S C H A F E R   C U L L E N

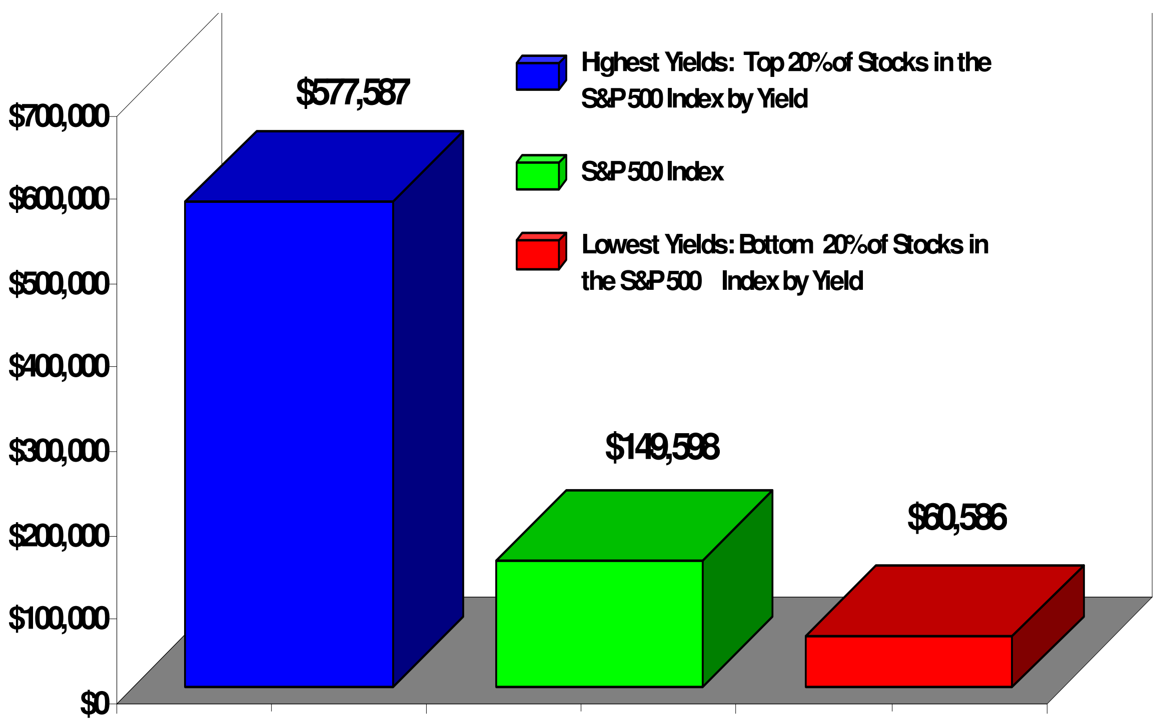
C A P I T A L   M A N A G E M E N T

James P. Cullen
President

High Dividend & Global High Dividend

June 15, 2010

Why dividends are important for investors has little to do with the level of tax rates. The main driver behind the success of a high dividend strategy is its discipline- which is purely mathematical. History shows that when the market goes down, the highest dividend yielding stocks tend to go down half as much. The impact this can have on performance over time is eye-popping which can be seen in the chart below.



Cumulative Returns 1957 through 2009.
Assumes annual rebalancing and reinvested dividends.
Highest is top 20% / Lowest is bottom 20%

Source: Standard & Poors / Schafer Cullen Capital

For Long Term Investors

While the chart on page one is compelling, it is not much help for investors who are investing on a shorter term basis. However, if one follows the advice of Ben Graham, who said the keys to successful investing are: 1) invest with a discipline (i.e. price/earnings, price/book, and dividend yield) and 2) invest for the long term (i.e. 5 years). Graham went on to point out that markets on a 1-2 year basis are completely unpredictable. However, if one applied a value discipline and invested for the long term, then that would give enough time for fundamentals and earnings to drive the portfolio. The table below shows the performance of the highest dividend yielding stocks on a rolling five year period basis going back to 1968.

