Global High Dividend ADR Strategy

Q4 2018 Commentary

Market and Economic Review

Global equity markets declined across the board in the fourth quarter of 2018, driven by concerns over the outlook for global growth and the ramifications of a potential trade war with China. Developed Markets underperformed Emerging Markets in the quarter, with the majority of the decline driven by a sell-off in highly-valued technology companies as well as energy companies hurt by a steep decline in crude oil prices. For US markets, the fourth quarter was the worst quarterly performance in ten years, since the depths of the financial crisis in 2008, with 2018 ending the streak of nine consecutive years of positive returns for the S&P 500, which tied the longest streak in history since 1936. Outside of the US, Developed Markets were held back by continued political uncertainty in Europe, while Emerging Markets remained relatively resilient given declines earlier in the year. In this environment of general risk aversion, fixed income outperformed equities, long-term interest rates fell, the US Dollar appreciated against most major international currencies and perceived safe havens, including the Japanese Yen, outperformed. Commodity markets reflected similar trends, with Brent crude oil prices ending the quarter below $55 a barrel, down from a four-year high at the start of the quarter at around $82 a barrel, and most base metals underperformed precious metals, such as gold and silver.

By region, Emerging Markets outperformed Developed Markets, which, in turn, outperformed U.S. markets. Within Emerging Markets, outperformance in Brazil, Indonesia and Qatar were offset by market declines in Pakistan, Colombia and Mexico. Declines in Developed Markets were fairly broad-based, with the sell-off in Austria, Ireland and Belgium outpacing losses in Hong Kong, New Zealand and Singapore. By sector, non-cyclical sectors such as Utilities, Real Estate, Consumer Staples and Health Care outperformed, whereas cyclical sectors such as Energy, Information Technology, Industrials, Consumer Discretionary and Financials underperformed. The Utilities sector was the only sector to finish the quarter in positive territory, as it and other defensive sectors benefited from a risk-off environment. Energy stocks declined despite a pledge from OPEC to potentially cut oil supply further and momentum in the Information Technology sector waned as investors weighed the impact of a moderating growth outlook. Concurrently, Industrials and Consumer Discretionary stocks priced in a lower economic growth and consumer sentiment outlook, while Financials sold off sharply due to a flattening yield curve in the United States, which threatens bank profitability. By style class, value outperformed growth and large caps outperformed small caps.

The investment discipline core to our strategy focuses on the long-term factors that drive superior risk-adjusted returns – investments in high quality companies with attractive relative valuations, sustainable and growing dividends and catalysts to drive earnings growth and improving sentiment. We believe that our strategy of buying shares in strong companies, at attractive valuations and holding them for the long term (i.e. 5 years) remains attractive in this environment. This is especially in light of the meaningful underperformance over several years of international value equities relative to other asset classes, which could begin to normalize and benefit our portfolio exposure as earnings and dividend growth continues.

Portfolio Performance

The strategy outperformed its benchmarks during the quarter as value investments showed resilience in the market downturn, with MSCI World Value outperforming MSCI World Growth. Performance was also buoyed by the relative outperformance of attractively valued non-cyclical companies, which we are overweight. We continue to believe that our strategy is well positioned to outperform over a full market cycle while taking on less risk as measured by beta, standard deviation and/or down-market capture.

