International High Dividend ADR
Q1 2019 Commentary

Market and Economic Review

Global equity markets rebounded sharply in Q1 2019, led by the strong performance of growth stocks with price momentum in major markets such as the United States and China. Aiding the recovery in asset prices this year, following a more challenging period for performance in 2018, are renewed signs that monetary policy near-term is likely to be more accommodative than was earlier expected. Markets were also buoyed by a ceasefire in trade negotiations and a positive inflection in economic activity in China on the back of stimulus measures. 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.

In the quarter, performance was led by a mix of cyclical and non-cyclical sectors including Information Technology, Real Estate, Materials, Consumer Staples and Healthcare. By region, North America outperformed both Western Europe and Asia Pacific and Developed Markets outperformed Emerging Markets. By style class, we experienced headwinds as 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 underperformance over several years of international value equities relative to other asset classes, which could now begin to normalize as international earnings and dividend growth continues.

Portfolio Performance

The strategy outperformed MSCI EAFE Value Index this quarter while underperforming the MSCI EAFE and MSCI ACWI ex US indices as value stocks underperformed growth stocks by a wide margin of 400 basis points. We continue to believe that our strategy, which invests in high-quality companies at reasonable valuations, 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.

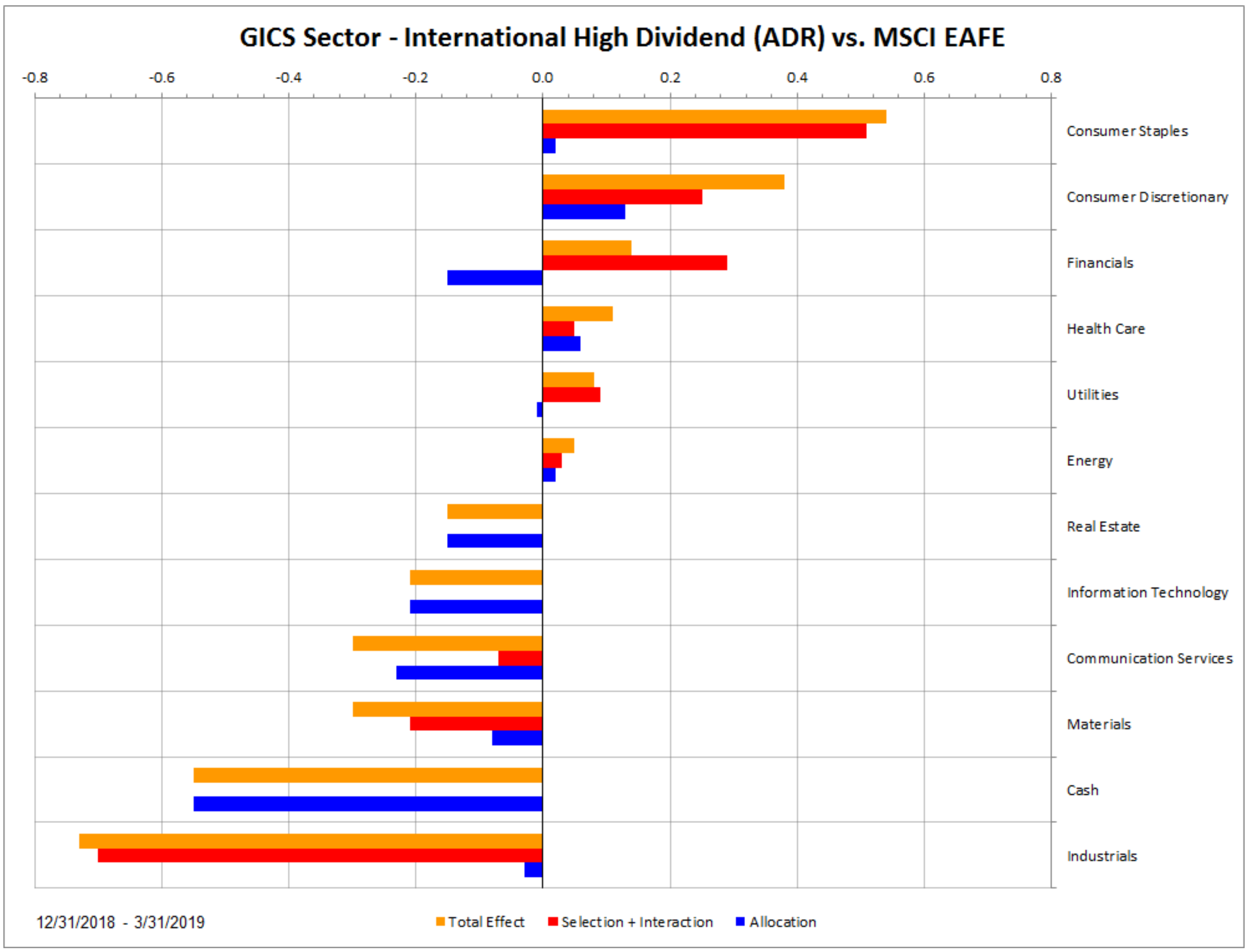
	Q1	YTD	1 Year	3 Year	5 Year	10 Year	Since Incept*
SCCM Intl High Div ADR (gross)	**9.1**	**9.1**	**-5.6**	**4.5**	**1.4**	**8.3**	**5.3**
SCCM Intl High Div ADR (net)	**8.9**	**8.9**	**-6.0**	**4.1**	**1.0**	**7.8**	**4.7**
MSCI EAFE	**10.0**	**10.0**	**-3.7**	**7.3**	**2.3**	**9.0**	**4.6**
MSCI ACWI ex US	**10.3**	**10.3**	**-4.2**	**8.1**	**2.6**	**8.9**	**5.0**

*June 30, 2005. Performance for periods greater than 1 year is annualized.

