Emerging Markets High Dividend SMA

Q4 2019 Commentary

Market Review:

Emerging markets (EM) equities ended the year on a strong note supported by a global rally in equities across major markets during the last quarter. A third consecutive rate cut by the US Fed in October, US's decision to agree on the first phase of a trade deal with China and easing geo-political concerns were major tailwinds for EM equities during Q4 2019. As a result, EM stocks traded up during the fourth quarter, closing the 3-month period with a gain of 11.84%. This compared to a gain in the Developed Markets (MSCI EAFE) index of 8.23%, while the United States (S&P 500) index was up 9.06% during the period. The partial US-China trade deal came after months of negotiations and includes a roll-back of US tariffs on $160 bn of Chinese imports scheduled for December 15th and a reduction in tariffs on additional $120 bn of imports. China in return agreed to increase purchase of US agriculture products. APAC (12.33%, MSCI EM Asia Index) outperformed Latin America (10.59%, MSCI EM Latin America Index) and EMEA (10.01%, MSCI EM Europe Middle East and Africa Index). Within EM, Growth (13.67%) outperformed Value (9.78%), led by a pickup in Information Technology and Consumer Discretionary stocks. Commodities, especially crude oil also ended the fourth quarter with meaningful gains. While concerns around global economy and a slowing China growth profile remained, OPEC+'s controlled supply with the possibility of further cuts helped. The Oct-Dec quarter also saw economic indicators coming out of the US and the Eurozone indicate some stability, albeit at lower levels. As a result, the commodity (European Dated Brent) closed December at $66.42 per barrel, implying a gain of 10.99% during Q4. The S&P Industrial Metals index was up 1.42% the three months ending December, as gains in Copper and Lead were offset by weaknesses in Nickel and Aluminum. The Dollar Index (DXY) declined 3.01 during Q4 to close at 96.389 in December. Additional key geo-political events during the quarter included the UK's general elections resulting in a convincing victory for PM Boris Johnson, major civil protests in Latin American countries, especially Chile.

The top EM country performers during the fourth quarter of 2019 were Pakistan, Hungary and Taiwan. Pakistan's stock market maintained its recent upward trend on continued indications of a stabilizing macro and growing investor confidence. Hungary's stock market outperformed as the economy pushed closer to a 5% expansion, its strongest in over 20 years. Despite macro concerns globally, Taiwan's economy continued to post steady growth with Q3 GDP expansion at 3.0% bettered the previous quarter's performance. The bottom EM country performers were Chile, UAE, and Thailand. In Chile, much of the underperformance was led by the potential economic impact of the civil unrest that took place during the quarter. The UAE equities underperformed during the quarter as government stimulus initiatives have had a lackluster impact on the emirates' economies. Thailand equities underperformed as the economy remained under pressure for the third consecutive quarter in Q3. The top EM sectors in Q4 were Information Technology, Consumer Real Estate, and Consumer Discretionary. The bottom performers were Consumer Staples, Utilities, and Industrials.

Performance:

The strategy appreciated 11.82% in the fourth quarter of 2019, in-line with the benchmark, as stock selection in Financials and Materials and the fund's overweight allocation to Real Estate versus the benchmark were the main contributors.

