2%	7.0%	16.0%
<b>Average Annual Return:</b>	40.1%	9.3%		4.6%	8.1%	12.3%	12.5%

# Seagate GLOBAL

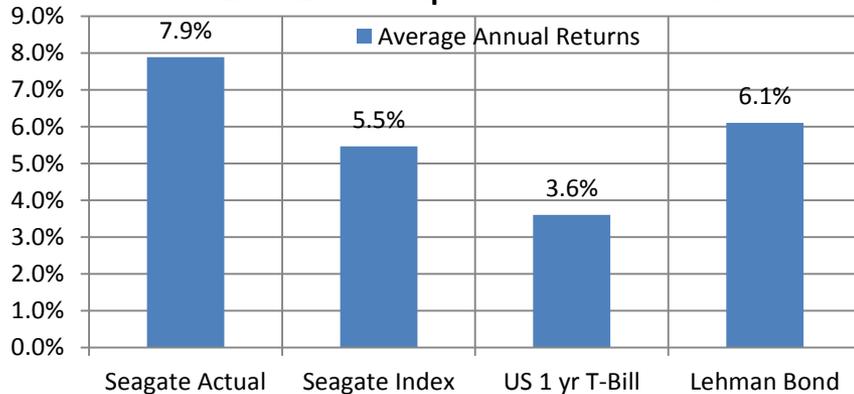
**Seagate Global Group Composite  
1996-2012 Comparison to Various Indices**



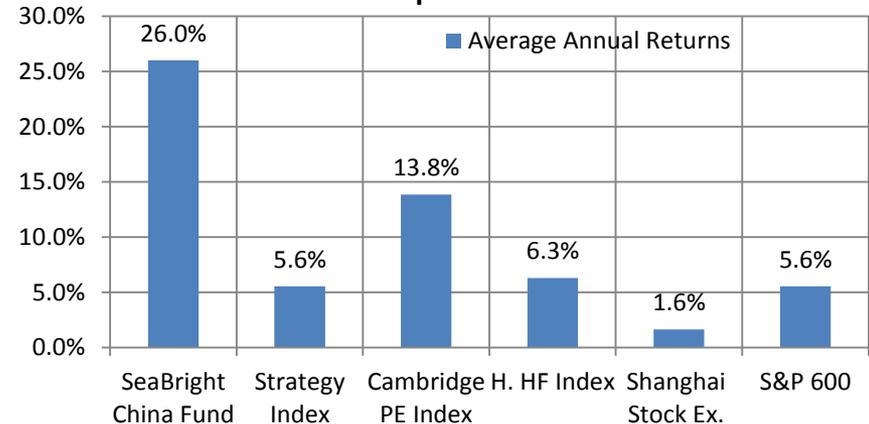
**Seagate Global HFR Hedge Fund  
2000-2009 Comparison to Various Indices**



