SCHAFER | CULLEN
CAPITAL MANAGEMENT

Emerging Markets High Dividend SMA
Q2 2020 Commentary

Market Review:

The second quarter performance of emerging markets (EM) equities was in stark contrast to the significant correction seen in the first. EM equities rebounded during the April-June period as several EM countries began the process of gradually reopening their economies, after the near global lockdown had brought industrial and consumer activity to a virtual standstill. Among the factors that drove the second quarter rally included early signs of economic turnaround following major fiscal and monetary stimulus measures by EM central banks, new cases coming down materially in parts of emerging economies and liquidity concerns largely being addressed. As a result, EM equities ended the second quarter up 18.08%, outperforming its developed market (DM) counterparts which gained 15.15% during the same period. The US market (S&P 500 Index) however outperformed both EM and DM equities as retail sales and employment figures coming in towards the end of Q2 pointed to a sharp recovery. While the EM rebound was broad based, China was the biggest contributor. Economic activity in China also pointed to a likely sustained pick-up with Services PMI for May coming in well ahead of estimates and exports recovering towards the end of Q2. Among other EM economies, Indian equities witnessed a strong rally despite rising COVID-19 cases. The Indian government's stimulus package announcement of a little over US$250 bn and a gradual reopening of the economy during the quarter were major factors. During the quarter, EM equities in Latin America (up 19.20%) outperformed their counterparts in Europe, Middle East and Africa (+19.09%) and Asia (+17.86%). Central banks in Latin America stepped up with their monetary policy support, cutting policy rates further even as cases surged, particularly in Brazil. Within EM, Growth (+22.08%) outperformed Value (+13.90%). The risk-on rally during the second quarter seemed to prefer growth stocks available at attractive valuations due to the sell-off and on expectations of a faster than anticipated pace of recovery. The Dollar Index (DXY) lost 1.67% during Q2 as riskier assets rebounded. Among commodities, oil (Brent Crude) too staged a significant comeback after registering a near two-decade low in Q1, as OPEC led by Saudi Arabia slashed production. The commodity ended the second quarter at $41.15, up 80.96%. The S&P Industrial Metals index rose 12.69% during the quarter, coming back strongly on expectations of an economic turnaround, especially in China, the US, and other developed European economies.

The top performers among major EM countries during Q2 of 2020 were South Africa, Indonesia, and Thailand. South African equities outperformed led by gold stocks and a recovery in oil, even as the country's economy went deep into recession during Q1. Indonesia and Thailand equities outperformed driven by the recovery anticipated in Asian economies, especially China. Indonesian equities were also helped by policy rate cuts by its central bank while oil price gains pushed Thai energy stocks higher during the quarter. The bottom EM country performers were Qatar, Egypt, and Colombia. Gains in Qatar's equity market were limited by weak performances of Insurance and Consumer Goods stocks. While PMI indicators for Egypt recovered in Q2, they remained in the contraction zone, while a weak currency and a late surge in new coronavirus cases in Colombia limited gains during the quarter. The top EM sectors for Q2 2020 were Health Care, Materials and Energy. The bottom performers were Real Estate, Financials, and Utilities.

Performance:

The strategy appreciated 12.1% (net of fees) in the second quarter of 2020, underperforming the benchmark by 6.0%, as EM growth stocks meaningfully outperformed EM value and dividend paying stocks.