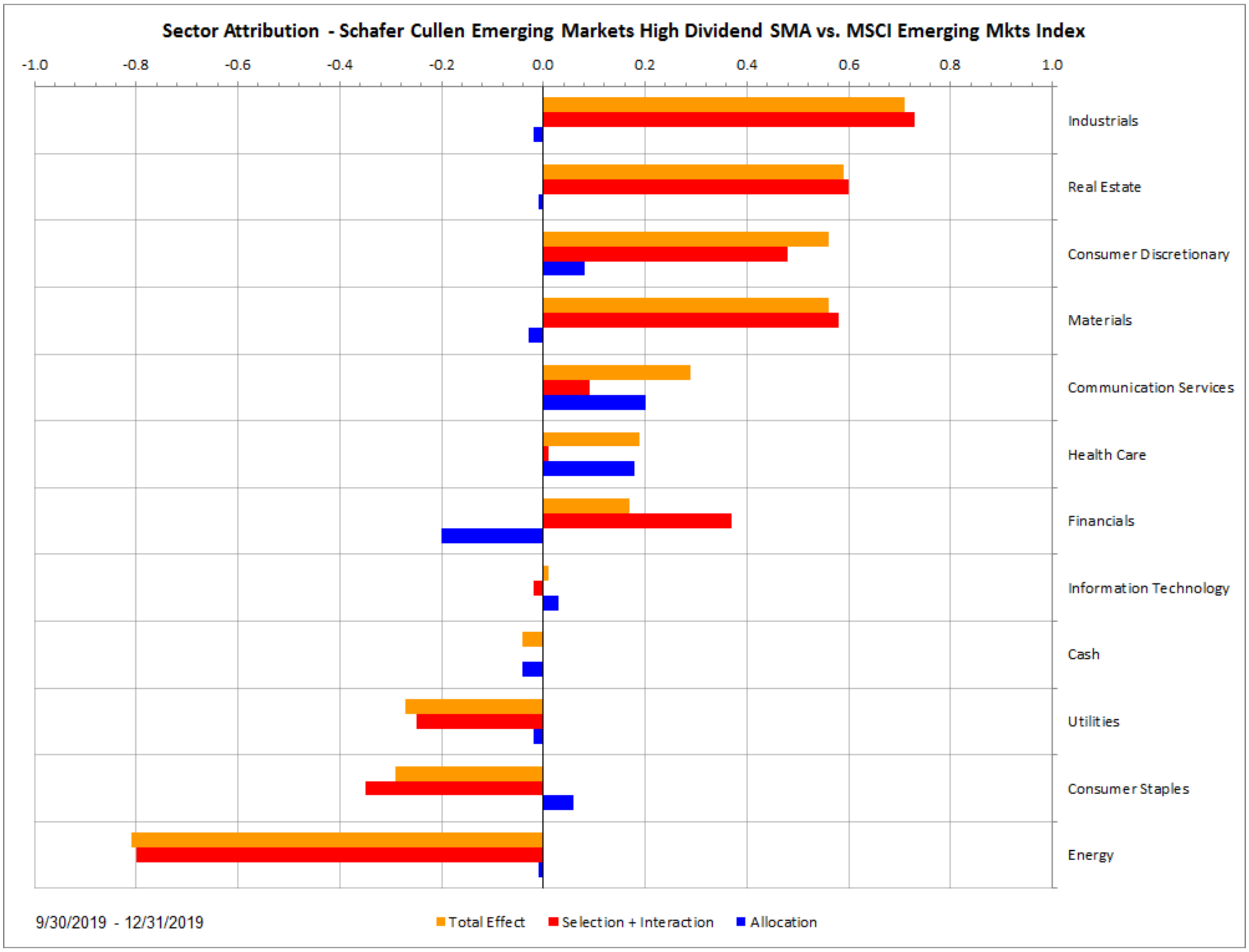
Emerging Markets High Dividend Returns vs. Benchmark

	QTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception*
SCCM EM High Dividend (gross)	11.8	23.4	10.3	4.8	6.1	8.8
SCCM EM High Dividend (net)	11.5	22.2	9.2	3.7	4.8	7.3
MSCI Emerging Markets Index	11.8	18.4	11.6	5.6	3.7	5.8
iShares MSCI Emerging Markets ETF (EEM)	11.7	17.7	10.9	5.0	2.9	5.1

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

Portfolio Attribution:

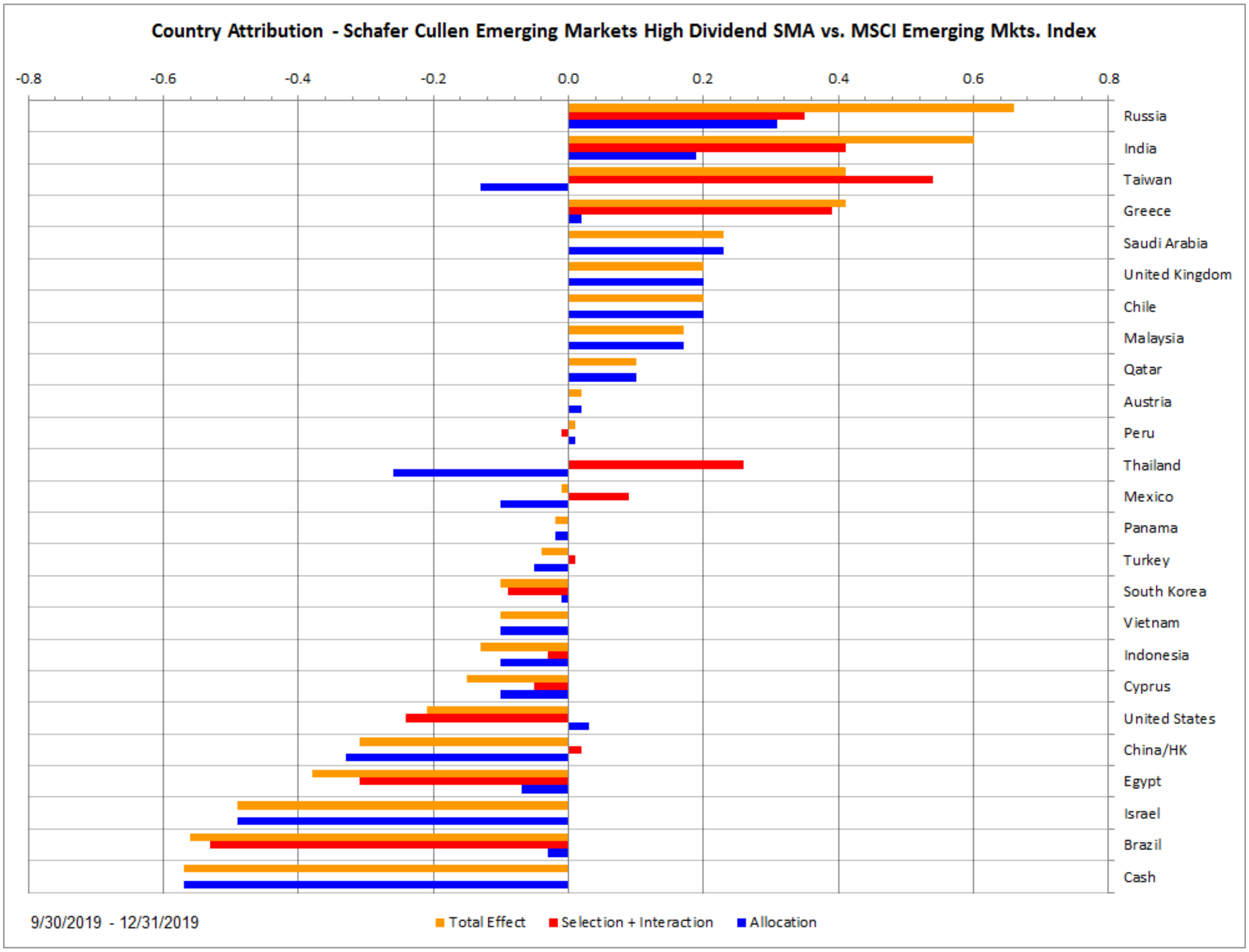
Sector Attribution



Source: SCCM Research, 12/31/2019.

On a sector basis, the strategy's top contributor was its stock selection in Financials and Materials while the strategy's overweight allocation to Real Estate versus the benchmark also contributed. Stock selection within Healthcare and Industrials was also the main detractor.

Country Attribution



Source: SCCM Research, 12/31/2019.