**Seagate Global Fixed Income Composite  
1996-2009 Comparison to Various Indices**

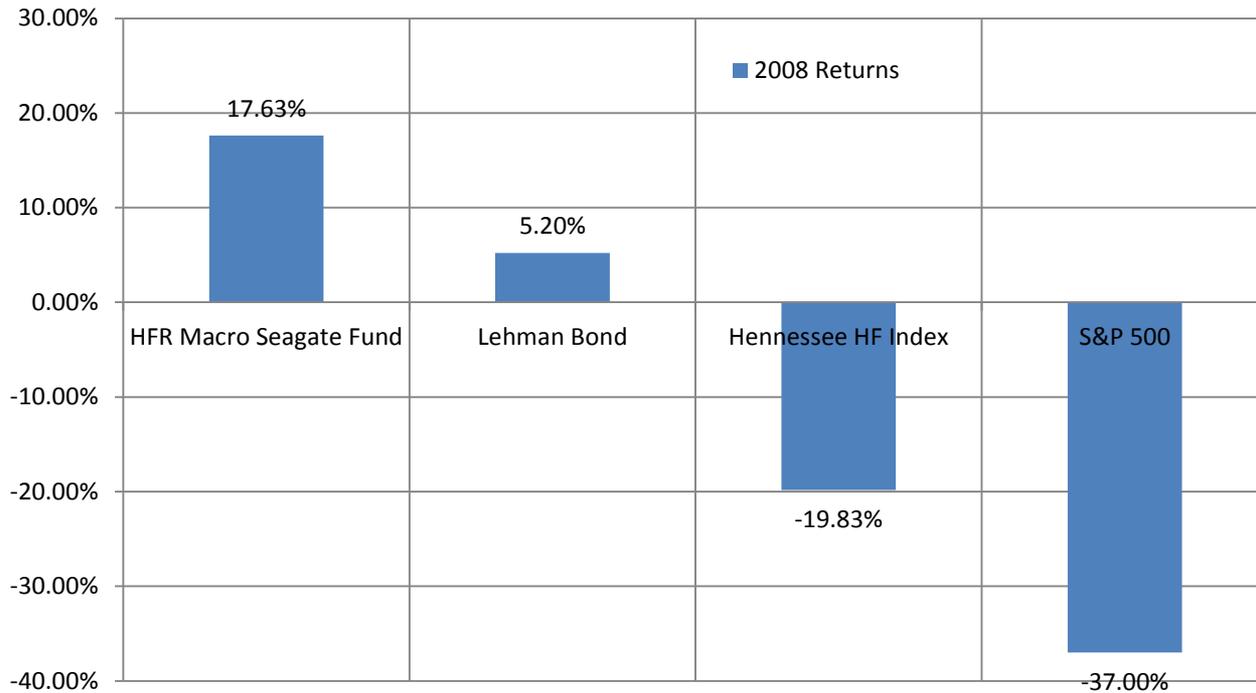


**Seagate Global Private Equity  
2002-2012 Comparison to Various Indices**



# Seagate GLOBAL

## Seagate Global 2008 Performance Comparison to Various Indices



# Seagate GLOBAL

<b>Lawton Composite Performance</b>		<b>Average Annual Return</b>	<b>Asset Weighted Composite Index</b>	<b>1 Yr T-Bill</b>	<b>Lehman AGG</b>	<b>Hennessee Hedge Fund Index</b>	<b>S&amp;P 500 W/Divs w/Divs</b>
Lawton Career Composite All Asset Classes	1983-2012	40.1%	9.3%	4.6%	8.1%	12.3%	12.5%
Lawton Composite Fixed Income Derivative Trading	1984-1988	395.0%	20.0%	na	na	na	na
Lawton Career Composite ex- Fixed Income Derivatives	1983-2012	15.1%	9.3%	4.6%	8.1%	12.3%	12.5%
Lawton Career Composite Fixed Income	1983-2009	10.3%	8.1%	5.3%	8.7%	na	na
<b>Seagate Global Group Performance</b>		<b>Average Annual Return</b>	<b>Asset Weighted Composite Index</b>	<b>1 Yr T-Bill</b>	<b>Lehman AGG</b>	<b>Hennessee Hedge Fund Index</b>	<b>S&amp;P 500 W/Divs w/Divs</b>
Seagate Global Group Composite	1996-2012	13.9%	5.7%	3.0%	6.1%	8.4%	9.9%
Seagate Global Group Fixed Income Composite	1996-2009	7.9%	5.5%	3.6%	6.1%	9.4%	9.7%
		<b>HFR Seagate Global Macro</b>	<b>Strategy Index</b>	<b>1 Yr T-Bill</b>	<b>Hennessee Macro Hedge Fund Index</b>	<b>Hennessee Hedge Fund Index</b>	<b>S&amp;P 500 W/Divs w/Divs</b>
Seagate Global Group Hedge Fund	2000-2009	13.3%	9.0%	3.0%	6.4%	9.0%	2.2%
		<b>SeaBright China Special Opp Fund</b>	<b>Strategy Index</b>	<b>Cambridge Assoc PE Index (US)</b>	<b>Hennessee Hedge Fund Index</b>	<b>Shanghai Stock Exchange</b>	<b>S&amp;P 500 W/Divs w/Divs</b>
Seagate Global Group Private Equity	2004-2012	26.0%	5.6%	13.8%	6.3%	1.6%	5.6%

