Global High Dividend ADR Strategy
Q2 2019 Commentary

Market and Economic Review

Global equity markets continued to move higher in Q2 2019 against a backdrop of historically wide equity risk premiums, more range-bound trends in near-term corporate profitability and lingering uncertainties on trade tariffs. While US equities posted their best first half performance since 1997, the second quarter saw an extension of the major themes that sparked volatility over the past three quarters, namely the US-China trade dispute and the Federal Reserve's shifting interest rate policy. Despite a drawdown in the month of May when trade negotiations deteriorated and concerns grew of a lengthened dispute, stocks recovered quickly with the best month of June for the S&P 500 since 1955, largely on hopes of central bank interest rate cuts. Yields on US government bonds continued to decline, reflecting concerns over slowing global growth and increased demand for safe haven assets. Notably, the 10-year yield also dipped below the yield on short-term Treasuries, resulting in an inverted yield curve; however, most economists dismissed the likelihood of an impending recession. Equities outside the US were similarly buoyed by renewed signs that monetary policy near-term is likely to be more accommodative than was earlier expected. In this environment of renewed risk-taking, equities and fixed income both appreciated, junk bonds underperformed investment grade bonds, long-term interest rates fell and the US Dollar remained largely range-bound. Commodity markets were mixed, with Brent crude oil prices recovering to $66 a barrel after declining to $60 a barrel during the quarter, and most base metals, with the exception of iron ore, underperforming precious metals, such as gold and silver.

By region, U.S. markets outperformed Developed Markets, which, in turn, outperformed Emerging Markets. Within Developed Markets, most countries had positive returns in the quarter, with gains led by equities in Switzerland, Germany, Australia, France and Singapore. Within Emerging Markets, outperformance in Russia, Thailand and Brazil was offset by losses in Chile, China and United Arab Emirates. By sector, returns were broad-based but performance was led by equities in cyclical sectors, such as Financials, Information Technology, Materials, Consumer Discretionary and Industrials, which benefited from the resumption of talks between the US and China and a decline in long-term interest rates. Energy was the only sector that posted a negative return, as oil and gas benchmark prices declined on concerns of reduced demand from slowing global growth. By style class, value underperformed growth and large caps outperformed 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. This is especially in light of the meaningful underperformance over several years of global value equities relative to other asset classes, which could now begin to normalize.

Portfolio Performance

The strategy's performance matched its benchmark return during the quarter, despite MSCI World Value underperforming MSCI World Growth by a wide margin of over 290 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.