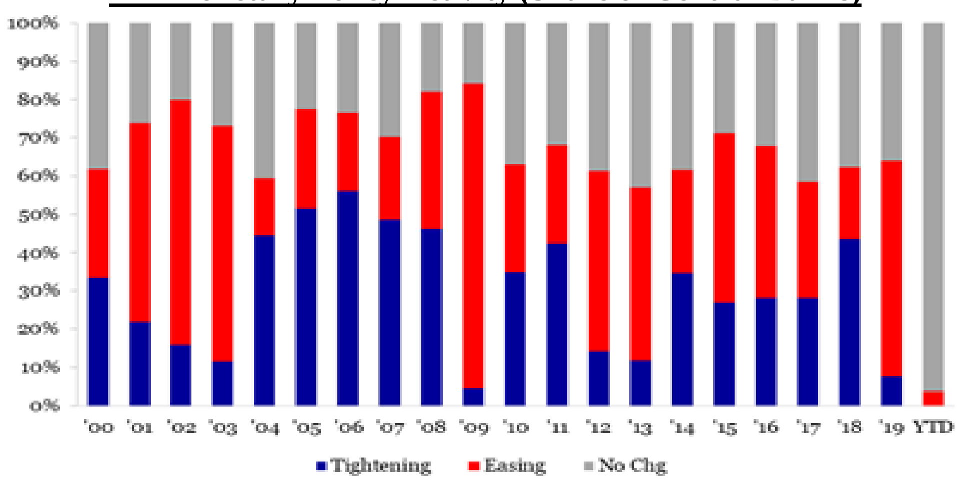
On a country basis, the strategy's stock selection in Russia, India and Taiwan was the main contributor. Additionally, the strategy's overweight allocation to Russia and underweight allocation to India versus the benchmark also contributed. The top country detractors were Brazil, Israel, and Egypt. Stock selection was the main detractor in Brazil and Egypt, while the strategy's overweight allocation in Israel versus the benchmark detracted. Top contributors in the quarter were Times China Holdings (China / Hong Kong, Real Estate), Taiwan Semiconductor (Taiwan, Information Technology), MMC Norilsk Nickel (Russia, Materials) and Opap SA (Greece, Consumer Discretionary). Top detractors in the quarter were Elbit Systems (Israel, Industrials), Integrated Diagnostics Holdings (Egypt, Healthcare) and Gail India (India, Utilities).

Portfolio Positioning and Outlook:

After solid returns in 2019, the Emerging Market (EM) equity universe continues to offer attractive investment opportunities, particularly relative to other asset and style classes, based on valuations and long-term earnings growth potential. Within the EM investment universe, value stocks continue to offer an exceptional contrarian investment opportunity in a world filled with speculative excesses across almost all other investment opportunities. On a forward earnings basis, EM stocks trade at over a 30% discount to US stocks despite offering similar consensus earnings growth of 13% over the next three years. Our portfolio valuation is even more attractive, with our holdings trading, on average, at less than 12.1x 2020 earnings and with a 4.9% dividend yield that also has strong growth potential and is particularly appealing in light of the low global interest rate environment. Despite the persistence of negative news headlines, such as protests in Hong Kong and South American emerging markets, a potential escalation of conflict between Iran and the US and fragile geopolitical and macroeconomic environments in select, yet small emerging markets, we think these issues are priced in at current EM valuation and investor sentiment levels. More importantly, these headwinds seem to be offset by positive developments, such as monetary easing in several large EMs, an improvement in US-China trade tensions and a pick-up in global economic data that we anticipate may result in an acceleration in earnings growth relative to current consensus expectations. If this, in fact, occurs, then EM equity returns could be bolstered beyond current expectations that are already underpinned by attractive valuations and earnings growth prospects. Longer term, earnings growth continues to be driven by structural and thematic growth drivers that we have discussed in the past. These long-term thematic growth opportunities include exposure to themes such as climate change, electric vehicles, big data, emissions technologies, demographic trends, e-commerce, artificial intelligence, the emerging market consumer, sustainability, domestic reform initiatives, improving corporate governance and other opportunities. Because of the magnitude and seeming inevitability of most of these themes, we think companies that are exposed to them are particularly well-insulated from a long-term perspective from the shorter-term geopolitical and macroeconomic risks described above. We continue to believe that our portfolio is especially appealing because investors do not need to pay for over-valued growth stocks to gain similar exposure to the structural and thematic growth drivers that our portfolio is well-exposed to.

