Global High Dividend ADR Strategy
Q1 2019 Commentary

Market and Economic Review

Global equity markets rebounded sharply in the first quarter of 2019, buoyed by a dovish shift in Federal Reserve monetary policy, a ceasefire in trade negotiations and a positive inflection in economic activity in China on the back of stimulus measures. For U.S. markets, the first quarter was the best opening quarter of a year since 1998 and marked a strong rebound following the final quarter of last year, when the S&P 500 declined 13.5%, despite a number of indicators pointing to slowing GDP growth. The first quarter also marked the return to leadership of the Information Technology sector in the United States, with the FANG constituents returning, on average, 22% year-to-date. Despite high headline valuation levels, with the group trading at an average P/E multiple of over 45 times at the start of the year, the rally in FANG stocks lead to a narrow breadth in US equity market returns and contributed to the outperformance of growth versus value stocks in the quarter. Outside the U.S., Developed Markets outperformed Emerging Markets and overcame a number of headwinds that will likely persist going forward, including slower economic growth and continued political uncertainty in Europe, with the UK's exit from the European Union likely postponed until later this year at the earliest. In this environment of renewed risk taking, equities outperformed fixed income, junk bonds outperformed investment grade bonds, long-term interest rates fell and the US Dollar remained largely range-bound. Commodity markets also rebounded, with Brent crude oil prices ending the quarter at $68 a barrel, up nearly 30% from the beginning of the year, and most base metals, including iron, copper and nickel outperforming precious metals, such as gold and silver.

By region, U.S. markets outperformed Developed Markets, which, in turn, outperformed Emerging Markets. Within Developed Markets, all countries had positive returns in the quarter, with gains led by equities in Belgium, Hong Kong, Italy, Denmark and Switzerland. Within Emerging Markets, outperformance in China, Russia and Taiwan was partly offset by losses in Qatar, Turkey and Poland. By sector, returns were broad-based but performance was led by equities in cyclical sectors, such as Information Technology, Real Estate, Energy, Industrials and Consumer Discretionary, which benefited from a pause in the escalation of retaliatory tariffs between the U.S. and China, a decline in long-term interest rates and a commodity recovery after a fourth quarter decline. The worst performing sectors were Health Care and Financials, although both recorded strong quarterly returns. By style class, value underperformed growth and large caps underperformed small caps.

With momentum-based strategies having led markets higher on a multi-year basis, adhering to the price disciplines of low price earnings and high dividend yield has become all the more important in providing satisfactory absolute and risk-adjusted returns. 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, especially in light of the meaningful outperformance potential of value equities globally.

Portfolio Performance

The strategy underperformed its benchmarks during the quarter as MSCI World Value stocks underperformed MSCI World Growth stocks by a wide margin of 450 basis points. 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.

