**Emerging Markets High Dividend**
Q2 2019 Commentary

## Market Review:

The second quarter of 2019 saw increased volatility in emerging markets (EM) equities compared to the strong rally witnessed during the first three months of the year. Persistent uncertainty around the US-China trade negotiations gave away much of the gains from 1Q. Among EM economies, China was the main detractor, as mixed macro indicators, despite the government's monetary and fiscal measures, and trade-related growth slowdown dragged the markets down. The month of May in particular saw sharp weakness among EM stocks, led by a near breakdown in trade negotiations between the US and China. EM equities recovered strongly during the latter part of the quarter, as concerns around global growth meant an increase in expectations of potential rate cuts by the US Fed. As a result, EM stocks traded up only marginally during the second quarter, closing 2Q with a 0.75% gain. This implied an underperformance versus the Developed Markets (MSCI EAFE) index which gained 3.93%. The United States (S&P 500) index gained 4.30% during the period. EMEA (+7.38%, MSCI EM Europe Middle East and Africa Index) outperformed Latin America (+4.54%, MSCI EM Latin America Index) and Asia (+0.87%, MSCI EM Asia Index). Within EM, Value (+1.08%) outperformed Growth (+0.35%). Despite controlled supply by OPEC and Russia and political crisis in Venezuela, crude oil witnessed sharp volatility in 2Q. Much of the gains during the second quarter were pulled back, led by concerns around global growth and especially related to China. As such, the commodity (European Dated Brent Forties Oseberg Ekofisk) closed in June at $64.43, after recovering to a high of $73.89 following the correction in late 2018, registering a decline of 4.57% for the quarter. The S&P Industrial Metals index was particularly weak during 2Q, trading down 7.23% as trade-related global growth concerns and weakness in China pulled all major base metals down. The US dollar weakened towards the end of 2Q as expectations of rate cuts by the US Fed gained momentum, bringing the Dollar Index (DXY) down by 1.19% for the quarter. Among other notable events, the second quarter saw the G20 summit rekindle hopes of a resolution in the US-China trade war, a major electoral victory in India for the incumbent PM Modi, and the resignation of the UK PM Theresa May amidst ongoing Brexit negotiations.

The top EM country performers during the second quarter of 2019 were Russia, Greece and Thailand. Despite the oil price volatility, Russia outperformed due to an overall improvement in its macro environment and increasing resilience to geopolitical risks. Greek equities posted solid gains against the backdrop of a seemingly sustainable economic recovery. Thailand's steady domestic demand growth and increased infrastructure spending led by continued government fiscal support pushed its market higher. The bottom EM country performers were Pakistan, Chile, and Hungary. Rising inflation and higher fiscal deficit in Pakistan continued to drag stocks down. For Chile, an under-pressure currency and tepid business confidence levels had a negative impact on stocks. Despite positive economic growth and outlook in Hungary, the country's performance in the EM index was dragged down by weakness in one its major banks, OTP Bank Group. The top EM sectors in 2Q were Financials, Consumer Staples, and Utilities. The bottom performers were Health Care, Communication Services, and Consumer Discretionary.

## Performance:

The strategy appreciated 2.2% (gross) and 2.0% (net of fees) in the second quarter of 2019, outperforming the benchmark by 1.6%, as stock selection in Industrials, Real Estate and Consumer Discretionary was the main contributor. Over the long-term, we expect the strategy to participate meaningfully in up markets, while outperforming in down months.