Among the catalysts that may stoke strong EM equity performance, we find the significant and broad-based monetary easing in EMs to be the most underappreciated factor by investors. With the focus on the massive and ongoing QE (i.e. quantitative easing) policies in developed markets like Europe, Japan and the US, investors are perhaps overlooking stealth QE policies in many large emerging markets and the impact these policies may have on EM equities. As seen in the chart below, the large majority of emerging markets central banks are engaging in monetary easing with roughly 60% of them cutting interest rates in 2019.

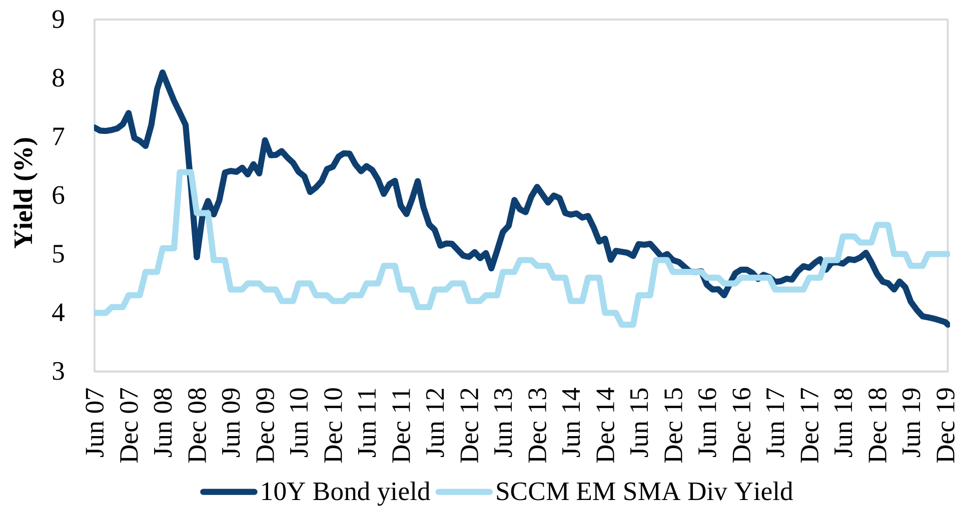
EM Monetary Policy Activity (Share of Central Banks)



Source: Strategas Research, 01/15/2020.

Further, the decline in emerging market interest rates has been significant, with the MSCI EM bond yield declining by approximately 50% over the past decade and 20% over the last year to an all-time low of roughly 3.8% at the end of 2019. Indeed, and as seen below, the excess of our portfolio dividend yield relative to the MSCI EM bond yield is near a historical high underscoring the fact that EM dividend payers remain one of the best opportunities for income-seeking investors in a low rate environment. These EM dividend payers are also likely to benefit from increased flows from income-seeking investors who, similar to recent DM market activity, begin to see the opportunity for income in these stocks. The potential impact of growing interest in EM dividend stocks should not be underestimated since large domestic investors in EM markets, with historically high bond yields, have been fairly reluctant to buy equities instead of owning the relatively safer and meaningfully higher-yielding bonds of the past. That is particularly true since these EM bonds are also far riskier and less liquid than in the past, as we have discussed in past market commentary[1].

EM 10-Year Bond Yield vs. SCCM EM Dividend Yield



Source: Jefferies Research, SCCM Research, 12/31/2019.