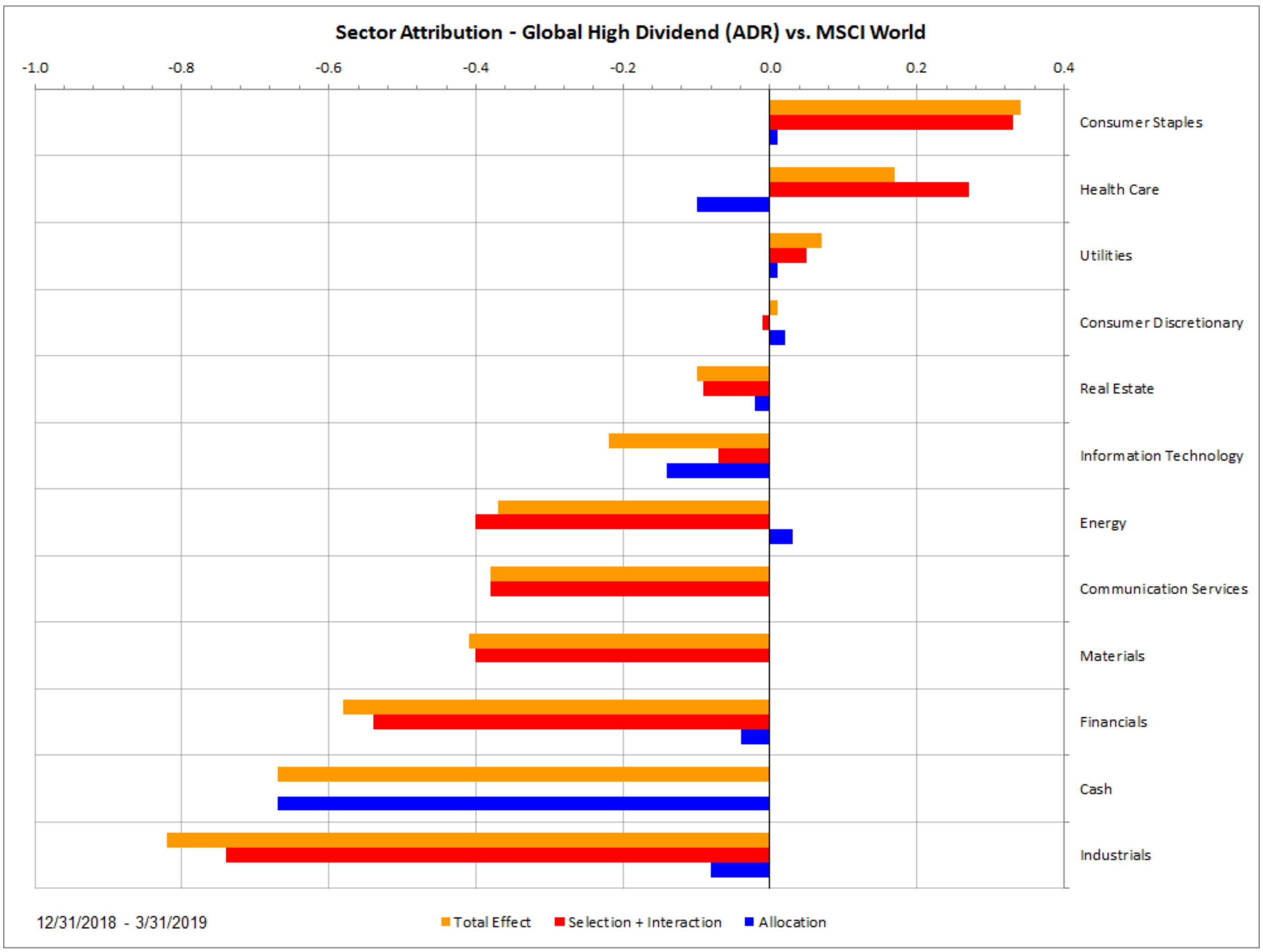
	Q1	YTD	1 Year	3 Year	5 Year	7 Year	Since Incept*
SCCM Global ADR	**9.7**	**9.7**	**-0.5**	**7.7**	**6.3**	**9.0**	**5.9**
SCCM Global ADR (net)	**9.6**	**9.6**	**-0.7**	**7.1**	**5.5**	**8.1**	**4.9**
S&P Global 1200 Index	**12.3**	**12.3**	**4.1**	**11.6**	**7.5**	**9.7**	**5.8**
MSCI World Index	**12.5**	**12.5**	**4.0**	**10.7**	**6.8**	**9.2**	**5.1**

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

Sector Attribution

The largest contributor to relative performance was our overweight allocation to ***Energy*** and ***Consumer Staples*** and our underweight allocation to ***Consumer Discretionary*** and ***Utilities***. Stock selection aided performance in ***Consumer Staples***, ***Health Care*** and ***Utilities***, where several of our high-quality and conservatively-managed companies outperformed, including Nestle, Diageo, Novartis, Roche and NextEra Energy, among others. We also benefited from the strong re-rating of Altria, which rebounded after a difficult 2018 following the departure of FDA Commissioner Scott Gottlieb, which eased investor concerns around a potential menthol ban and increased scrutiny on the marketing and sales of e-cigarettes in the United States.