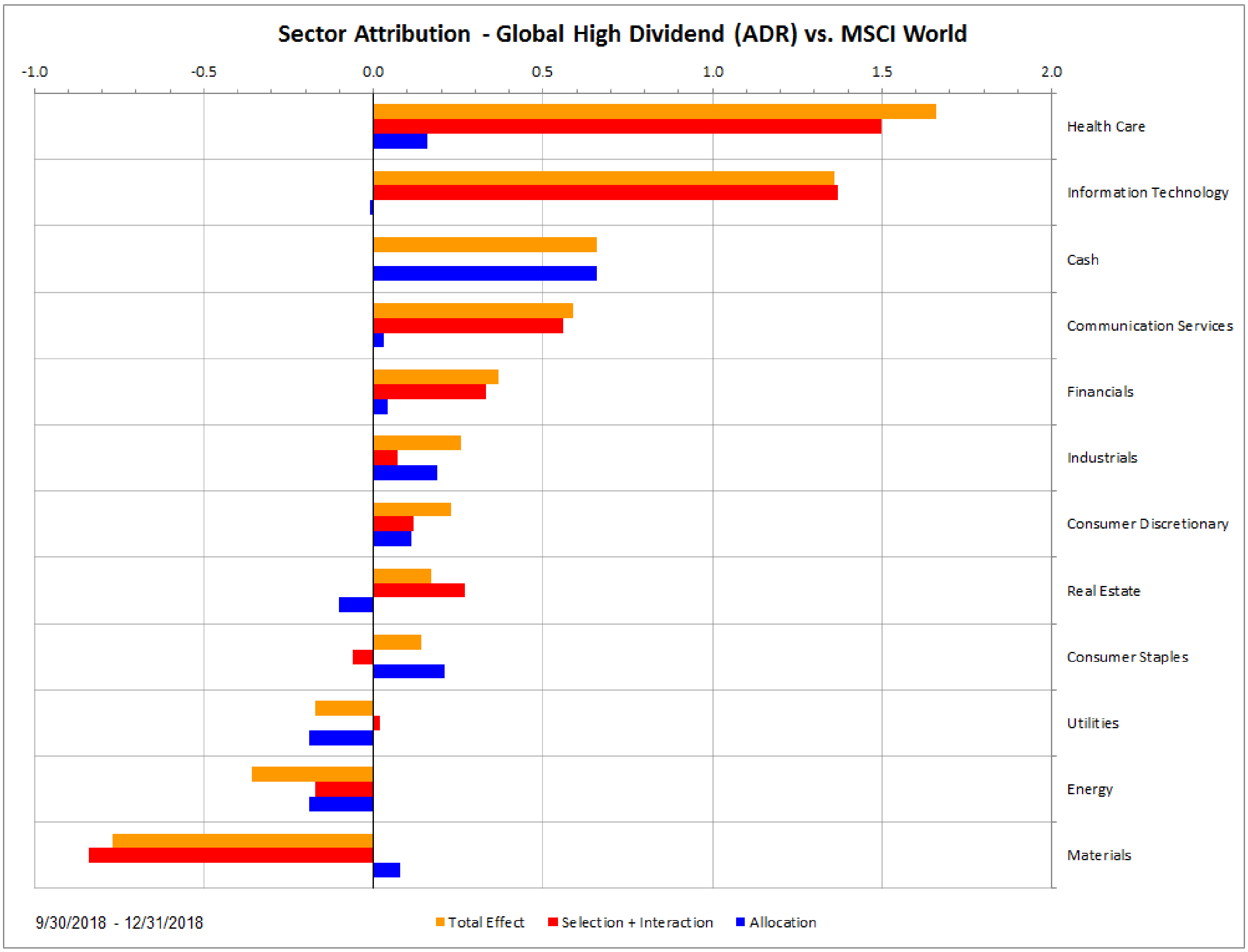
	Q4	YTD	1 Year	3 Year	5 Year	7 Year	Since Incept*
SCCM Global ADR	**-9.5**	**-8.7**	**-8.7**	**4.7**	**4.8**	**8.5**	**5.2**
SCCM Global ADR (net)	**-9.6**	**-9.1**	**-9.1**	**4.0**	**4.1**	**7.6**	**4.2**
S&P Global 1200 Index	**-12.9**	**-8.2**	**-8.2**	**7.4**	**5.3**	**9.6**	**4.9**
MSCI World Index	**-13.4**	**-8.7**	**-8.7**	**6.3**	**4.6**	**9.1**	**4.1**

*March 2007. Performance for periods greater than 1 year is annualized.