# Seagate GLOBAL

<b>Average Annual Performance vs Ave Ann Index Performance</b> (Actual Performance-Index Return)			<b>Actual vs Asset Weighted Composite Index</b>	<b>Actual vs 1 Yr T-Bill</b>	<b>Actual vs Lehman AGG</b>	<b>Actual vs Hennessee Hedge Fund Index</b>	<b>Actual vs S&amp;P 500 W/Divs w/Divs</b>
Lawton Career Composite All Asset Classes	1983-2012		30.7%	35.5%	31.9%	27.7%	27.6%
Lawton Career Composite ex- Fixed Income Derivatives	1983-2012		5.8%	10.5%	7.0%	2.8%	2.6%
Lawton Career Composite Fixed Income	1983-2009		2.2%	5.0%	1.6%	na	na
<b>Seagate Global Group</b>			<b>Actual vs Asset Weighted Composite Index</b>	<b>Actual vs 1 Yr T-Bill</b>	<b>Actual vs Lehman AGG</b>	<b>Actual vs Hennessee Hedge Fund Index</b>	<b>Actual vs S&amp;P 500 W/Divs w/Divs</b>
Seagate Global Group Composite	1996-2012		8.2%	10.9%	7.8%	5.5%	4.0%
Seagate Global Group Fixed Income Composite	1996-2009		2.4%	4.3%	1.8%	na	na
			<b>Actual vs Index</b>	<b>Actual vs 1 Yr T-Bill</b>	<b>Actual vs Hennessee Macro Hedge Fund Index</b>	<b>Actual vs Hennessee Hedge Fund Index</b>	<b>Actual vs S&amp;P 500 W/Divs w/Divs</b>
Seagate Global Group Hedge Fund	2000-2009		4.3%	10.3%	6.9%	4.3%	11.1%
			<b>Actual vs Strategy Index</b>	<b>Actual vs Cambridge Assoc PE Index (US)</b>	<b>Actual vs Hennessee Hedge Fund Index</b>	<b>Actual vs Shanghai Stock Exchange</b>	<b>Actual vs S&amp;P 500 W/Divs w/Divs</b>
Seagate Global Group Private Equity	2004-2012		20.5%	12.2%	19.7%	24.4%	20.5%

# Seagate GLOBAL

## Seagate Global Group

<u>Year</u>	<u>\$</u> <u>Weighted</u> <u>Return</u>	<u>\$</u> <u>Weighted</u> <u>Index</u>	<u>Seagate</u> <u>VS Index</u>	<u>AUM \$ mm</u>	<u>S&amp;P 500</u> <u>Index</u> <u>w/Dividends</u>	<u>Hennessey</u> <u>Hedge Fund</u> <u>Index</u>	<u>Lehman</u> <u>Aggregate</u> <u>Bond Index</u>	<u>US</u> <u>1 YR</u> <u>T- Bill</u>
1996	12.1%	4.5%	7.7%	\$200.1	23.0%	19.1%	3.6%	5.3%
1997	11.8%	7.5%	4.2%	\$200.1	33.4%	18.2%	9.6%	5.5%
1998	9.8%	6.4%	3.4%	\$333.5	28.6%	1.4%	8.7%	5.4%
1999	5.7%	3.8%	1.9%	\$342.4	21.0%	30.8%	0.8%	5.0%
2000	4.5%	2.6%	2.0%	\$86.6	-9.1%	8.2%	11.6%	6.2%
2001	11.2%	4.4%	6.7%	\$57.5	-11.9%	4.4%	8.4%	3.9%
2002	-15.1%	-2.9%	-15.1%	\$113.7	22.1%	-2.9%	10.2%	1.7%
2003	29.1%	18.8%	-6.3%	\$36.7	28.7%	18.8%	4.1%	1.1%
2004	16.6%	9.5%	6.4%	\$109.0	10.9%	8.3%	4.3%	1.4%
2005	17.5%	6.5%	11.8%	\$108.2	4.9%	7.9%	2.4%	3.2%
2006	11.6%	12.4%	2.4%	\$110.5	15.8%	11.4%	4.3%	5.0%
2007	11.6%	7.9%	5.5%	\$145.5	5.5%	11.2%	6.9%	5.0%
2008	20.1%	-27.4%	47.3%	\$82.0	-37.0%	-19.8%	5.2%	1.9%
2009	20.5%	20.2%	-1.0%	\$94.0	26.5%	25.2%	5.9%	0.2%
2010	26.0%	15.1%	10.5%	\$50.0	15.1%	9.9%	6.5%	0.2%
2011	26.0%	2.1%	23.0%	\$50.0	2.1%	-4.6%	7.8%	0.1%
2012	26.0%	16.0%	9.6%	\$50.0	16.0%	7.0%	4.2%	0.1%
<b>Average Annual Return:</b>	13.9%	5.7%	8.2%		9.9%	8.4%	6.1%	3.0%