The largest detractor from relative performance was our stock selection in the ***Industrials*** sector, where our positions in ABB and Siemens were held back by short-term macroeconomic and political uncertainties. Stock selection in the ***Financials*** sector further detracted from relative performance, primarily driven by UBS, which underperformed amid a deteriorating operating environment due to macroeconomic uncertainty and an unfavorable outcome in a French litigation case; we have since sold this position. Our relative performance was also impacted by our underweight allocation to ***Information Technology***, ***Industrials*** and ***Real Estate*** and our overweight allocation to ***Health Care*** and ***Financials***. Cash detracted from relative performance during the quarter.

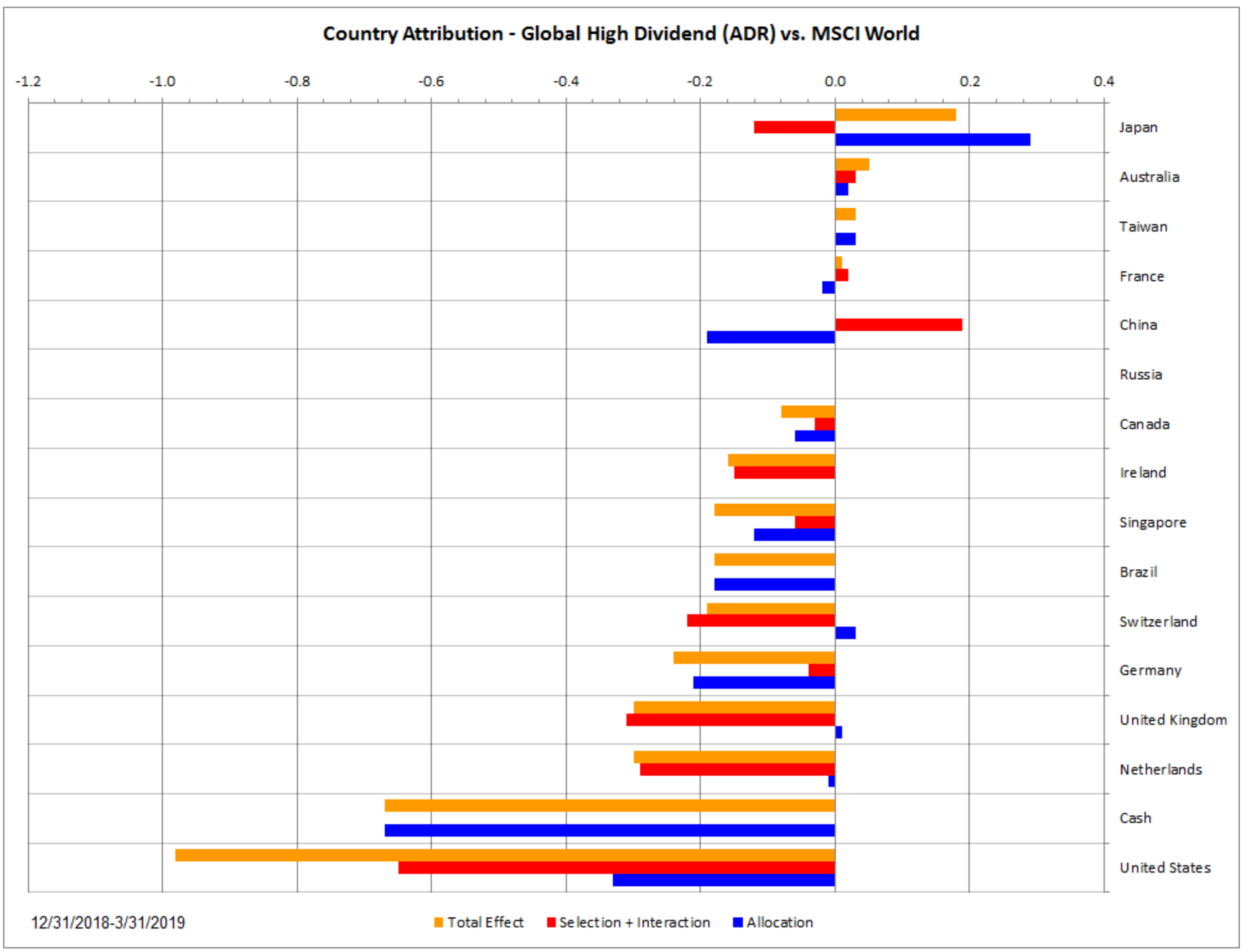


Source: SCCM/Bloomberg, 03/31/2019.