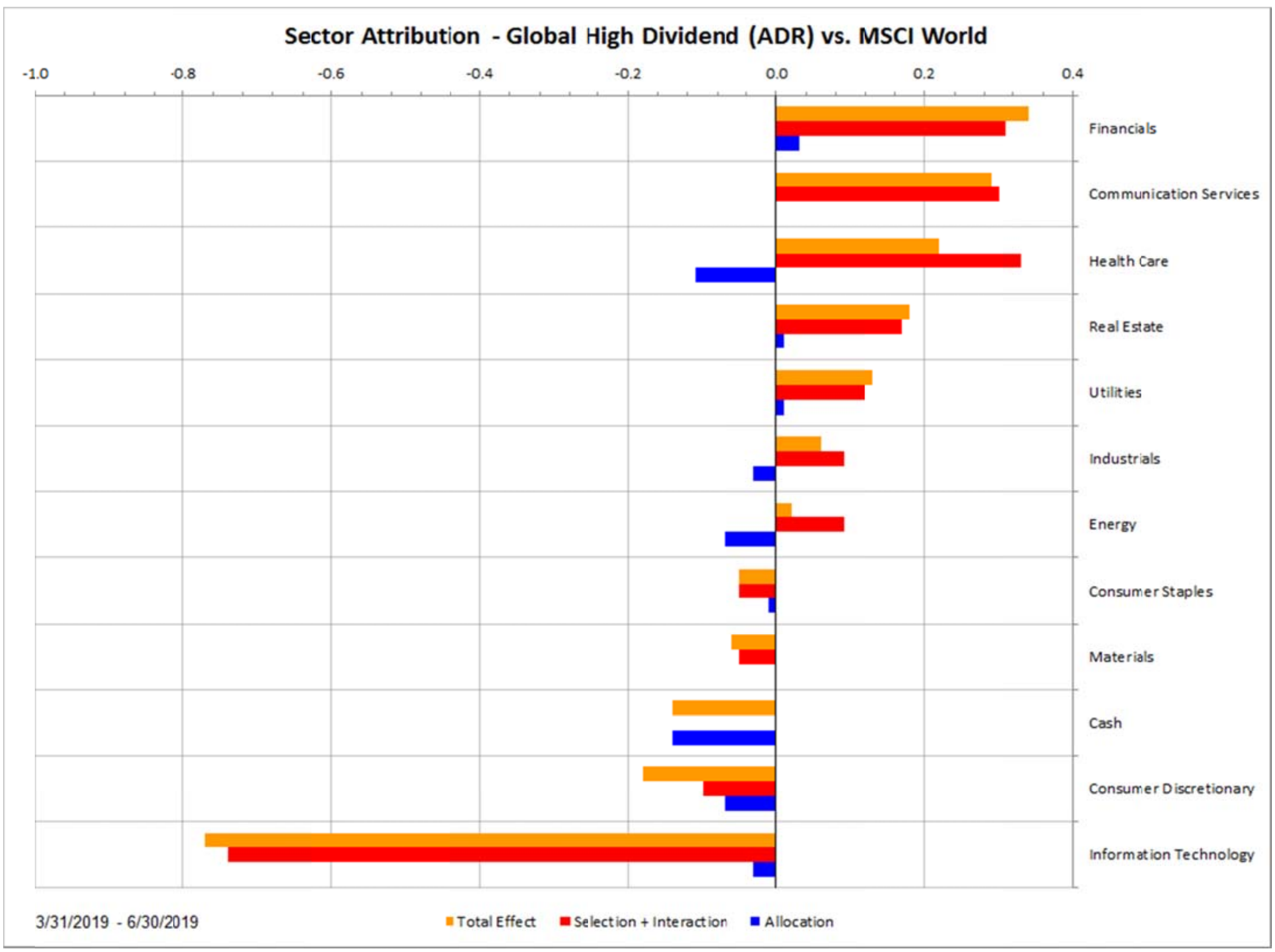
	Q2	YTD	1 Year	3 Year	5 Year	7 Year	Since Incept*
SCCM Global ADR (gross)	**4.1**	**14.1**	**7.2**	**7.8**	**6.0**	**9.5**	**6.1**
SCCM Global ADR (net)	**4.0**	**14.1**	**7.1**	**7.2**	**5.3**	**8.7**	**5.1**
S&P Global 1200 Index	**4.1**	**16.9**	**7.0**	**12.6**	**7.3**	**11.1**	**6.0**
MSCI World Index	**4.0**	**17.0**	**6.3**	**11.8**	**6.6**	**10.6**	**5.3**

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

Sector Attribution

The largest contributor to relative performance was our stock selection in ***Health Care, Financials, Communication Services, Real Estate, Utilities, Industrials,*** and ***Energy.*** The biggest drivers of relative performance were several of our high-quality and conservatively-managed companies including Nestle, Novartis, Sonic Healthcare, Welltower, and JP Morgan, among others. Both Nestle and Novartis benefited from portfolio optimization, attractive product offerings and strong operational results. Welltower's performance came on the back of strong first quarter earnings, as its seniors housing portfolios posted net operating income growth above consensus estimates and also reported strong growth in its post-acute and medical office building portfolios. Further contributing to relative performance was our overweight allocation to ***Financials*** and our underweight allocation to ***Real Estate*** and ***Utilities***.