# Seagate GLOBAL

## Seagate Global Group Investment Performance Track Record (1996-2000) By Strategy/Portfolio

### Seagate Global

YR	\$ WTD		Return vs Index	<u>ST Global FI</u>				<u>Global FI</u>				<u>AGFI</u>				
	Comp. Return	Index Return		Return	1 YR	VS	1 YR	VS	1 YR	VS	1 YR	VS	AUM			
1996	12.1%	4.5%	7.7%	\$200.0	10.1%	5.3%	4.8%	\$100.0	14.1%	3.6%	10.5%	\$100.0	0.0%	0.0%	0.0%	\$0.0
1997	11.8%	7.5%	4.2%	\$200.0	10.7%	5.5%	5.2%	\$100.0	12.8%	9.6%	3.2%	\$100.0	0.0%	0.0%	0.0%	\$0.0
1998	9.8%	6.4%	3.4%	\$333.5	8.9%	5.4%	3.6%	\$100.0	16.7%	8.7%	8.0%	\$100.0	5.3%	5.4%	-0.1%	\$133.5
1999	5.7%	3.8%	1.9%	\$342.3	4.6%	5.0%	-0.4%	\$100.0	5.4%	0.8%	4.6%	\$100.0	6.6%	5.0%	1.6%	\$142.3
2000	3.4%	3.1%	0.3%	\$147.1	0.0%	0.0%	0.0%	\$0.0	0.0%	0.0%	0.0%	\$0.0	3.4%	3.1%	0.3%	\$147.1
\$1,000's																
Seagate Global 2000 Index																
2000	4.5%	2.6%	1.9%	\$86.55												

(2000 continued on the next page)

# Seagate GLOBAL

## Seagate Global Group Investment Performance Track Record (1996-2000) By Strategy/Portfolio

### Seagate Global

YR	\$ WTD	\$ WTD	Return	<u>Macro Seagate</u>				<u>China Special Opp</u>				<u>AIP</u>			<u>Seamax</u>						
	Comp.	Index	vs	AUM	Return	Henn.	VS	AUM	Return	US	VS	AUM	Return	Lehman	VS	AUM	Return	Henn.	VS	AUM	
	Return	Return	Index			HF Index	Index			Equity	Index			AGG	Index			HF Index	Index		
2000	11.0%	8.2%	2.9%	\$13.0	11.02%	8.16%	2.86%	\$13.0					\$0.0								
2001	11.2%	4.4%	6.9%	\$57.5	18.39%	4.35%	14.04%	\$14.0					\$0.0				8.9%	4.4%	4.6%	\$43.5	
2002	-15.1%	-2.9%	-12.2%	\$113.7	10.52%	-2.89%	13.41%	\$24.0					\$0.0				-22.0%	-2.9%	-19.1%	\$89.7	
2003	29.1%	18.8%	10.4%	\$36.7	25.38%	18.78%	6.60%	\$27.0					\$0.0				39.6%	18.8%	20.8%	\$9.7	
2004	16.6%	9.5%	7.2%	\$109.0	16.94%	8.25%	8.69%	\$30.0	26.0%	10.9%	15.1%	\$50.0					0.2%	8.3%	-8.1%	\$29.0	
2005	17.5%	6.5%	11.0%	\$108.2	14.08%	7.85%	6.23%	\$28.0	26.0%	4.9%	21.1%	\$50.0					6.7%	7.9%	-1.2%	\$30.2	
2006	11.6%	12.4%	-0.9%	\$110.5	2.97%	11.40%	-8.43%	\$16.0	26.0%	15.8%	10.2%	\$50.0	9.5%	4.3%	5.2%	\$15.0	-7.2%	11.4%	-18.6%	\$29.5	
2007	11.6%	7.9%	3.7%	\$145.5	-3.02%	11.23%	-14.25%	\$19.0	26.0%	5.5%	20.5%	\$50.0	5.5%	6.9%	-1.4%	\$47.0	6.2%	11.2%	-5.0%	\$29.5	
2008	20.1%	-27.4%	47.6%	\$80.0	17.63%	-19.83%	37.46%	\$20.0	26.0%	-37.0%	63.0%	\$50.0	-4.3%	5.2%	-9.5%	\$10.0					
2009	20.5%	20.2%	0.4%	\$92.0	14.05%	12.60%	1.45%	\$42.0	26.0%	26.5%	-0.5%	\$50.0									
2010	26.0%	15.1%	10.9%	\$50.0					26.0%	15.1%	10.9%	\$50.0									
2011	26.0%	2.1%	23.9%	\$50.0					26.0%	2.1%	23.9%	\$50.0									
2012	26.0%	16.0%	10.0%	\$50.0					26.0%	16.0%	10.0%	\$50.0									