Country Attribution

The largest contributor to relative performance during the quarter was our underweight allocation to ***Japan***, ***Spain*** and ***Sweden*** and our overweight allocation to ***Switzerland***, ***Taiwan*** and the ***United Kingdom***. Across these countries, strong performers were high-quality companies with strong brand recognition and a track record of innovation across both cyclical and non-cyclical sectors, including Nestle, Diageo, Novartis, Roche and ASE Technology. Stock selection aided performance in ***China***, ***Australia*** and ***France***, where we benefitted from our exposure to companies positioned within structurally growing markets with unique stock-specific catalysts, including Sinopec and Sonic Healthcare, as well as the strong re-rating of Michelin, which rebounded after a challenging 2018 and following an optimistic outlook for the year ahead.

The largest detractor from relative performance was our stock selection in the ***United States***, ***United Kingdom***, ***Netherlands***, ***Switzerland*** and ***Ireland***, where some of our portfolio holdings were held back by macroeconomic uncertainties and sector-level headwinds; nevertheless, we expect the affected companies to continue generating a stream of growing earnings and dividends over the long term. Our relative performance was also impacted by our underweight allocation to the ***United States*** and ***Canada*** and our overweight allocation to ***Germany***, ***China***, ***Brazil*** and ***Singapore***. We retain confidence in our allocation decisions based on valuations and the long-term outlook of our portfolio companies. Cash detracted from relative performance during the quarter.



Source: SCCM/Bloomberg, 03/31/2019

Portfolio Strategy and Changes

Purchases:

Sonic Healthcare **Australia** **Health Care**

Sonic Healthcare is one of the largest medical diagnostics companies globally, offering pathology and radiology services in Australia, New Zealand, the United Kingdom, Germany, Belgium, Switzerland and the United States. The company stands to benefit from the growing healthcare needs of ageing populations as well as from an emerging trend toward preventative healthcare. From a demographic perspective, the company's customer base is arguably the most attractive among global peers. The growing number of patients requiring diagnostic services, combined with the greater services per patient, which often is a by-product of the ageing process, and the ongoing trend of outsourcing diagnostic tests to dedicated service providers such as Sonic Healthcare, creates a steady and visible growth opportunity over the long term. Despite pursuing several strategic acquisitions over the past five years, the company has a healthy balance sheet and is well positioned to gain market share and to leverage economies of scale outside of its home base by continuing to consolidate markets which remain highly fragmented. Moreover, the company's investments in laboratory automation, coupled with research and development efforts in next-generation testing technology, such as gene editing and molecular testing, will keep the company at the forefront of the pathology market. Furthermore, given Sonic Healthcare's relatively higher exposure to the more routine end of the diagnostics spectrum in the United States, the company is well placed to pick up market share from its more mature competitors as healthcare testing services become accessible to a larger share of the population. Shares of Sonic Healthcare are valued at 18.0 times forward earnings and offer a 4.0% dividend yield.

Sales:

Boeing **United States** **Industrials**

We used the opportunity to consolidate our Industrials exposure by exiting our position in Boeing, a leading aerospace company and the largest manufacturer of commercial jetliners and military aircraft globally. After having trimmed our portfolio position over the past year against the backdrop of strong equity outperformance, we have decided to exit our position and reallocate this capital across more attractively valued alternatives in the sector.

ProSiebenSat.1 Media SE **Germany** **Communication Services**

We sold our position in the company amidst deteriorating fundamentals in the European free-to-air broadcasting sector. Recent trends in net advertisement revenue growth in the region, coupled with what we perceive to be a limited set of counteractive measures, have made us question the sustainability of the company's profit margins. While we continue to believe that ProSieben stands out amongst its peers due to its portfolio of digital assets, we believe the lack of asset monetization, higher-than-average management turnover, recent dividend cut and incremental spending requirements signaled a deviation from our original investment thesis.