The largest detractor from relative performance was our stock selection in the ***Information Technology*** sector, where our positions in Intel and ASE were held back by concerns around a potential disruption to the semiconductor supply chain from an escalation in trade retaliations between China and the US. Stock selection in the ***Consumer Staples*** sector further detracted from relative performance, primarily driven by Altria, which underperformed amid concerns of accelerating volume declines in its core combustibles cigarette business and potential regulatory action by the FDA. Our relative performance was also impacted by our overweight allocation to ***Health Care, Energy*** and ***Consumer Staples*** and our underweight allocation to ***Consumer Discretionary, Information Technology,*** and ***Industrials***. Cash detracted from relative performance during the quarter.

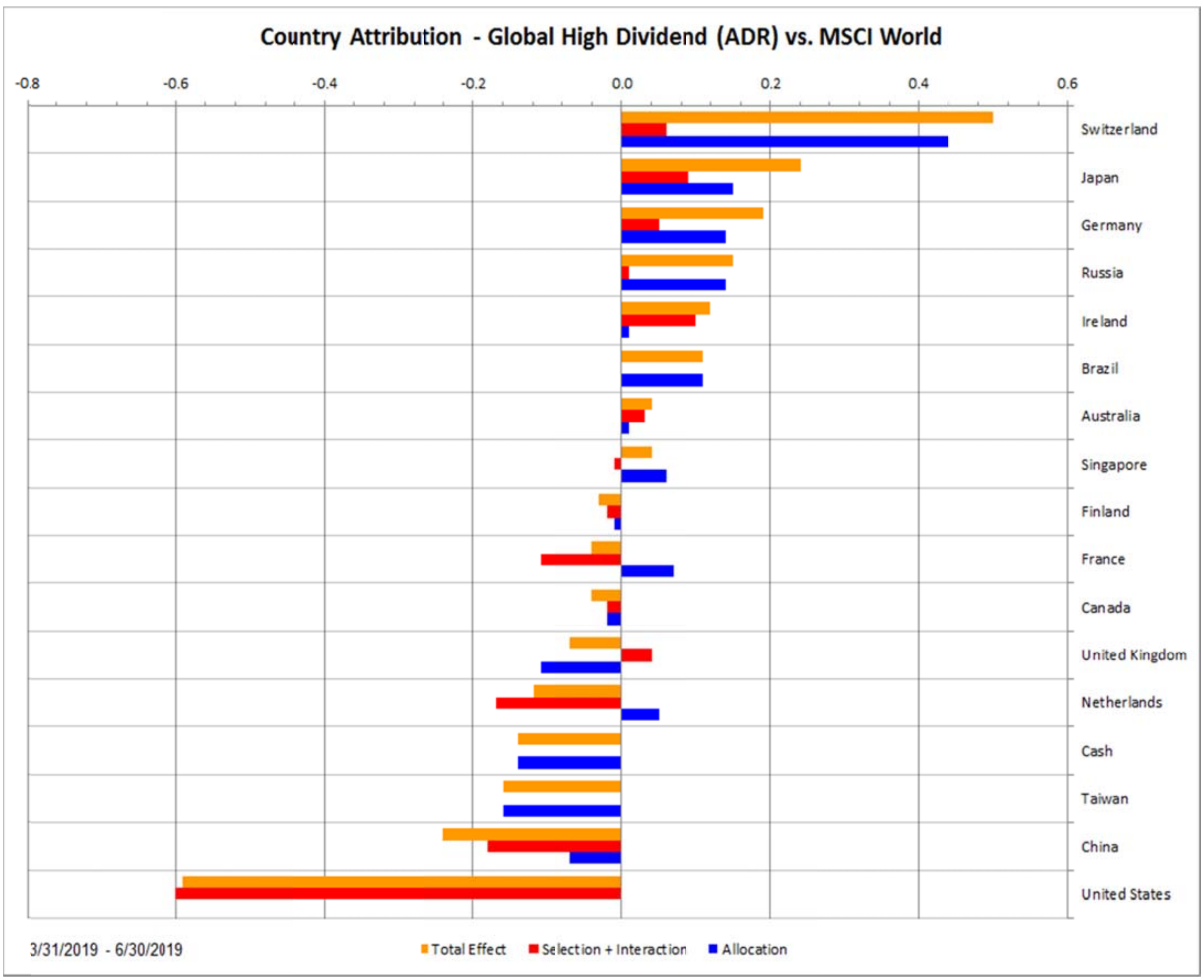


Source: SCCM/Bloomberg, 06/30/2019.