Sector Attribution

The largest contributor to relative performance during the quarter was our overweight allocation to and stock selection in the **Health Care** sector, which outperformed during the period. Stock selection in the **Information Technology** and **Communication Services** sectors was a significant contributor to relative performance, with Intel and Telefonica Brasil benefiting from strong third quarter earnings momentum. Shares of Deutsche Telekom also outperformed amid growing optimism that the proposed merger between Sprint and T-Mobile will be approved by US regulators. Despite a sharp sell-off in December, our stock selection in the **Financials** sector aided relative performance, with Zurich Insurance and HSBC bolstered by ongoing cost controls and underwriting discipline. Cash aided performance during the quarter.

The largest detractor from relative performance was our stock selection in the **Materials** sector, with Smurfit Kappa impacted by increased pricing pressure on container board and testliner grades. Our overweight allocation to and stock selection in the **Energy** sector further detracted from relative performance as WTI oil benchmark prices declined 38% in the quarter. Royal Dutch Shell and Total declined far less than the overall sector, helped, in part, by an integrated business model that insulates them from sharp commodity swings. Our underweight allocation to the **Utilities** sector and our overweight allocation to the **Consumer Staples** sector also detracted from performance. We retain confidence in these allocation decisions based on valuations and the long-term outlook for our portfolio companies.