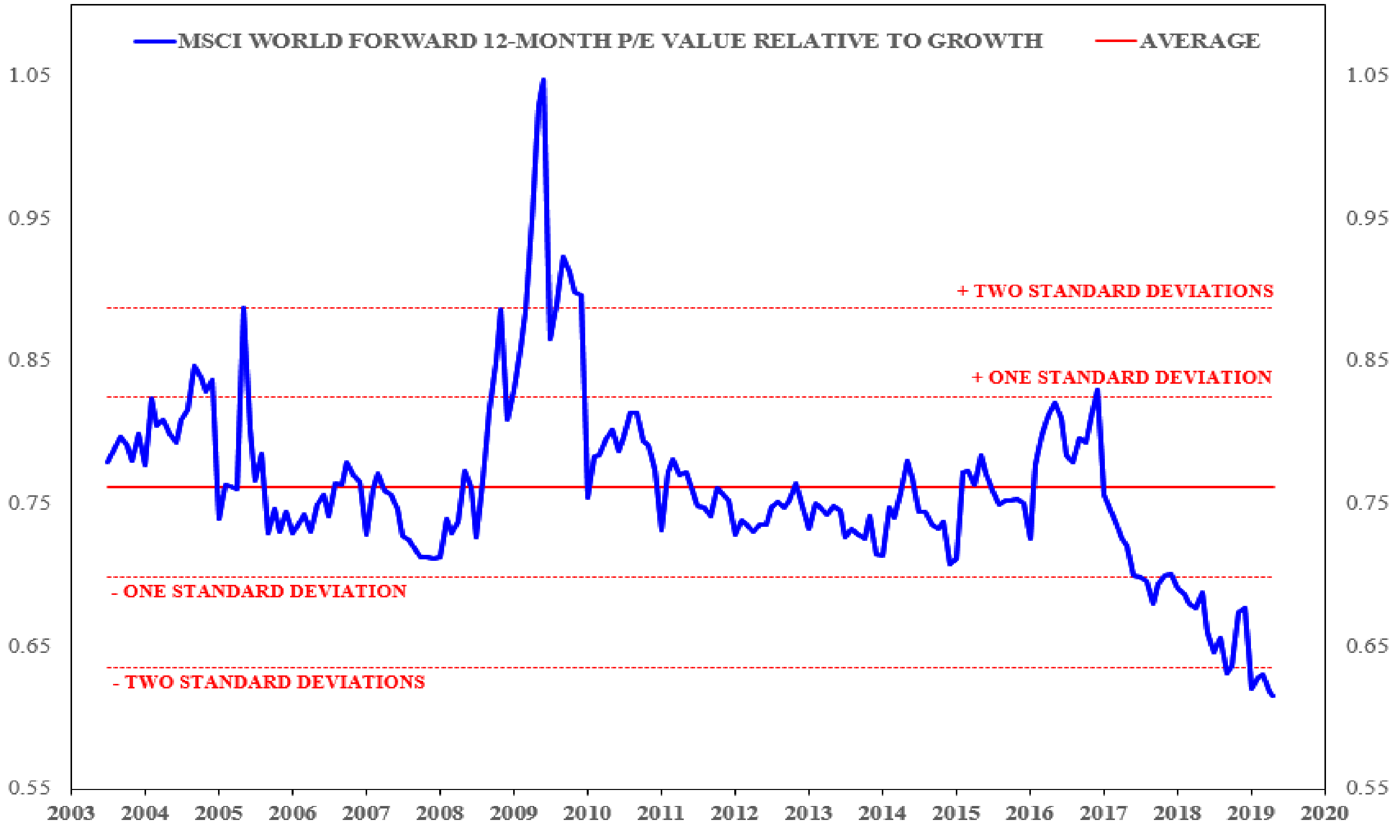
UBS Group **Switzerland** **Financials**

We sold our position in UBS, one of the leading wealth and asset management companies globally. The company is experiencing pressure from muted client risk appetite on the back of rising geopolitical tensions and higher market volatility, which is impacting its transaction-based income. While we retain confidence in the bank's strategic direction and management's long-term targets and believe current macroeconomic challenges will likely prove short-term in nature, we have decided to reallocate this capital into higher-conviction stocks in this sector.