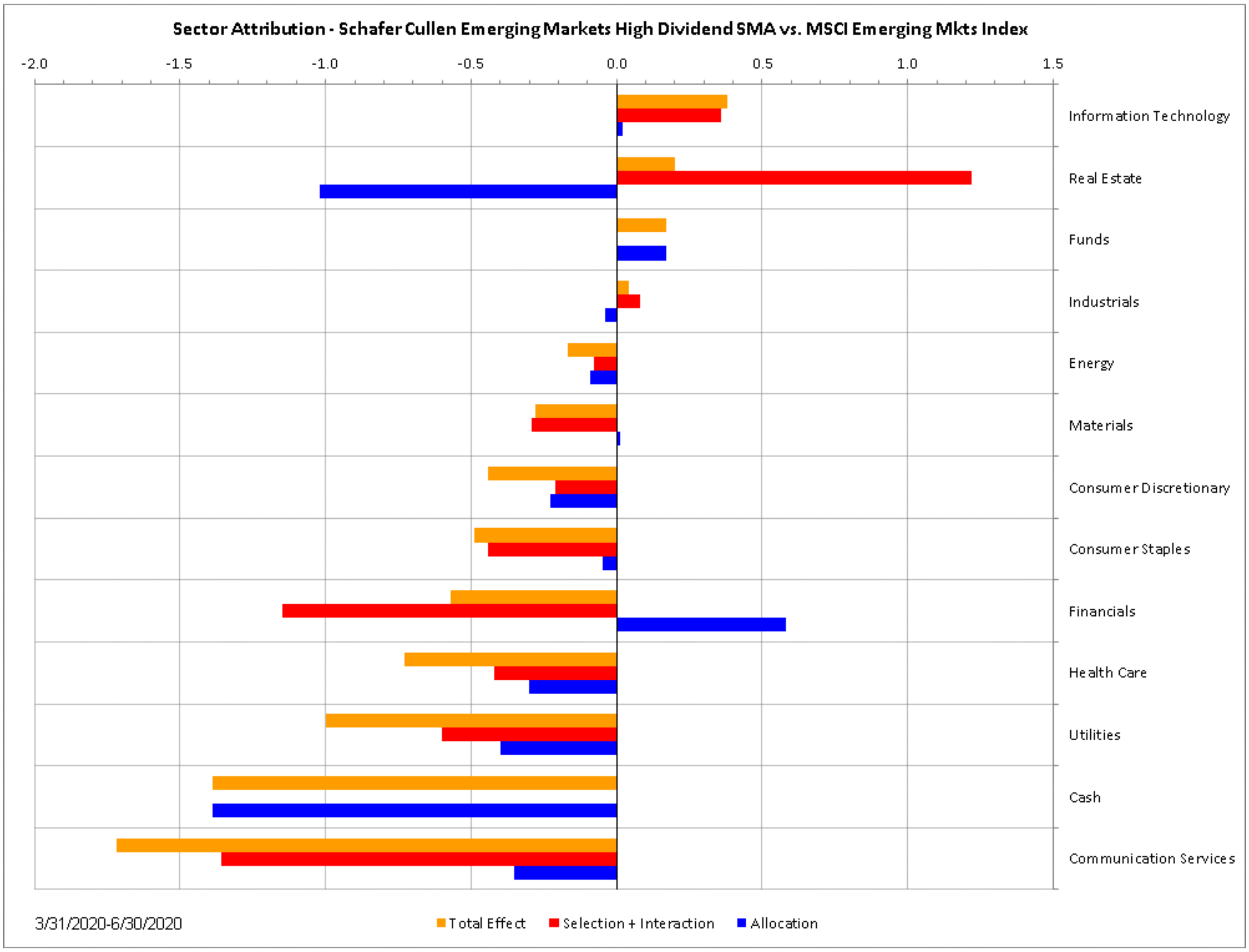
Figure 1: Emerging Markets High Dividend Returns vs. Benchmark

	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception*
SCCM EM High Dividend (gross)	12.4	-20.2	-14.1	-2.2	-0.5	3.7	6.8
SCCM EM High Dividend (net)	12.1	-20.6	-15.0	-3.2	-1.5	2.5	5.4
MSCI Emerging Markets Index	18.1	-9.8	-3.4	1.9	2.9	3.3	4.9
iShares MSCI Emerging Markets ETF (EEM)	17.9	-10.0	-4.0	1.3	2.3	2.7	4.1
MSCI Emerging Markets Value Index	13.8	-18.1	-15.8	-2.7	-0.8	0.7	3.7

**As of 12/31/2005 through 3/31/2020. Performance for periods greater than 1 year is annualized.*
Past performance is no guarantee of future results.