\$1,000's

This study was prepared in this format at the request of the Government of Malaysia for their internal purposes and should not be used by others to make investment decisions. It is not presented as an audited track record or an investment vehicle that can be invested in. Past performance is no guarantee of future returns. This is neither an offer to buy or sell securities.

# Seagate **GLOBAL**

## Supplemental Information for

### William Lawton

CIO, The Seagate Global Group, Ltd. CIO  
Prior to Founding Seagate Global in 1996  
(For the years 1982-1995)

# Seagate GLOBAL

## William Lawton – Fireman’s Fund/American Express Return on Capital (1982-1984)

Lawton was hired as a fixed income analyst by Fireman’s Fund Insurance Company in 1982, which was then part of American Express. Fireman’s Fund announced a large loss in 1983 and Sandy Weill whom later went on to build Citigroup, laid off 1,600 employees, including the entire investment department of 50 people, save Lawton, whom at 33 years old was put in charge of investments. When Lawton took over the investment function, he computerized the portfolios, and implemented new trading strategies which improved performance. He also designed a new SPDA investment strategy which led to an increase in product sales and assets of \$762 mm. 1982 Lawton was an analyst and not in charge of investment portfolios. For 1983 and 1984, he was the Investment Manager at Fireman’s Fund, reporting dually to the CFO in California and a senior manager in NYC, and leaving prior to the end of 1984. Fireman’s Fund reported investment performance using insurance regulations prepared by FF accounting department. Insurance portfolio index Lehman Aggregate and SPDA 1 yr. T-bill.



Then part of :



### Fireman's Fund Insurance Company

YR	\$ WTD		Return vs Index	Aum	Insurance Portfolio			SPDA Portfolio			VS Index	AUM
	Composite Return	Index Return			Leman AGG	VS Index	AUM	Return	1 YR T-Bill			
1983	8.8%	8.1%	0.7%	\$1,130.0	8.80%	8.10%	0.70%	\$1,130.0	0.0%	0.0%	na	\$0.0
1984	14.0%	13.3%	0.8%	\$1,977.0	15.90%	15.20%	0.70%	\$1,215.0	11.1%	10.2%	0.9%	\$762.0

\$ 1,000's

## William Lawton – First Interstate Bank, Ltd. Return on Capital (1984-1987)

Lawton joined the capital markets division of First Interstate Bank in 1984.

Douglas Metcalf, a senior manager at the bank set up a pioneering global fixed income derivatives unit and hired Lawton as the Head Trader tasked to manage trading and portfolio management for the new unit. Lawton helped grow the unit from scratch to over \$20 billion in AUM, and produce high ROI's.