Country Attribution

The largest contributor to relative performance was our overweight allocation to ***Switzerland, Germany, Russia,*** and ***Brazil*** and our underweight allocation to ***Japan***. Across these countries, strong performers were high-quality companies trading at reasonable valuations across both cyclical and non-cyclical sectors, including Zurich Insurance, ABB, Siemens, Norilsk Nickel and Telefonica Brasil. Stock selection aided relative performance in ***Ireland, Japan, Switzerland, Germany,*** and the ***United Kingdom,*** where we benefited from our exposure to companies positioned within well-structured markets with unique stock-specific catalysts, including Smurfit Kappa, Nippon Telegraph & Telephone, Nestle, Novartis, Allianz, Diageo and Unilever.

The largest detractor from relative performance was our stock selection in the ***United States***, ***China***, the ***Netherlands***, ***France***, ***Canada*** and ***Finland***, where a subset of our portfolio holdings was impacted by sector-level headwinds and transient stock-specific developments; 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 overweight allocation to ***Taiwan***, the ***United Kingdom*** and ***China*** and our underweight allocation to ***Canada, Sweden*** and ***Finland***. 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, 06/30/2019.

Portfolio Strategy and Changes

Purchases:

UPM-Kymmene Oyj	**Finland**	**Materials**

UPM-Kymmene Oyj (UPM) is a Finnish global forest products company with core businesses in printing papers, label materials (raflatac), wood products and pulp. While the company has historically been seen as a pulp producer, UPM has since evolved into a cutting-edge, renewables, recyclable, emission-efficient, bio-products integrated supplier. We feel management has done an exceptional job taking costs out from its declining paper business and improving margins in its pulp business by expanding into lower-cost production bases in South America that should translate into meaningful earnings growth over the coming years. Additionally, as the second largest supplier of raflatac globally, UPM has exposure to structurally growing markets as e-commerce and packaging needs expand and diversify. The company is known as a global leader in sustainable solutions given its exposure to biofuels and bio-chemicals that can be used in the production of biodiesel and biodegradable plastics. This represents a source of incremental demand for UPM's products, as increasing environmental regulations and carbon-conscious consumers drive changes in consumption habits in the energy, hygiene, food packaging, retail and other industries. While the company operates within a cyclical industry, UPM offers a relatively more defensive exposure given its diversification into divisions that are less cyclical and more profitable relative to its traditional graphic and printing paper business. We believe that industry consolidation and the company's more diversified exposure can translate into above-average margins through the cycle, supported by limited anticipated capacity expansions in the global pulp market. In addition, the company's balance sheet strength in terms of a near-net-cash position and a free cash flow yield of nearly 10%, supports its progressive dividend policy. Despite these long term catalysts and leading market positions, shares of UPM trade at a discount to both global peers and its own history. Shares of the company are valued at 11.0 times forward earnings and offer a 5.9% forward dividend yield.

Sales:

Alcon	**Switzerland**	**Healthcare**

We sold our position in Alcon, a vision care provider that was spun out of Novartis, one of our core portfolio holdings. Alcon's assets encompass both ophthalmic surgical equipment, intraocular lenses, contact lenses and other ocular health products. While the company is in a stronger position following a restructuring program initiated by Novartis and has several promising pipeline assets, we believe that Novartis has retained the more profitable vision care pharmaceutical assets. Moreover, Alcon does not pay a dividend, so we decided to reallocate capital to more attractive alternatives in the space.