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 trade at close to a 20% discount to US equities on a forward price-to-earnings basis. Moreover, international equities currently have among the lowest weight in the MSCI World Index in 40 years, at 37.6% versus their long-term average weight of 51.6%, as the performance of global equities is being dominated by a narrow group of US-domiciled large capitalization growth stocks. On the second front, we are currently in one of the longest periods of relative underperformance of value versus growth globally, with the relative underperformance of MSCI World Value Index versus MSCI World Growth Index, as measured by the annualized trailing 10-year total return, currently nearly two standard deviations below the long-term historic average. In fact, value as a style remains the most out of favor since the Tech Bubble, following which MSCI World Value Index returned 75% over the next seven years (March 2000 – Feb 2007) while MSCI World Growth Index posted negative returns. In this context, we believe our portfolio of high-quality companies across both US and international markets, trading at meaningful discounts to intrinsic value, offers long-term investors the opportunity to benefit from the normalization of two major discounts of meaningful proportion, all the while collecting an attractive 4.3% dividend payment.

In much of the developed world, interest rates have fallen to historically low levels, with several countries having a negative yield on two-year government bonds. At the long end of the curve, ten-year government bond yields mostly remain well below 2%, which if assumed to be the long-term rate of inflation, would lead to a guaranteed loss of purchasing power from owning these instruments to maturity. This phenomenon of low/negative interest rates has several major ramifications including a) support for asset prices which benefit from lower discount rates, b) tailwinds for borrowers and headwinds for lenders and a general propensity to increase leverage and c) fertile conditions for speculative excesses. Thus, international value equities are currently more favorably valued versus international sovereign bonds than they have been during 95% of periods over the last 20 years, as measured by the differential in their yields, which provides a further valuation underpinning for these companies. Further, as seen below, global value equities are currently trading at nearly a 40% valuation discount to global growth equities, which is the largest discount since 2003. While the multiple expansion of growth equities makes some sense given current low/negative interest rates, we also cannot rule out the case that growth equities may be in a period of major speculative excess, which could end badly. Thus, we believe a portfolio of high-quality value equities like ours, with a sustainable and growing dividend yield and low balance sheet leverage, appears attractive from a long-term standpoint relative to both low-yielding government bonds and highly-valued growth equities.



Source: Bloomberg, March 2019.

While asset markets continue to react to more challenging short-term economic data and uncertain geopolitical developments, especially out of Europe, it is pertinent to note that the best periods for equity returns have usually followed such challenging environments as valuations tend to become more attractive and earnings have room to recover. Such challenging periods include 2008-2009 (the great recession), 2011-2012 (US and EU government debt crises) and 2015-2016 (China slowdown and crude oil at $26/barrel). Conversely, equity returns tend to struggle after periods of euphoria and high valuations, including in the case of Internet/technology companies in 2000 and commercial/investment banks in 2007. Currently this set of conditions appears present in highly-valued concept stocks in the consumer discretionary and information sectors globally. To add to this, aggressive capital raises in the form of IPOs, as we are currently witnessing with these concept stocks, have historically tended to indicate that insiders believe valuations to be full. It is thus no coincidence that the average technology sector IPO/capital raise in the heady days of the dot-com mania from September 1998 to March 2000 lost 66% of its value over the next five years, with many companies in this group losing over 90% of their value. Hence, as always, we look to tune out the noise from short-term sentiment extremes while staying focused on applying our disciplined value approach to investing over the long-term, with the goal of generating robust absolute and risk-adjusted returns.