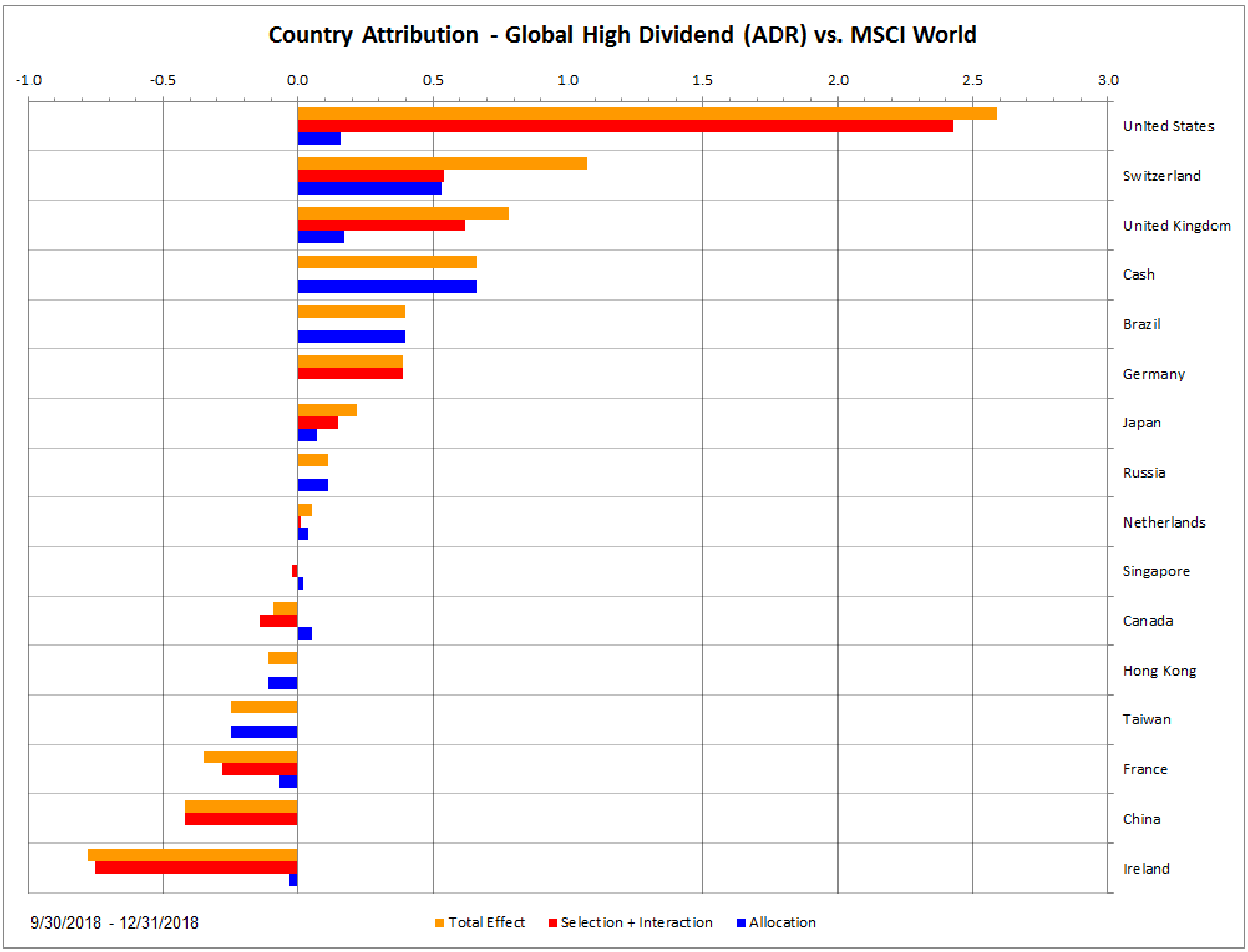


Source: SCCM/Bloomberg, 12/31/2018

Country Attribution

The largest contributor to relative performance during the quarter was our allocation to and stock selection in **United States**, with Merck and Welltower leading the way higher. Merck reported strong quarterly results, with sales of its leading immuno-oncology drug, Keytruda, growing strongly year-on-year and Welltower benefited from a portfolio restructuring and a large demographic tailwind that should increase demand for health care properties in the coming years. Further contributing to our relative performance were our overweight allocations to and strong stock selection in **Switzerland** and the **United Kingdom** via our positions in Novartis, Nestle, Diageo and Unilever. Our overweight allocation to **Brazil** was also a positive contributor. Cash aided performance during the quarter.

The largest detractor from relative performance was our overweight allocation to and stock selection in **Ireland**, with Smurfit Kappa impacted by industry-wide pricing pressures. Our overweight allocation to and stock selection in **China** and **France** further detracted from relative performance, with shares of China Petroleum & Chemical and Total trading down in sympathy with a downturn in commodity markets in the quarter. Shares of BNP Paribas were also impacted by a challenging macroeconomic backdrop in some of the bank's peripheral exposures in Italy and Turkey. Our overweight allocation to **Taiwan** also hurt relative performance, as shares of ASE Technology Holdings underperformed amid a broad market sell-off in EM Information Technology assets.



Source: SCCM/Bloomberg, 12/31/2018

Portfolio Strategy and Changes

Purchases:

DowDuPont Inc. **United States** **Materials**

DowDuPont is one of the largest diversified chemicals and materials companies globally, formed from the 2017 merger of Dow Chemical and DuPont. DowDuPont intends to split into three separate companies by mid-2019, each with a focus on agriculture, materials science and specialty products, respectively. This will unlock significant value for shareholders, as the former standalone businesses of Dow and DuPont are highly complementary, allowing for each of the subdivisions to be restructured and benchmarked to best-in-class peers with respect to market leadership, operating efficiency and profitability. Furthermore, the company stands out relative to peers for its scale, vertical integration and technological innovation. On a relative basis, DowDuPont's North American operations benefit from lower feedstock costs as a result of the shale gas boom in the United States as well as a large joint venture with Saudi Aramco, one of the largest oil and gas companies in the world, to build an integrated chemical complex with flexible cracking capabilities and one of the lowest feedstock costs globally. DowDuPont is also one of the world's most prominent manufacturer of seeds and crop protection products, where the technological expertise and wide distribution platform of the merged entity will further solidify its leading market position. Lastly, the advanced materials division will build on its successful track record of innovation, having produced several noteworthy products over the years, including Lycra and Kevlar. The stock trades at 11.6x forward cash flow with a 2.8% dividend yield.