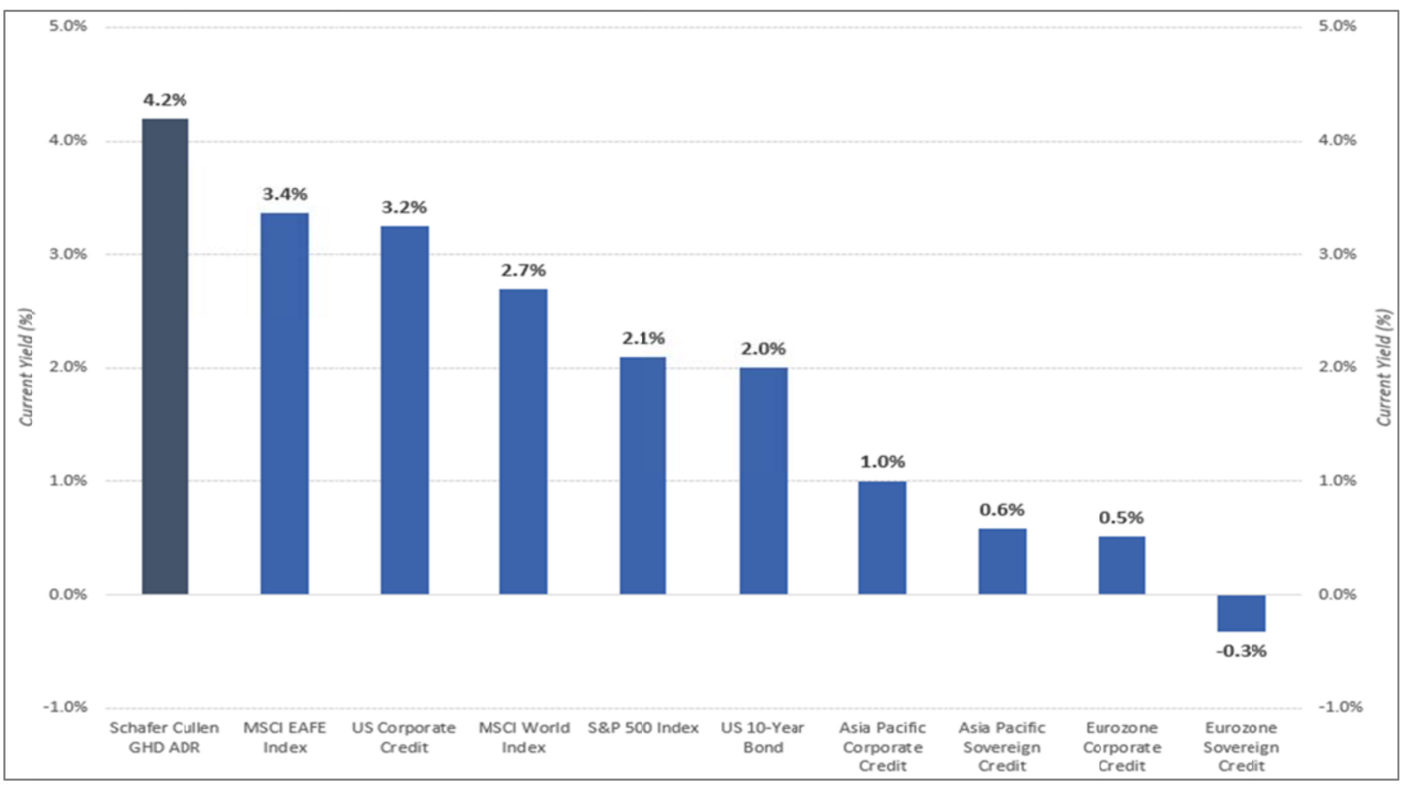
DuPont de Nemours Inc.	**United States**	**Materials**