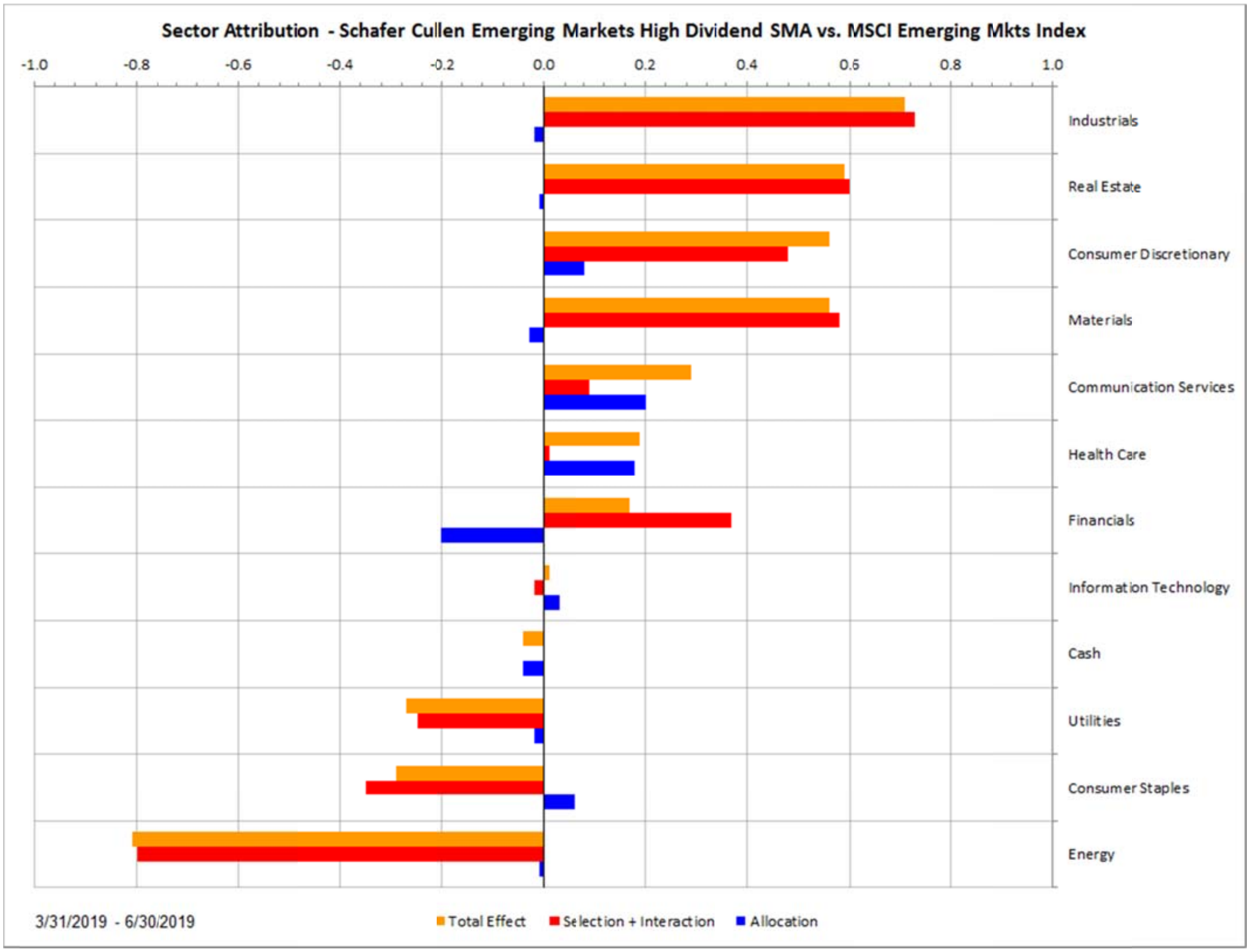
**Emerging Markets High Dividend Returns vs. Benchmark**

| | QTD | YTD | 1 Yr | 3 Yr | 5 Yr | 10 Yr | Since Inception* |
|---|---|---|---|---|---|---|---|
| SCCM EM High Dividend (gross) | 2.2 | 14.7 | 5.5 | 8.1 | 2.4 | 7.8 | 8.5 |
| SCCM EM High Dividend (net) | 2.0 | 14.1 | 4.4 | 7.0 | 1.3 | 6.5 | 7.1 |
| MSCI Emerging Markets Index | 0.6 | 10.6 | 1.2 | 10.7 | 2.5 | 5.8 | 5.5 |

**As of 12/31/2005 through 6/30/2019. Performance for periods greater than 1 year is annualized. Past performance is no guarantee of future results.*