Portfolio Attribution:

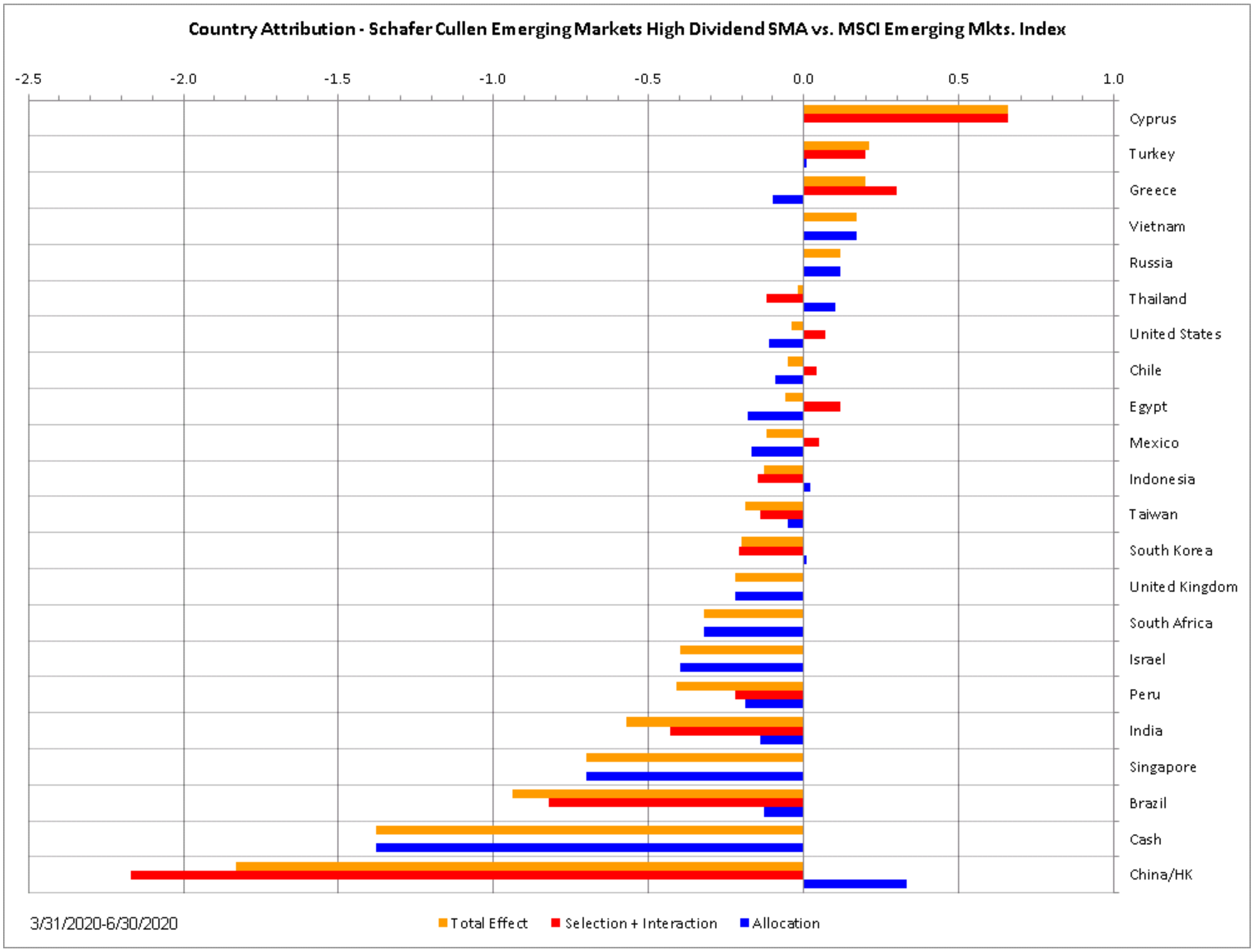
Sector Attribution



Source: SCCM Research, 06/30/2020.

On a sector basis, the strategy's top contributor was its stock selection in Information Technology and Real Estate. The strategy's overweight allocation to Funds versus the benchmark also helped. Stock selection within Communication Services, Utilities, and Health Care sectors was the main detractor. Additionally, the strategy's underweight allocation to Communication Services and Health Care and overweight allocation to Utilities versus the benchmark also impacted its performance. During the quarter, the benchmark's performance was positively impacted by the significant outperformance of internet and communication services names such as Tencent Holdings (China/Hong Kong, Communication Services) and Alibaba Group Holdings (China/Hong Kong, Consumer Discretionary).

Country Attribution



Source: SCCM Research, 06/30/2020.