The underappreciated implications of declining interest rate trends in emerging markets are similar to what has occurred in developed markets: (a) EM equities should benefit substantially as DM equities, particularly the US, have done and (b) reduced risk as lower refinancing rates allow problematic EM countries and corporates to restructure their debt. While a potential positive catalyst to short- or intermediate-term EM performance, central bank monetary easing actions do represent 'kicking the can down the road', as has been the case in most DMs. Accordingly, a day of reckoning will certainly impact over-levered EM (and DM) countries and corporates and this represents a longer-term risk that, for now, is offset by the medium-term positives that we anticipate will produce strong absolute and relative EM equity returns. More importantly, SCCM's EM strategy is particularly well positioned to be insulated from these longer term risks since we have very low exposure on an absolute and relative basis to over-levered EM corporates or countries and the attractive valuations and high portfolio dividend yield further mitigate risk.

With regard to portfolio positioning, we established a position in Russian payment operator Qiwi (Russia, Information Technology) due to its unique positioning within the payments market, attractive absolute and relative valuation and strong dividend growth prospects. We bought a position in Russian property developer LSR Group (Russia, Real Estate) due to its attractive valuation, with shares trading at less than 6x forward earnings with a dividend yield in excess of 9% and expectations that it will benefit from

[1] *Please reference the Schafer Cullen Q2 2018 Emerging Market commentary.*

declining interest rates in Russia and industry consolidation. We sold our position in asset manager Value Partners Group (China/HK, Financials) as structural changes in the industry and the company's unwillingness to enhance shareholder return policies combined to change our investment thesis in the company. As the market moves forward, we will continue to adhere to our investment discipline, which focuses on valuation, strong balance sheets and earnings growth, in hopes of capitalizing on pricing inefficiencies. Over the long-term, we believe this fundamentals-driven value investing strategy should deliver meaningful outperformance for our investors relative to passive strategies, 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.

Emerging Markets High Dividend Strategy is also referred to as "SCCM EM High Dividend" throughout this document.

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Risk Disclosure: Market conditions can vary widely over time and can result in a loss of portfolio value Investing in the stock market involves gains and losses and may not be suitable for all investors. Investors have the opportunity for losses as well as profits. Investments in foreign securities which may involve greater volatility and political, economic and currency risks and differences in accounting methods.

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. The **iShares MSCI Emerging Markets ETF (EEM)** seeks to track the investment results of an index composed of large- and mid-capitalization emerging market equities. One cannot invest directly in an index.

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All opinions expressed constitute Schafer Cullen Capital Management's judgment as of the date of this report and are subject to change without notice.

Portfolio Exposure and Characteristics as of 12/31/2019

Sectors	SCCM EM (%)	MSCI EM (%)
Communication Services	4.6	11.0
Consumer Discretionary	12.1	14.2
Consumer Staples	7.9	6.4
Energy	7.3	7.4
Financials	21.8	24.2
Health Care	2.0	2.8
Industrials	9.2	5.3
Information Technology	14.7	15.7
Materials	9.6	7.4
Real Estate	9.6	3.0
Utilities	1.1	2.6
Total	100.0	100.0

Top 10 Countries	SCCM EM (%)	MSCI EM (%)
China / Hong Kong	23.0	34.2
Russia	11.1	3.9
Taiwan	10.9	11.7
India	9.1	8.6
Brazil	8.1	7.5
South Korea	7.6	11.7
Thailand	4.8	2.6
Mexico	4.3	2.3
Indonesia	3.8	1.9
Greece	2.7	0.3

Regions	SCCM EM (%)	MSCI EM (%)
Asia Pacific	61.4	73.5
EMEA	24.1	14.2
Latin America	14.5	11.4
Other	0.0	0.7

Top 10 Holdings	SCCM EM (%)
Taiwan Semiconductor	4.0
ICICI Bank	3.4
Lukoil	3.2
Sberbank	3.1
Ping An Insurance	3.0
Sands China	3.0
AIA Group	3.0
Norilsk Nickel	2.9
Times China	2.9
Xinyi Glass	2.9

Portfolio Characteristics	Price/Earnings Forward	Dividend Yield NTM	LT DPS Growth	LT EPS Growth	Weighted Avg. Market Cap ($B)
SCCM Emerging Markets High Dividend	12.1	4.9	9.0	11.4	58.1
MSCI EM Index	13.3	3.0	8.5	11.0	112.7

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