In terms of return calculations, one of the appealing features of the market was that it required little capital. Trades were done based on the strength of the balance sheet of the bank. Internally, FIB decided to arbitrarily allocate \$5 million of capital as a charge to the unit. Based on this notional allocation of capital and net income produced before taxes the trading unit produced the following returns:

### First Interstate Derivatives Trading

YR	Net Income Before Taxes	Capital	ROI	Target ROI	VS Target	AUM
1984	\$3.0	\$5.0	60.0%	20.0%	40.0%	\$1,000.0
1985	\$27.0	\$5.0	540.0%	20.0%	520.0%	\$13,000.0
1986	\$41.0	\$5.0	820.0%	20.0%	800.0%	\$20,000.0
1987	\$19.5	\$5.0	390.0%	20.0%	370.0%	\$20,000.0

\$1,000's

\* Partial years of employment, 1987 reflects income only when Lawton was employed.

\*\*Net income before taxes on a present value basis, later recognized by the bank. Capital is the amount the bank charged the unit for, however actual capital used was less, and there was no regulatory capital charge at that time, thus ROI is understated.



Now part of :



# Seagate GLOBAL

## William Lawton – Nikko Securities and Nikko Capital Management Return on Capital (1988-1992)



1988: Lawton was hired as SVP by Nikko Securities to set up a global fixed income derivatives unit in NY. In 1989 he was promoted to Co-Chief Investment Officer of Nikko Capital, the asset management company for Nikko Securities. Lawton was placed in charge of fixed income, convertible bonds, and new product development at Nikko Capital. He designed and directly managed the following investment strategies:

### Nikko Derivatives Trading

YR	Net Income		Target		VS	AUM
	Before Taxes	Capital	ROI	ROI	Target	
1988	\$1.1	\$0.7	165.2%	20.0%	145.2%	\$350.0

\$1,000's

### Nikko Cap.

YR	\$ WTD			AUM	<u>Global FI</u>			<u>Convertibles</u>				<u>Mexico Money Market</u>			<u>ST Global FI</u>					
	Comp. Return	Index Return	vs Index		Return	Leman AGG	VS Index	Return	Index	Index	AUM	Return	T-Bill	Index	AUM	Return	T-Bill	Index	AUM	
1989	14.4%	13.6%	0.8%	\$76.0	15.60%	14.50%	1.10%	\$55.0	11.4%	11.4%	0.0%	\$21.0	0.0%	0.0%	0.0%	\$0.0	0.0%	0.0%	0.0%	\$0.0
1990	10.2%	9.3%	0.9%	\$235.5	10.20%	8.90%	1.30%	\$185.0	7.4%	7.4%	0.0%	\$23.4	21.0%	8.1%	12.9%	\$20.0	12.9%	8.1%	4.8%	\$27.0
1991	21.3%	21.5%	-0.2%	\$1,310.1	15.40%	16.00%	-0.60%	\$520.0	26.1%	26.1%	0.0%	\$745.0	22.0%	5.7%	16.3%	\$32.0	11.1%	5.7%	5.4%	\$45.0
1992	18.8%	17.1%	1.7%	\$1,589.0	13.80%	7.40%	6.40%	\$360.0	21.2%	21.2%	0.0%	\$1,128.0	21.0%	3.5%	17.5%	\$55.0	9.9%	3.5%	6.4%	\$101.0

\$1,000's

Note: Nikko Capital was a SEC registered investment advisor during this period, and performance numbers were prepared by Nikko accounting per AIMR and SEC standards and used for marketing purposes. Convertible returns unavailable, and therefore index returns are shown.

# Seagate GLOBAL

## William Lawton – Major US Asset Management Co. Return on Capital (1993-1995)

Lawton was hired as SVP by a major asset management company to set up and manage the investment grade global fixed income unit. Lawton designed a Global Fixed Income Strategy designed to outperform the US bond market, and a Short Term Global Fixed Income Strategy designed to outperform US \$ Libor.