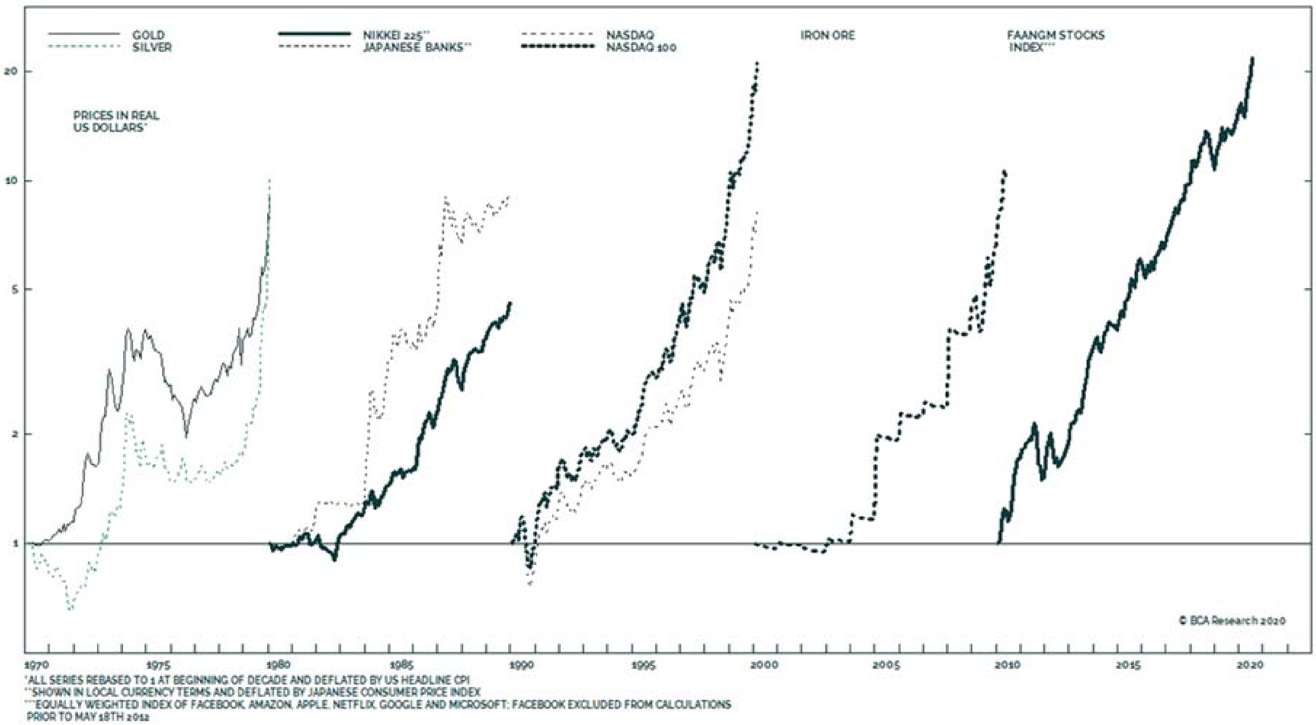
On a country basis, the strategy's stock selection in Russia, Turkey and Greece was the main contributor. The top country detractors were China/Hong Kong, Brazil, and Singapore. Stock selection was the main detractor in China/Hong Kong and Brazil, while allocation detracted in Singapore. Top contributors in the quarter were Qiwi Plc (Russia, Information Technology), Vinythai Public Co. Ltd. (Thailand, Materials), Times Neighborhood Holdings (China/Hong Kong, Industrials), and China Yongda Automobiles (China/Hong Kong, Consumer Discretionary). Top detractors in the quarter were Power Assets Holdings (China/Hong Kong, Utilities), WH Group (China/Hong Kong, Consumer Staples) and Singapore Telecommunications (Singapore, Communication Services).