## Portfolio Attribution:

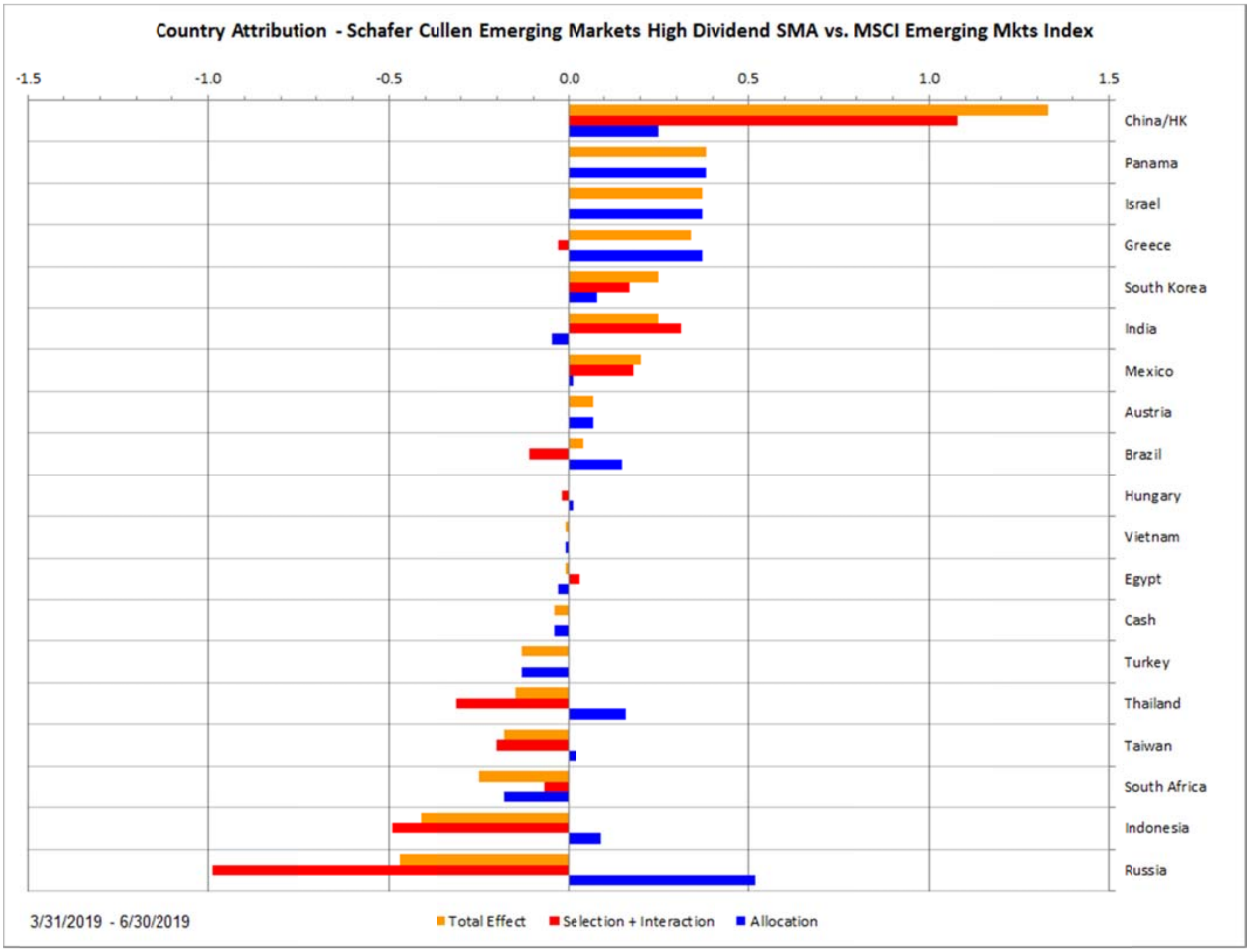
### *Sector Attribution*




Source: SCCM Research, 6/30/2019.

On a sector basis, the strategy's top contributor was its stock selection in Industrials, Real Estate and Consumer Discretionary. For Consumer Discretionary, allocation also contributed. Stock selection within Energy, Consumer Staples, and Utilities sectors was also the main detractor.

## *Country Attribution*




Source: SCCM Research, 6/30/2019.