Sales:

Johnson & Johnson **United States** **Health Care**

We used the opportunity to consolidate our Health Care exposure by liquidating our position in Johnson & Johnson, a leading global health care company with a diversified portfolio of pharmaceuticals, medical devices and consumer health products. While the company continues to offset challenges in its medical device and consumer healthcare divisions with strength in its pharmaceutical business, we decided to reallocate this capital across more attractive alternatives in the sector.

MetLife **United States** **Financials**

We sold our position in MetLife, one of the largest US insurers, with a broad portfolio of life and non-life products. The company's business is now more focused on low growth markets (life insurance and protection policies) that have a high degree of interest rate sensitivity. In addition, given the company's significant exposure to credit in its investment portfolio, risks from higher investment losses and credit spread widening are increasing.

Outlook

We continue to believe that our strategy is well positioned from a long-term perspective given the strong outperformance potential from a reversal of the historically extreme multi-year underperformance of 1) international versus US equities and 2) Value versus Growth equities. On the first front, our portfolio has an overweight allocation to international equities due to several considerations, principal of which is the large valuation differential between international and US equities. Indeed, international equities currently have the lowest weight in the MSCI World Index in 40 years, at 38.3% versus their long-term average weight of 51.5%, as the performance of world equities is being dominated by a narrow group of US-domiciled large capitalization growth stocks. On the second front, value as a style remains the most out of favor since the Tech Bubble, following which MSCI World Value returned 75% over the next 7 years (March 2000 – Feb 2007) while MSCI World Growth posted negative returns. While the fourth quarter bore witness to a break in the extreme performance differential between US and international equity markets as well as Growth versus Value globally, it remains to be seen whether these trends will persist. We do, however, note that the outperformance of Value versus Growth equities in the fourth quarter was wider in the US than in the rest of the world, perhaps due to the rising interest rate backdrop in the United States. Since a rising rate environment tends to act as a tailwind for Value equities, as discussed in one of our recent publications, we remain optimistic about the outlook for international Value equities as monetary policy normalizes in the rest of the world.

Given the generally more volatile nature of international markets, maintaining a long-term horizon becomes key in achieving satisfactory investment results. Below, in a study from 1997 to present, annual returns for six major asset classes are ranked from best performing (top) to worst (bottom). What we find is that international equities (red) and emerging market equities (orange) are almost always either the best or the worst performing asset class in any single given year. While there is an element of randomness to this return ranking profile over the short-term, what we find is that over a forward five-year basis, international equities have performed strongest (+100.9%) following a year of poor performance and conversely have performed weakest (+3.8%) following a year of strong performance. Thus, it is best to ignore short-term performance when it comes to international equities and instead focus on a disciplined approach to investing over the long-term.

Annual Returns for Key Indices Ranked In Order of Performance (1997 - 2018)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Best	US Growth +36.52%	US Growth +42.16%	EM +66.84%	Bonds +11.63%	Bonds +8.43%	Bonds +10.26%	EM +55.82%	EM +25.55%	EM +34.00%	EM +32.17%	EM +39.38%
	US Value +29.98%	Int'l +20.00%	US Growth +28.24%	US Value +6.08%	Small Cap +2.49%	EM -6.16%	Small Cap +47.25%	Int'l +20.25%	Int'l +13.54%	Int'l +26.34%	Int'l +11.17%
	Small Cap +22.36%	US Value +14.68%	Int'l +26.96%	Small Cap -3.02%	EM -2.61%	Int'l -15.94%	Int'l +38.59%	Small Cap +18.33%	US Value +5.82%	US Value +20.81%	US Growth +9.13%
	Bonds +9.64%	Bonds +8.67%	Small Cap +21.26%	Int'l -14.17%	US Value -11.71%	Small Cap -20.48%	US Value +31.79%	US Value +15.71%	Small Cap +4.55%	Small Cap +18.37%	Bonds +6.97%
	Int'l +1.78%	Small Cap -2.55%	US Value +12.73%	US Growth -22.08%	US Growth -12.73%	US Value -20.85%	US Growth +25.66%	US Growth +6.13%	US Growth +4.00%	US Growth +11.01%	US Value +1.99%
Worst	EM -11.59%	EM -25.34%	Bonds -0.83%	EM -30.71%	Int'l -21.44%	US Growth -23.59%	Bonds +4.10%	Bonds +4.34%	Bonds +2.43%	Bonds +4.33%	Small Cap -1.57%