We used the opportunity to consolidate our portfolio holdings in the Materials sector by exiting our position in DuPont de Nemours (DuPont). Following the 2017 merger of Dow and DuPont, the latter emerged as a diversified specialty chemicals company with broad-based exposure to advanced polymers, electronics, safety materials and nutrition and biosciences. While we believe that the company retains high-quality assets and could benefit from additional restructuring initiatives, we decided to reallocate this capital into more attractive, higher-yielding alternatives in the 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. In this regard, international equities currently have among the lowest weight in the MSCI World Index in 40 years, at 37.3% versus their long-term average weight of 51.4%, as the performance of world equities is being dominated by a narrow group of US-domiciled large capitalization growth stocks. Notably, international value equities are currently more favorably valued versus both international growth equities and international sovereign bonds than they have been during 95% of periods over the last 20 years. International growth equities, while having somewhat higher earnings growth, appear to be fully valued at over 20 times forward earnings. Further, 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. With an overweight exposure to international versus U.S. equities, our global value strategy thus offers the patient long-term investor with the opportunity to benefit from the normalization of two major discounts of meaningful proportion, all the while collecting an attractive near 5.0% dividend payment.

In much of the developed world, extensive monetary policy interventions by central banks have led to over $10 trillion of bonds globally having a negative yield, with this figure more than doubling when considering bonds with a negative real yield, defined as a yield lower than the rate of inflation. As the figure below illustrates, the average dividend yield on our portfolio far exceeds the yield offered by passive US and international equity benchmarks as well as several sovereign and corporate fixed income products. In fact, the average dividend yield on our portfolio companies markedly outweighs the bond yields issued by these same companies. Additionally, our portfolio companies have meaningfully grown their dividends over the long-term, whereas yields on fixed income do not grow, which makes the comparison even more dramatic. It is interesting to note that several of our well positioned holdings with low balance sheet leverage have been taking advantage of the current low interest rates. Thus, 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 other low-yielding asset classes.



Source: Bloomberg, SCCM Research, 6/30/2019.

We currently are experiencing the third episode of an earnings slowdown since the global economic recovery began in 2009. The first two such episodes in 2011-2012 (US and EU government debt crises) and 2015-2016 (China slowdown and crude oil at $26/barrel) turned out to be buying opportunities as earnings growth resumed after a few quarters of stagnation. Presently, earnings are weak in early-cycle industries such as autos, materials, construction, capital goods, retailing, semiconductors, banks and life insurance. These industries, in many cases, are being held back by a combination of cyclical and structural factors including rising trade tensions, falling interest rates, slowing economic growth and technological disruption. While a short-term truce in the trade war between the United States and China would be positive, it may come at a cost to the operating margins of companies with complex global supply chains as they look to onshore some of their production to insulate themselves from future such disruptions. Brexit, which also largely relates to trade, is difficult to model and thus, in making our long-term investment decisions, we are not relying on any key assumptions here. Though it is tempting to forecast that near-record low interest rates must at some point mean-revert, there is no certainty of if and when this may occur. Thus, we tend to prefer investments which can perform well irrespective of the interest rate environment and this, in part, explains our long-standing overweight allocation to property & casualty insurers, which rely on underwriting results as opposed to banks in Europe which largely depend on interest rates. On technological disruption, much judgement is required as not every so-called disrupted company may be truly disrupted and most disruptors may not be worthwhile investments, particularly in light of their current valuations. While we remain meaningfully underweight companies which are experiencing several of these near-term earnings headwinds, we continue to patiently analyze potential investment opportunities in this space using our disciplined value approach.

A key feature of the record bull equity market globally is the persistent outperformance of Growth over Value. By almost any measure, Growth is trading at a historic valuation premium to Value and fund flows into Growth and Technology funds are at extreme levels. Value is trading at its largest discount to the market and offers the largest premium over the last 30 years. The median P/E of the cheapest portfolio relative to the S&P 500 is trading at a 7x discount (99% percentile) (JPM, The Value Conundrum, 6/7/19). Flows into the SPDR Technology ETF reached 95% percentile levels by the end of Q2 (Strategas, Technical Strategy, 6/26/19). The considerable outperformance of Growth over Value has been attributed to the indexation and saturation of passive products which are pro-momentum, the perception that disruptive technologies have impaired wide swaths of companies in the Value space, and unconventional monetary policy (negative interest rates, quantitative easing). A number of events could trigger a reversal, including a market decline resulting in the liquidation of passive vehicles, increasing technology regulation or a reversal of the extreme crowding in Growth stocks. With multiple expansion being the major contributor to returns this market cycle, the underperformance of Value can partially be attributed to the greater benefit Growth has experienced from multiple expansion. Valuation dispersion within the S&P 500 is at cycle highs, marking a significant hurdle for future returns on the most richly valued part of the market.