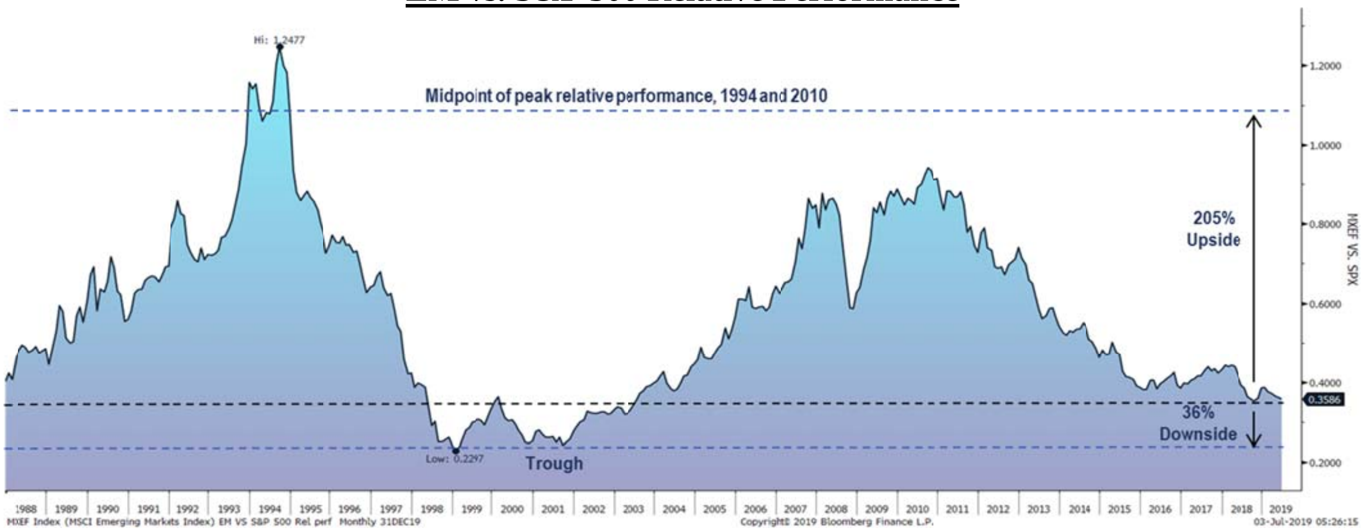
On a country basis, the strategy's underweight allocation in China/HK, and overweight allocation in Panama and Israel were contributors. In China/HK, stock selection also contributed. The top country detractors were Russia, Indonesia, and South Africa. Stock selection was the main detractor for all the three countries, while the strategy's underweight allocation in South Africa versus the benchmark also detracted. Top contributors in the quarter were Copa Holdings (Panama, Industrials), Opap SA (Greece, Consumer Discretionary), Elbit Systems (Israel, Industrials), and MMC Norilsk (Russia, Materials). Top detractors in the quarter were Indo Tambangraya (Indonesia, Energy), IGG Inc. (China/HK, Communication Services) and Lukoil PJSC (Russia, Energy).

## Portfolio Positioning and Outlook:

Emerging Market (EM) value stocks continue to offer attractive investment opportunities, particularly relative to other asset and style classes, such as sovereign and corporate bonds, U.S. stocks and growth stocks globally. The SCCM EM High Dividend portfolio valuations remain attractive, with the portfolio trading at an estimated 11.3x forward earnings and offering a 5.4% dividend yield. The portfolio dividend income is particularly appealing in light of the recent decline in global interest rates and relative to emerging market bond yields. Our portfolio also stands to benefit over the long term from potential fund flows from an increasing number of income-seeking investors, most of whom have yet to discover one of the best sources of income globally - dividend-paying EM stocks. For now, however, investors continue to be enthralled with over-owned growth stocks that currently trade at the unsustainable valuation levels that have, in the past, consistently led to massive losses in the years to come. The exposure our portfolio tends to offer is attractive not only due to the portfolio valuation and dividend attributes, but also because of the high, sustainable earnings growth our portfolio holdings have generated over time. We anticipate this growth to continue as we capitalize upon the different opportunities inherent in emerging markets. We believe these opportunities are especially appealing because typically investors do not need to pay for over-valued equities to gain exposure to the meaningful growth from EM stocks in our portfolios.