Portfolio Positioning and Outlook:

In the new economic environment resulting from the novel coronavirus, we continue to prefer attractively valued securities in countries that have put forth successful efforts at containing the virus, as well as more geographically vast, less densely populated and more economically developed EM countries. Countries we expect to be relatively better positioned include China, Taiwan, South Korea, Thailand, Vietnam and Eastern European emerging markets, while countries such as India, Indonesia, and those in Africa and Latin America appear systemically to face greater risks over the near term. With several, primarily North Asian, countries having managed to suppress the spread of the virus while introducing stimulus measures that lead to a better-than-anticipated recovery, the strategy has taken advantage of market volatility by making select investments in more cyclical companies that were initially hit hard by the virus-related sell-off. Within this backdrop, we established positions in Zijin Mining Group (China, Materials), CIFI Holdings (China, Real Estate) and Credicorp (Peru, Financials) given their strong positioning within their respective domestic markets as well as their attractive valuations and appealing dividend attributes. Simultaneously, we continue to aim for balanced portfolio exposure and have targeted investments in companies with greater earnings clarity and less volatility should uncertainty persist, as evidenced by our investment in Singapore Telecommunications (Singapore, Communication Services), whose emerging market assets appear undervalued within the group, and Ratchaburi Group (Thailand, Utilities), which offers sustainable earnings and dividend growth afforded by its regulated business model. We sold our positions in Petrobras (Brazil, Energy), Ambev (Brazil, Consumer Staples) and Erste Bank (Austria, Financials), as we expect these companies to meaningfully lower or eliminate their dividends as a byproduct of either the macroeconomic impact of the virus or because of regulatory constraints. We also sold positions in IGG (HK/China, Consumer Discretionary), as the company's new gaming products have been either plagued by delays or poor market traction.

Clearly, the combination of earnings uncertainty and the crowded, lopsided nature of EM style performance YTD has created an arduous environment for value investors. The overcrowding into select EM internet companies is quite similar to the FAANGM (Facebook, Amazon, Apple, Netflix, Alphabet, Google and Microsoft) investment phenomenon in US markets as just a handful of primarily internet stocks now account for over 20% of EM index allocation. The internet stocks in the MSCI EM Index have returned 22% through June 30 versus -9.8% for the MSCI EM Index, leaving the rest of the EM Index (i.e. ex-internet stocks) with a -16.6% return over the period. The remainder of the non-internet, EM growth stocks, have also meaningfully outperformed as the MSCI EM Growth index (-1.5% YTD) has outperformed both the MSCI EM Value (-18.0%) and MSCI EM High Dividend (-19.4%) indices, leaving the relative performance trends at a historical extreme. These clear signs of a highly bifurcated market are reminiscent, as seen in Figure 2, of previous periods of extreme outperformance by a single asset class over each of the last four decades, which resulted in full-blown manias. However, the pain inflicted upon investors in the aftermath of these manias, especially for those who were late and bought near the top, is often overlooked. Gold and Japanese equities peaked in 1980 and 1989 respectively, following which it took these previously popular assets over 25 years to recoup their losses. Dot-com companies and iron ore, which peaked in 2000 and 2011 respectively, had faster recoveries, but not before first posting peak-to-trough losses of around 80%.

Figure 2: Every Decade Has a Mania



Past performance does not guarantee future results. Source: BCA Research, 7/14/2020.

Throughout all these historical episodes of boom and bust, sticking to a balanced asset allocation that includes value equities has provided steadier returns, and such an approach eventually went on to meaningfully outperform over the long term. In a period particularly reminiscent of today, the S&P 500 significantly outperformed EM stocks in the 1990's, after which, the MSCI EM Index returned 110.2% versus 5.2% for the S&P 500 from the end of the tech bubble in March 2000 until the start of the financial crises in March 2007. Similarly, the MSCI World Value Index returned 55.1% over the same period versus -15.6% for the MSCI World Growth Index. These sharp reversals in relative style performance that persisted over prolonged periods of time highlight the importance of diversification. In addition to the negative potential impact of not having asset class diversification at a time when style trends may shift quickly and substantially, an additional risk is style drift as value managers become frustrated with the persistence of style trends and begin to add exposure to growth names at the worst time. There is evidence of this trend growing, with several value managers, indices and ETFs initiating positions in growth stocks despite the growing unattractiveness of the valuation disparities between growth and value stocks. In this regard, our portfolio exposure remains unique in our opinion, and offers the diversification away from swelling growth stocks, as we remain steadfast in our strict value discipline and avoid style drift. Furthermore, the portfolio also offers diversification from large cap stocks and the S&P 500, the two other areas of the market that have massively outperformed small to mid-cap stocks and EM stocks in the past decade. Similar to mega cap EM technology stocks, select portfolio holdings have also benefitted from the work from home (WFH) trend and shifts in relative demand for certain products and services as a result of COVID-19, but these positions remain distinct in that they still offer attractive valuations and are not over-owned like the mega-cap, EM, internet companies. Portfolio valuations remain attractive as the portfolio trades at approximately 11.1x earnings with a 5.0% dividend yield. While uncertainty persists, the earnings and dividend estimates underpinning these valuations may experience upward revisions should recent economic strength and global government stimulus plans continue. Should this occur, our portfolio companies should benefit from strong, long-term earnings growth accompanied by attractive valuations, which will likely produce solid returns for long-term investors. In the meantime, we believe the high level of portfolio dividend income is especially attractive within the current paradigm given that it's near its largest historical gap relative to fixed income alternatives, highlighting the attractiveness of the current exposure for income investors.