ROLLING 5-YEAR PERFORMANCE: TOP 20% OF THE S&P 500 BY YIELD

Annualized Rates of Return

Period	S&P 500 Top 20% by Yield	Period	S&P 500 Top 20% by Yield
1968-1972	8.7%	1987-1991	12.5%
1969-1973	1.3%	1988-1992	16.2%
1970-1974	2.5%	1989-1993	15.5%
1971-1975	10.8%	1990-1994	10.5%
1972-1976	16.5%	1991-1995	21.0%
1973-1977	14.6%	1992-1996	15.4%
1974-1978	17.7%	1993-1997	18.9%
1975-1979	24.8%	1994-1998	15.8%
1976-1980	16.5%	1995-1999	13.5%
1977-1981	11.7%	1996-2000	10.7%
1978-1982	16.7%	1997-2001	10.4%
1979-1983	22.2%	1998-2002	3.2%
1980-1984	20.3%	1999-2003	7.5%
1981-1985	20.6%	2000-2004	12.7%
1982-1986	23.1%	2001-2005	10.5%
1983-1987	16.6%	2002-2006	12.2%
1984-1988	15.2%	2003-2007	12.9%
1985-1989	18.4%	2004-2008	-2.5%
1986-1990	8.2%	2005-2009	12.3%

Source: S&P 500 / SCCM

Additional Support for the Strategy:

There are two other, more subtle reasons why the dividend discipline works. It may be explained by the choices management has when deciding what to do with excess cash after operating needs have been met:

1. Make acquisitions
2. Buy back shares
3. Have a dividend policy
4. Hold cash

The first two options have been the most popular with management because they give the appearance of taking aggressive action. This is especially true if management has underperformed and is under pressure from share holders. The studies below provide evidence that more often than not they would have been better off not taking the aggressive action. Having a dividend policy and having some extra cash seem to be a better idea.

1. Make Acquisitions: A study by Morgan Stanley looked at all the acquisitions made by companies over 15 years. The sample included 3,500 acquisitions and the study showed that 60% of the acquisitions actually had a negative impact on the company and the larger the acquisition the worst the results.

2. Buy Back Shares: Buying back shares when the stock price is depressed is a good utilization of cash but just buying stock to try to beef up the quarterly earnings results is a bad strategy. A recent study by Smith Barney covering 10 years analyzed the performance one year later of companies that announced buy-backs verses companies that increased their dividends. The result was that companies increasing their dividends outperformed buy-backs by 50%.

Schafer Cullen's Approach to Dividends

Our firm started in 1984 and our main focus was on the value disciplines of price/earnings and price/book. Also, in all our strategies, for diversification we have always invested up to 25% in international stocks.

For investors in the early 1990's who were looking to take less risk, we created the **High Dividend s**trategy which added a dividend discipline to our Value strategy. This approach continues to have three main features: low p/e, absolute yield (approximately 4%) and dividend growth. Due to the defensive nature of the strategy in the earlier days, we often called it a bond-equivalent strategy.

What we experienced during the three consecutive down years of 2000, 2001 & 2002), was that the high dividend strategy dramatically outperformed the market. Not only that, but the international stocks in the portfolio performed the best over those down years. This performance by the international stocks sent us back to the research lab. In subsequent studies, we discovered that the dividend discipline worked as well, if not, better, with international stocks. As a result, in 2004, we started the **International High Dividend** and **Global High Dividend** strategies.

James P. Cullen

Disclosure:
Past performance is no guarantee of future results. All opinions expressed constitute Schafer Cullen Capital Management's judgment as of the date of this report and are subject to change without notice. This information should not be used as the primary basis for investment decisions. It should not be assumed that any security transactions, strategies, holdings or sectors discussed were or will be profitable, or that future recommendations will be profitable or will equal the investment performance discussed herein. Investing in equities involves risk to your principal. Individual client account performance will vary.