We would encourage investors to increase investment to EM stocks and avoid being tempted to try to perfectly time their entry point into the asset class. This is because it is virtually impossible to optimally time one's investments and we believe a better idea is to use valuation as a guide and target relatively contrarian investment opportunities where it is likely that they are in the optimal range for a long-term investment. While impossible to predict when EM stocks will lead global equity returns, we feel a strong case can be made from a contrarian perspective that we are in the right zone for investment in light of the relative performance trends of emerging market stocks, particularly relative to U.S. stocks. As shown in the chart below, the performance of EM stocks relative to U.S. stocks has historically followed a fairly well-defined cycle that some have referred to as a boom-bust cycle. After almost a decade of under-performance versus U.S. stocks (i.e. S&P 500), the relative performance of EM stocks is not far from the trough level it experienced in 1999, following the impact of the Asian financial crises. We would argue that conditions have changed dramatically since that period – the formerly weak external positions (as seen by current account balances, reserve and debt levels, etc.) have changed dramatically since that time, particularly in Asian emerging markets which now enjoy amongst the strongest external positions globally and have become an even larger weight in the MSCI EM index over time. In addition, the contribution of emerging markets to global GDP and earnings has also grown significantly. The fact that the conditions that underpinned the weak performance of EM stocks in the late 1990s have dramatically changed for the better, makes the current relative performance that is near past trough levels seem unwarranted and without fundamental basis. In our view, EM stocks offer investors an exceptional risk-reward profile going forward since EM's only have about 35% downside to the Asian crises trough compared to almost 6x the upside of over 200% to just the mid-point of the past peaks of EM relative outperformance that occurred in 1994 and 2010. When you combine this perspective with the attractive valuations of EM stocks, which on a consensus basis trade at over a 25% discount to U.S. stocks, despite offering about the same earnings growth over the next three years of 10.3%, we think the case for an investment in EM equities becomes even more compelling.

**EM vs. S&P 500 Relative Performance**




Note: Relative price performance of MSCI EM index versus S&P 500 index in USD, beginning on 12/31/1987.
Source: Bloomberg, June 30, 2019.

Recent portfolio changes are based on stock-specific opportunities that continue to be large and diverse across most emerging markets. We initiated a position in shares of Petroleo Brasileiro (Petrobras) in Brazil as we see meaningful changes, including improving corporate governance, robust production growth, ahead-of-schedule deleveraging initiatives, and attractive valuations all as catalysts for the stock. We also initiated a position in Russian bank Sberbank in light of its dominant market position within an oligopolistic industry structure and its leading metrics among global peers with regards to profitability, capital position, valuation and dividend attributes. Additionally, we built a position in the iShares MSCI India ETF to gain exposure to India, where a positive long-term outlook is being driven by government reforms and robust demographic and consumption trends that we expect to drive growth in a country that is otherwise difficult to access through ordinary shares or ADRs. Furthermore, we initiated a position in Chinese fashion designer and retailer JNBY Design, whose innovative strategy, premium brand and high-quality products should make it a long-term success as it gains share from global multinational brands and benefits from consumption growth and changing consumer preferences in China. We sold shares in Chinese sportswear maker XTEP International after strong share price performance and the company's decision to issue equity left valuations less attractive. We also sold our position in diversified financial services firm China Everbright owing to delays in the IPO market in China, which will contribute to lower-than-anticipated growth.

We continue to be impressed by the number of attractive potential investment opportunities from a variety of EM companies that are each leveraged to meaningful long-term growth opportunities. Our investable universe spans a diverse set of companies with exposure to long-term growth themes such as green energy, electric vehicles, big data, emissions technologies, demographic trends, the emerging market consumer, sustainability, domestic reform initiatives, improving corporate governance and other areas of opportunities. While identifying diverse opportunities, we will continue to adhere to our investment discipline, which focuses on valuation, balance sheet strength, earnings growth, as well as strong dividend and quality attributes. We believe that over the long term, this fundamentals-driven value investing strategy could deliver meaningful outperformance to our investors while taking on less risk.

Thank you for your continued support and please do not hesitate to contact us with any questions.

Best Regards,
Schafer Cullen Capital Management, Inc.