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Avg. 5 Year Int'l Total Return
Best	Bonds +5.24%	EM +78.51%	Small Cap +26.85%	Bonds +7.84%	EM +18.23%	Small Cap +38.82%	US Growth +14.89%	US Growth +5.52%	Small Cap +21.31%	EM +37.28%	Bonds 0.01%	N/A
	Small Cap -33.79%	Int'l +31.78%	EM +18.88%	US Growth +4.65%	US Value +17.68%	US Growth +32.75%	US Value +12.36%	Bonds +0.55%	US Value +17.40%	US Growth +27.44%	US Growth -0.01%	3.8%
	US Growth -34.92%	US Growth +31.57%	US Value +15.10%	US Value -0.48%	Int'l +17.32%	US Value +31.99%	Bonds +5.97%	Int'l -0.81%	EM +11.19%	Int'l +25.03%	US Value -8.97%	53.8%
	US Value -39.22%	Small Cap +27.17%	US Growth +15.05%	Small Cap -4.18%	Small Cap +16.35%	Int'l +22.78%	Small Cap +4.89%	US Value -3.13%	US Growth +6.89%	US Value +15.36%	Small Cap -11.03%	13.8%
	Int'l -43.38%	US Value +21.17%	Int'l +7.75%	Int'l -12.14%	US Growth +14.61%	Bonds -2.02%	EM -2.19%	Small Cap -4.41%	Bonds +2.65%	Small Cap +14.65%	Int'l -13.79%	30.7%
Worst	EM -53.33%	Bonds +5.93%	Bonds +6.54%	EM -18.42%	Bonds +4.21%	EM -2.60%	Int'l -4.90%	EM -14.92%	Int'l +1.00%	Bonds +3.54%	EM -14.58%	100.9%

Source: SCCM Research; As of 12/31/2018.

The prospect for US equities in 2019 appears positive, supported by a mid-to-high-single digit year-over-year growth in S&P 500 earnings, relatively attractive valuation multiples and market sentiment coming off extreme levels. However, the current economic recovery's record length and the stark divergence between the economic recovery and financial recovery since 2009 should be considered. Nominal GDP growth in this cycle has been one of the weakest since the 1930's while equity market returns have been one of the strongest, driven in part by unprecedented stimulus and aggressive monetary easing and a record level of share repurchases estimated at $4.5 trillion in the US corporate sector. With less stimulative monetary policy and rising sovereign and corporate debt levels, the wide dispersion between asset price inflation and real economy inflation are at risk of convergence. In this environment, risk-adjusted returns are likely to adjust to more normalized levels and strategies that have delivered superior risk-adjusted returns through market cycles become even more critical.

Within Europe, pockets of clear value can be found, though these tend to be in the most cyclical areas of the market, including in financials and consumer discretionary and some judgement is required here to discern the sustainability of future earnings and dividends. Within Emerging Markets, the outlook is varied and, in some cases, positive given the wide diversity of countries and companies which fall under this umbrella term, with some countries and companies far better positioned than others. In Japan, there continues to remain only a limited number of companies which generate a combination of sustainably high and growing dividend payments. Across all international equity markets, we remain focused on using our disciplined approach to identify inefficiencies, whereby we are looking for attractively valued companies introducing new and innovative products in attractive and growing industries and led by management teams with an above-average ability to allocate capital efficiently.