It is worth noting that we believe the best periods for equity returns have usually followed challenging environments as valuations tend to become more attractive and earnings have room to recover. 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 technology sectors globally which have significantly outperformed over the last seven years. Historically, when one sector majorly outperforms, this generally leads to higher valuations, elevated expectations and a flow of capital which tends to drive down prospective returns. A case in point here is the high valuations ascribed to many innovative companies in currently fast-growing areas such as cannabis, cryptocurrencies, space tourism, digital marketing and the sharing economy. These companies continue to generate substantial losses more than ten years after their founding and we think this raises the question of whether they have sound business models which will allow them to survive an economic downturn and/or a more difficult environment for venture capital funding. Liquidity conditions across various investments is another concern. The recent meaningful outflows at some prominent fund management firms which chose to invest in private or less liquid securities that came under sudden and unexpected pressure are a clear indicator that risks remain in several more exotic passive investment vehicles, which may have similar exposures and have hitherto not been tested by a meaningful market dislocation. 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. Hence, as always, we look to tune out the popular fads of the day while remaining committed to applying our disciplined value approach to investing over the long-term, with the goal of generating robust absolute and risk-adjusted returns.

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 are well positioned with a higher 4.2% dividend yield and a more sustainable dividend growth profile relative to the benchmark MSCI World. After an exceptionally strong year of dividend growth in 2018, the trend has continued so far in 2019, with 84% of our portfolio companies which have declared dividends having raised their dividend payments by an average of 11.6% YoY. In this regard, strong dividend increasers include Norilsk Nickel, JP Morgan Chase, United Overseas Bank, Nippon Telegraph & Telephone, Altria, NN Group, NextEra Energy, Telefonica Brasil, Allianz, Cisco Systems, Merck, Smurfit Kappa and Honda Motor. With strong balance sheets and continued earnings growth, we anticipate that this trend has the potential to continue in 2019 and beyond.

Best Regards,

Schafer Cullen Capital Management, Inc.

Appendix: Portfolio Exposure and Characteristics as of 06/30/2019

Portfolio Exposure

Sectors	% Assets	Regions	% Assets
Communication Services	9.0	Developed Asia Pacific	8.7
Consumer Discretionary	4.7	Europe	47.9
Consumer Staples	9.7	North America	35.0
Energy	6.6	Asia Pacific Emerging	2.4
Financials	17.3	Latin America	1.6
Healthcare	17.0	EMEA	1.7
Industrials	6.1		
Information Technology	13.2		
Materials	7.6	Developed Markets	91.6
Real Estate	2.9	Emerging Markets	5.6
Utilities	3.1	Cash	2.8
Cash	2.8	Total	100.0
Total	100.0		

Top Country Exposure		Top Ten Holdings	
United States	33.5	Cisco Systems	4.7
Switzerland	15.3	Microsoft	4.1
United Kingdom	11.0	JP Morgan Chase	3.9
Germany	6.8	Novartis	3.5
France	5.8	Nestle	3.4
Netherlands	4.5	Intel	3.4
Japan	3.5	Zurich Insurance	3.3
Australia	2.7	NextEra Energy	3.1
Singapore	2.5	Roche	3.1
Finland	2.3	Merck	3.0

Portfolio Characteristics

	Forward Price / Earnings	Forward Dividend Yield	Est. LT EPS Growth	Avg. Market Cap ($B)
SCCM Global High Dividend ADR	14.7	4.2	9.0	169.9
MSCI World Index	17.5	2.7	9.4	167.6

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

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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 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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