YR	\$ WTD	\$ WTD	Return	<u>ST Global FI</u>				<u>Global FI</u>				
	Composite	Index	vs	Aum	Return	1 YR	VS	AUM	Return	Lehman	VS	AUM
	Return	Return	Index			T-Bill	Index			AGG	Index	
1993	16.6%	8.4%	8.2%	\$269.0	5.40%	3.02%	2.38%	\$54.0	19.4%	9.8%	9.6%	\$215.0
1994	1.7%	-0.9%	2.6%	\$361.0	6.50%	4.21%	2.29%	\$101.0	-0.2%	-2.9%	2.7%	\$260.0
1995	18.0%	14.0%	4.0%	\$422.0	8.30%	5.83%	2.47%	\$149.0	23.3%	18.5%	4.8%	\$273.0

\$1,000's

Note: The institution asked to not use their name in this material, but these are the strategies that Lawton conceived and directly managed for the institution, and the numbers were independently produced by the firm's accounting department, and reviewed by the firm's legal department prior to being used in the firm's marketing materials which were included in the companies official "Green Book" of products. The firm was an SEC registered investment advisor.

## Additional Information, Assignments and Pictures

# Seagate GLOBAL

## Investment Performance Awards and Achievements:

- World's Top Performing Fixed Income Manager Award, Global Alternative Investment Management Forum (GAIM), Lausanne, Switzerland, 2004
- World's Top 10 Emerging Markets Manager, 3 years 2002-05, BarclayHedge EM
- World's Top 10 Fixed Income Manager, 3 years 2002-2005, BarclayHedge FI
- Cited as one of only 86 "Star Hedge Fund Managers" out of 7,396 funds from 1994 to 2007 to demonstrate statistically meaningful ability to outperform markets. (See: "Did Any 'Real' Top Hedge Funds Survive the Sub-Prime Crisis?" Stephane M. Yen, Graduate Institute of Finance, National Cheng Kung University; Ying-Lin Hsu National Chung Hsing University)
- 2008 performance +17.6% (HFR Macro Seagate) vs average hedge fund of -19.8% (Hennessee Hedge Fund Index (+38.2% better than the average fund), one of the top HFR Funds
- Produced over US\$400 million in profits in "green investments" for investors, over 600% China fund return, from 2004 to 2012

# Seagate GLOBAL

## Risk Management – Forward looking process that protects portfolios:

### Stock market crash of 1987

Lawton was long S&P 500 Index put options, portfolio up over 100% on day of crash, while the market was down over 20%. It was the single best trading day of career.

### Bond market crash of 1994 (worst year in US bond market history up to that time)

Lawton Bond Model forecasted the 1994 bond market selloff. The 1994 FI composite returned 1.7% versus -0.9% for the asset weighted FI composite index.

### Dot com crash

Avoided losses completely with zero equity exposure in any portfolios.

### 9/11 Terror Attacks

Within minutes of the second plane hitting tower two Lawton surmised it was a Bin Laden attack that would change the world, and create a recession. Over \$200 million long portfolio completely sold within two hours, and large positions in two year treasuries, two year Swiss bonds, and Swiss francs executed before all markets shut down. Positive returns over the next six months.

### Real estate crash

Sold all mortgage portfolio exposure in accounts. Liquidated single family home portfolio by 2006 in anticipation of real estate crash.

### Financial collapse of 2008

Hedge fund portfolio of \$50 million up 17.6% for the year by getting short credit, outperforming the HFR Hedge Fund Index which was down -23%.

# Seagate **GL****BAL**



Lawton was Advisor to People's Bank of China for 15 years (1993-2008)

# Seagate GLOBAL



Lawton, advised President Arroyo of the Philippines on international trade and investment issues, including travelling with her as the only foreign member of the Philippine Trade Delegate to the UK in 2009 (Delegation badge shown above.)

# Seagate GLOBAL

昆明市人民政府副市长赵德光先生会晤美国希捷环球顾问公司主席劳顿先生一行合影

2009.8.16



Lawton, lower middle, appointed Sr. International Investment Advisor to Kunming and Yunnan Province