In the United States, the strong equity market rally in the first quarter, driven by the Fed's shift to a dovish policy stance and signs of a resolution to the China trade war, largely ignored deteriorating global economic data and downward earnings revisions. The market's optimism is focused on stabilizing global growth, naturally occurring and through renewed monetary and fiscal stimulus. These periodic mid-cycle consolidations over the past ten years have helped to sustain the length of this now historic bull market. While the current cycle is now one of the longest, the sub-par growth in this recovery can further extend the cycle, especially in light of continued accommodative Fed policy and corporate earnings growth. With US equity markets rallying on improving conditions, sentiment has shifted to elevated optimism, whereby favorable technicals and momentum continue to aid the market in its attempt to break through to new highs. Meanwhile, equity risk premiums have declined significantly and should signal a degree of caution. Multiple expansion has been the driver of the rally thus far and while earnings estimates have stabilized, the previous tailwinds of ultra-loose monetary policy and corporate share buybacks are less present and meaningful going forward. Record levels of corporate and government debt and valuation excesses in pockets of the US equity market are factors likely affecting growth and returns ahead. The S&P 500 Index currently trades at 18.5x 2019 earnings while the median price/earnings ratio is 22.2x; historically, when valuations on the index move into elevated territories, forward returns are more muted.

Within Continental Europe, pockets of clear value can be found, though these tend to be in the most cyclical areas of the market and/or in areas being disrupted by technology and some judgement is required here to discern the sustainability of future earnings and dividends. In the United Kingdom, we continue to remain underweight domestically-focused companies despite attractive headline valuations given uncertainties surrounding Brexit and rising political risk for regulated businesses. Within Emerging Markets, the outlook is varied and in some cases positive given the prospects for easing trade tensions and continued robust economic growth, 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. We believe that over the long-term, fundamentals-driven active value investing could potentially deliver meaningful outperformance relative to passive, less attractively valued, technically-driven momentum ETFs.

With equity price multiples having recovered 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, 4.3% dividend yield and a more sustainable dividend growth profile relative to the benchmark MSCI World. Thus far in 2019, 77% of our portfolio companies which have declared dividends have raised their dividend payments by an average of 8.8% YoY. In this regard, strong dividend increasers include JP Morgan Chase, United Overseas Bank, Altria Group, NN Group, NextEra Energy, Allianz, Cisco Systems and Smurfit Kappa. With strong balance sheets and continued earnings growth, we anticipate that this trend will continue in 2019 and beyond.

Best Regards,

Schafer Cullen Capital Management, Inc.

Appendix: Portfolio Exposure and Characteristics as of 03/31/2019

Portfolio Exposure

Sectors	% Assets	Regions	% Assets
Communication Services	8.7	Developed Asia Pacific	9.9
Consumer Discretionary	4.9	Europe	44.2
Consumer Staples	10.1	North America	36.2
Energy	7.1	Asia Pacific Emerging	3.0
Financials	16.7	Latin America	1.5
Healthcare	17.4	EMEA	1.6
Industrials	6.0		
Information Technology	13.8		
Materials	5.8	Developed Markets	90.3
Real Estate	2.9	Emerging Markets	6.1
Utilities	3.0	Cash	3.6
Cash	3.6	Total	100.0
Total	100.0		

Top Country Exposure		Top Ten Holdings	
United States	34.6	Cisco Systems	4.9
Switzerland	15.5	Intel	4.0
United Kingdom	9.7	Novartis	3.8
Germany	6.6	Microsoft	3.7
France	5.6	JP Morgan Chase	3.7
Netherlands	4.6	Nestle	3.5
Japan	3.6	Zurich Insurance	3.3
Australia	2.4	Roche	3.1
Singapore	2.4	Merck	3.1
Ireland	2.2	NextEra Energy	3.0

Portfolio Characteristics

	Forward Price / Earnings	Forward Dividend Yield	Est. LT EPS Growth	Avg. Market Cap ($B)
SCCM Global High Dividend ADR	14.1	4.3	8.9	165.0
MSCI World Index	15.9	2.7	9.4	159.9

Global High Dividend ADR Strategy is also referred to as “SCCM Global ADR” throughout this document.

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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 strategy invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. The Cullen Funds invest in medium-capitalization and small-capitalization companies, which involve additional risks such as limited liquidity and greater volatility.

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. The **Standard & Poor's 500 Index** is the commonly used measure of the broad U.S. stock market. The **MSCI World Value Index** captures large and mid cap securities exhibiting overall value style characteristics across 23 Developed Markets (DM) countries. The **MSCI World Growth Index** captures large and mid cap securities exhibiting overall growth style characteristics across 23 Developed Markets (DM) countries. One cannot invest directly in an index.

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