## Portfolio Exposure and Characteristics as of 6/30/2019

| Sectors | SCCM EM (%) | MSCI EM (%) |
|---|---|---|
| Communication Services | 6.4 | 11.7 |
| Consumer Discretionary | 12.5 | 13.5 |
| Consumer Staples | 8.7 | 6.6 |
| Energy | 9.3 | 7.9 |
| Financials | 22.7 | 25.2 |
| Health Care | 1.1 | 2.6 |
| Industrials | 9.8 | 5.3 |
| Information Technology | 10.9 | 13.9 |
| Materials | 8.4 | 7.5 |
| Real Estate | 8.3 | 3.0 |
| Utilities | 1.9 | 2.7 |
| Total | 100.0 | 100.0 |

| Top 10 Countries | SCCM EM (%) | MSCI EM (%) |
|---|---|---|
| China / Hong Kong | 26.6 | 31.3 |
| India | 9.9 | 9.0 |
| Brazil | 9.3 | 7.7 |
| Russia | 8.6 | 4.0 |
| South Korea | 8.4 | 12.4 |
| Taiwan | 8.3 | 10.9 |
| Indonesia | 5.3 | 2.1 |
| Thailand | 4.8 | 3.0 |
| Mexico | 4.0 | 2.5 |
| Greece | 2.9 | 0.3 |

| Regions | SCCM EM (%) | MSCI EM (%) |
|---|---|---|
| Asia Pacific | 65.2 | 72.1 |
| EMEA | 19.5 | 14.6 |
| Latin America | 15.4 | 12.3 |
| Other | 0.0 | 1.0 |

| Top 10 Holdings | SCCM EM (%) |
|---|---|
| AIA Group | 3.6 |
| ICICI Bank | 3.4 |
| Ping An Insurance | 3.3 |
| Taiwan Semiconductor | 3.2 |
| SK Telecom | 3.2 |
| Lukoil | 3.1 |
| OPAP | 2.9 |
| Elbit Systems | 2.8 |
| Xinyi Glass Holding | 2.8 |
| Itau Unibanco | 2.8 |

| Portfolio Characteristics | Price/Earnings Forward | Dividend Yield NTM | LT DPS Growth | LT EPS Growth | Weighted Avg. Market Cap ($B) |
|---|---|---|---|---|---|
| SCCM Emerging Markets High Dividend | 11.8 | 4.8 | 9.0 | 11.4 | 51.1 |
| MSCI EM Index | 13.1 | 3.1 | 8.5 | 11.0 | 91.1 |

Additional Disclosure: Sector weights, portfolio characteristics, ten largest holdings and other information constitutes supplemental information. Please see important disclosures listed on the following page.

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**Past performance is no guarantee of future results.** Market conditions can vary widely over time and can result in a loss of portfolio value. Individual account performance results will vary and will not match that of the composite or model. This variance depends on factors such as market conditions at the time of investment, and / or investment restrictions imposed by a client which may cause an account to either outperform or underperform the composite or model's performance. A list of all recommendations made by SCCM within the immediately preceding period of not less than one year is available upon request.

The strategy depicted in this report has been managed in accordance with the investment objectives of the strategy as determined by the Adviser. The Adviser has selected benchmarks, which in their opinion closely resemble the style of the securities held in the composite or model portfolio of the strategy (e.g. large cap value, small cap value, international, etc.). The securities held in the composite or model are actively managed while the benchmark index is not. Investors should be aware that the Adviser makes no attempt to match the portfolio securities, or the security weightings of the benchmark. The composite or model's performance will be affected greater by the price movements of individual securities as the composite or model is more concentrated, generally less than 100 securities, while a comparative benchmark will generally have between 500 and 2,500 securities where individual security price movements have a lesser affect. An individual cannot invest directly in an index.

Returns are expressed in US dollars. Gross of fee performance is calculated gross of management fees and custodian fees and net of transaction costs. Net of fee performance is calculated net of actual management fees and transaction costs but gross of custodian fees. Past performance does not guarantee future results. Individual account performance will not match the composite and will depend upon various factors including market condition at the time of investment. It should not be assumed that recommendations made in the future will be as profitable or surpass the historical performance of the securities in the composite.

The primary benchmark used is the total return indices for the **MSCI Emerging Markets Index.** The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that measures equity market performance of emerging markets.

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