With interest rates having been kept low by central banks globally for much of the last decade, the investment case for international equities often rested on prospects for earnings growth and their attractive valuation relative to fixed income, which translated into a generous equity risk premium in excess of 500 basis points. However, following the 2018 sell-off, a clear case can be made for international equities on the basis of absolute valuation alone. Our portfolio of high-quality companies, for instance, is currently selling for 12.5 times forward earnings, which is one of the most attractive valuation levels in over five years. We believe that our portfolio companies are currently trading at meaningful discount to their true intrinsic value, which would value them using normalized earnings along with a normalized price/earnings multiple.

With equity price multiples having recovered close to historical norms, going forward we believe that the bulk of returns will be generated via the components of dividend yield and earnings/dividend growth, which is in line with the long-term norm of equity markets globally. On both these measures we consider our portfolio to be well positioned with a higher, 4.6% dividend yield and a faster and more sustainable dividend growth profile relative to the benchmark MSCI World. In 2018, 85% of our portfolio companies raised their dividend payments by an average of 14.9% YoY. In this regard, strong dividend increasers include Sinopec, Norilsk Nickel, United Overseas Bank, JP Morgan Chase, Nippon Telegraph & Telephone, Altria, Telefonica Brasil, Cisco Systems, NextEra Energy and Daimler. With strong balance sheets and continued earnings growth, we anticipate that this trend will continue Thank you for your continued support and please do not hesitate to contact us with any questions.

Best Regards,

Schafer Cullen Capital Management, Inc.

Appendix: Portfolio Exposure and Characteristics as of 12/31/2018

Portfolio Exposure

Sectors	% Assets
Communication Services	8.9
Consumer Discretionary	4.8
Consumer Staples	9.6
Energy	7.2
Financials	17.6
Healthcare	15.1
Industrials	6.4
Information Technology	12.7
Materials	6.0
Real Estate	2.8
Utilities	3.0
Cash	6.0
Total	100.0

Regions	% Assets
Developed Asia Pacific	5.9
Europe	46.5
North America	35.5
Asia Pacific Emerging	2.9
Latin America	1.6
EMEA	1.6
Developed Markets	88.0
Emerging Markets	6.1
Cash	6.0
Total	100.0

Top Country Exposure	Top Ten Holdings
United States	Cisco Systems
Switzerland	JP Morgan Chase
United Kingdom	Intel
Germany	Novartis
France	Microsoft
Netherlands	Nestle
Japan	Merck
Ireland	Pfizer
Singapore	Roche
China	NextEra Energy

Portfolio Characteristics

	Forward Price / Earnings	Forward Dividend Yield	Est. LT EPS Growth	Ave. Market Cap ($B)
SCCM Global High Dividend ADR	12.5	4.6	9.1	151.4
MSCI World Index	14.0	3.0	9.4	139.2

Source: SCCM Research, BCA Research, Bloomberg

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

Disclosure: Schafer Cullen Capital Management (SCCM or the “Adviser”) is an independent investment advisor registered under the Investment Advisers Act of 1940. This information should not be used as the primary basis for any investment decision nor should it be considered as advice to meet your particular investment needs. The portfolio securities and sector weights may change at any time at the discretion of the Adviser. It should not be assumed that any security transactions, holdings or sectors discussed were or will be profitable, or that future recommendations or decisions will be profitable or equal the investment performance discussed herein. Investing in equity securities is speculative and involves substantial risk.

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.

In the case where this report displays model results, please be aware that such results do not represent actual trading and that results may not reflect the impact that material economic and market factors might have had on the Adviser's decision-making if the Adviser were actually managing clients' money.

Model and actual results reflect the deduction of advisory fees, brokerage or other commissions, and any other expenses that a client would have paid or actually paid (Net of Fee performance) and reflect the reinvestment of dividends and other earnings.

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 Standard & Poor's Global 1200 Index is a free-float weight index composed seven regional indices spanning 31 countries.
The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.

Schafer Cullen Capital Management, Inc. makes no representation that the use of this material can in and of itself be used to determine which securities to buy or sell, or when to buy or sell them; SCCM makes no representation, either directly or indirectly, that any graph, chart, formula or other device being offered herein will assist any person in making their own decisions as to which securities to buy, sell, or when to buy or sell them.

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