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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Past performance is no guarantee of future results. 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. 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. There is no guarantee that any historical trend illustrated in this report will be repeated in the future, and there is no way to predict precisely when such a trend might begin. A list of all recommendations made by SCCM within the immediately preceding period of not less than one year is available upon request.

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.

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 **MSCI EAFE Index** is a free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States and Canada. 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. The **S&P 500 index** is a market capitalization-weighted index of 500 companies in leading industries of the US economy. The index is unmanaged and has no fees. The **MSCI EM Asia Index** captures large and mid-cap representation across 9 Emerging Markets countries. The **MSCI EM Latin America Index** captures large and mid cap representation across 5 Emerging Markets (EM) countries in Latin America. The **MSCI EM Europe Middle East and Africa Index** is a free float-adjusted market capitalization index that is designed to measure equity-market performance in the emerging market countries of Eastern Europe, the Middle East, and Africa. The **S&P Industrial Metals Index** is a measure of industrial metals price movements within the commodity markets. The **Dollar Index (DXY)** is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.'s most significant trading partners. The **MSCI Emerging Markets High Dividend Yield** reflects the performance of equities in the MSCI EM Index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

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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 6/30/2020

Sectors	SCCM EM (%)	MSCI EM (%)
Communication Services	7.1	13.5
Consumer Discretionary	9.8	17.4
Consumer Staples	7.1	6.5
Energy	3.2	6.0
Financials	14.8	19.1
Health Care	2.5	4.3
Industrials	7.2	4.7
Information Technology	16.2	16.9
Materials	9.4	6.9
Real Estate	15.3	2.6
Utilities	7.3	2.3

Top 10 Countries	SCCM EM (%)	MSCI EM (%)
China / Hong Kong	28.7	41.0
Taiwan	11.0	12.1
Russia	9.6	3.2
South Korea	8.6	11.6
Thailand	6.4	2.3
Mexico	5.5	1.7
India	4.8	8.0
Israel	3.0	0.0
Brazil	2.9	5.2
Singapore	2.8	0.0

Regions	SCCM EM (%)	MSCI EM (%)
Asia Pacific	65.9	79.1
EMEA	20.6	12.1
Latin America	13.5	8.1
Other	0.0	0.7

Top 10 Holdings	SCCM EM (%)
Taiwan Semiconductor	4.4
Ping An Insurance	3.4
ASE Technology	3.4
Times China	3.1
Xinyi Glass	3.0
Elbit Systems	3.0
Prologis Property	2.9
Lukoil	2.8
Singapore Telecommunications	2.8
Power Assets	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	11.1	5.0	8.2	10.9	46.5
MSCI EM Index	15.1	2.7	7.8	11.0	135.9

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

Dividend Yield refers to the dividend per share divided by the price per share. **Forward Price-to-earnings ratio (P/E)** refers to the price of a stock divided by its estimated forward 12-month earnings per share. **Earnings per Share (EPS)** is the portion of a company's profit allocated to each share of common stock and can serve as an indicator of a company's profitability. **Long-term EPS** is the net income less dividends paid on preferred stocks divided by the number of outstanding shares. **Long-term Dividend per Share (LT DPS)** is the sum of declared dividends issued by a company for every ordinary share outstanding. **Basis points (BPS)** refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1% and is used to denote the percentage change in a financial instrument.