# Seagate GLOBAL



Planning session at President Aquino's estate, Hacienda Luisita, Philippines

# Seagate GLOBAL



Lawton presented an Appreciation Award by Tsinghua University, Beijing

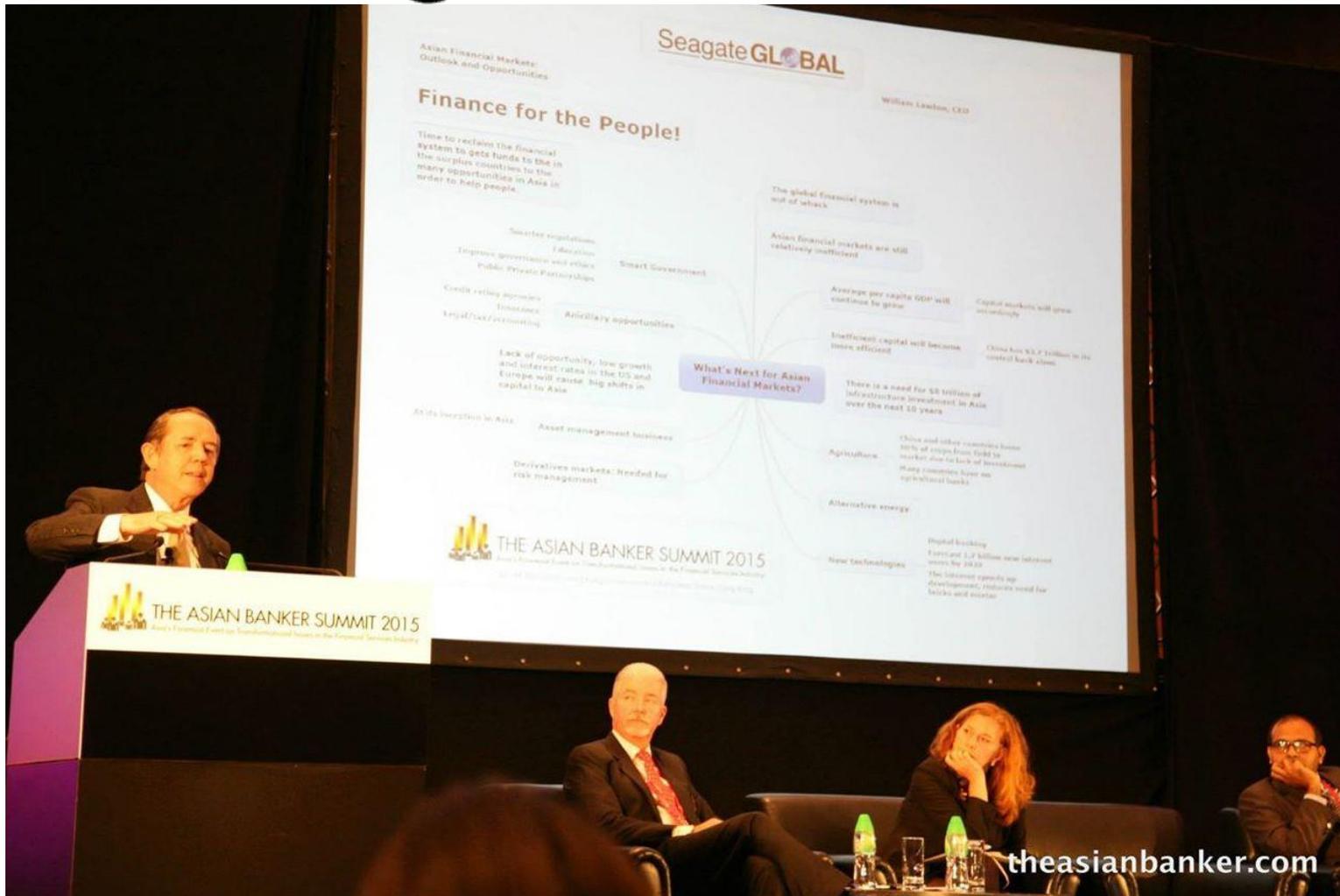
# Seagate GLOBAL



5,000 attend Seagate Community Development Program

## Program of Global Excellence, Philippines

# Seagate GLOBAL



Lawton speaking at The Asian Banker Summit, HK, 2015

# Seagate GLOBAL



Lawton delivering his economic development plan for Bougainville to President Momis and his cabinet.

# Seagate GLOBAL



Gene Krinn of SeaSpire (R) and Lawton meeting with Dato Awang, Malaysian Ambassador to the US Discussing POGE Malaysia