Sector Attribution

The largest contributor to relative performance was our stock selection in ***Consumer Staples***, ***Financials***, ***Consumer Discretionary***, ***Utilities***, ***Health Care***, and ***Energy***, where we benefited from the re-rating of several stocks that had corrected in the prior year, including British American Tobacco, Michelin, Lloyds Banking Group and Manulife Financial, all of which grew their dividend distributions on a year-on-year basis, as well as continued gains from several high-quality portfolio positions, including Nestle, Diageo, Novartis, Roche and Zurich Insurance, among others. Our relative performance also benefited from our underweight allocation to ***Consumer Discretionary*** and our overweight allocation to ***Health Care***, ***Consumer Staples*** and ***Energy***.

The largest detractor from relative performance was our overweight allocation to ***Communication Services*** and ***Financials*** and our underweight allocation to ***Information Technology***, ***Real Estate*** and ***Materials***. In many cases, our portfolio companies in these sectors were held back by negative short-term factors, including sector-level headwinds, but we see limited, if any, meaningful impact to the long-term earnings power of these companies. Stock selection in the ***Industrials*** sector was the largest detractor from relative performance, where our positions in ABB and Siemens were held back by short-term macroeconomic and political uncertainties. Cash detracted from relative performance during the quarter.

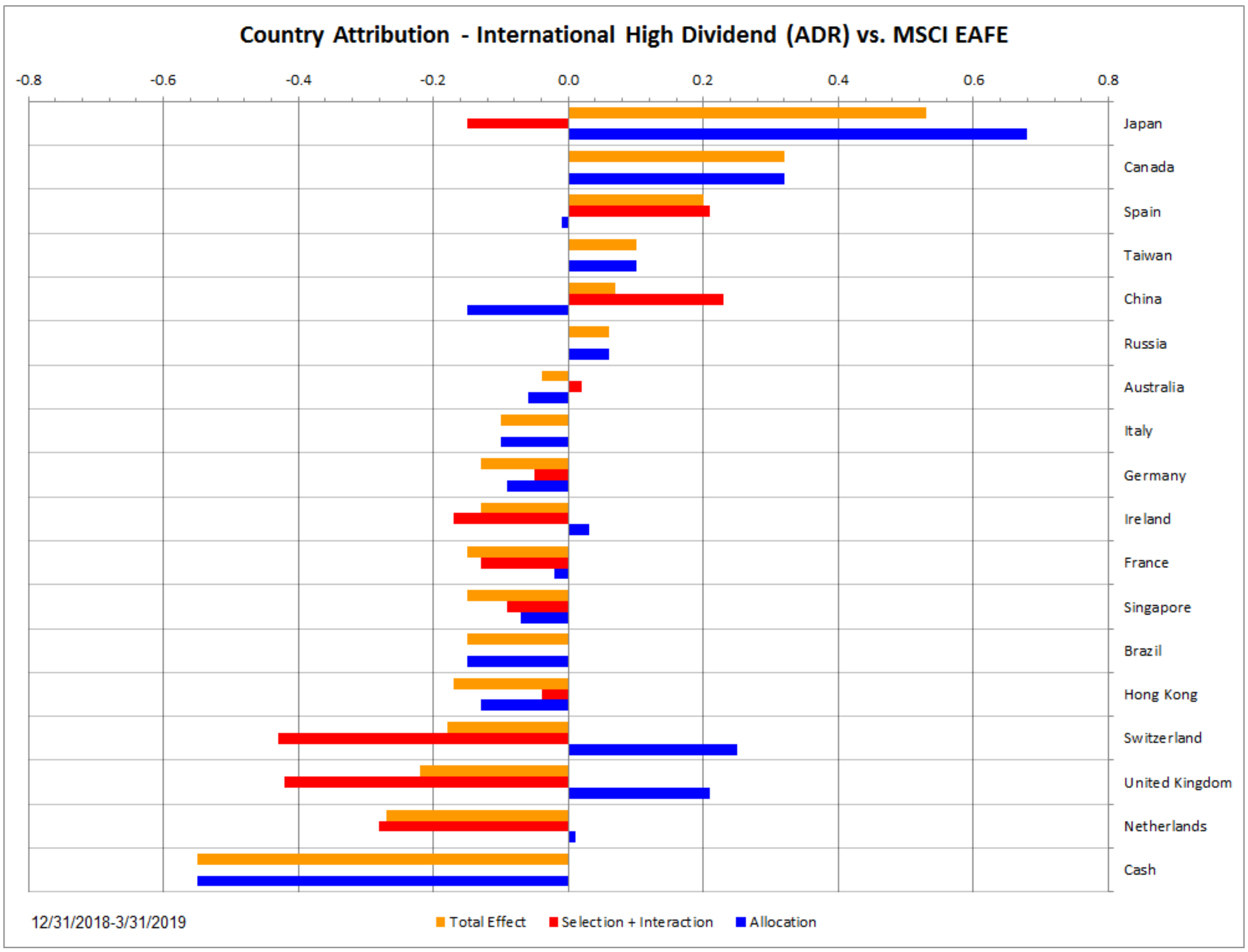


Source: Bloomberg, 03/31/2019

Country Attribution

The largest contributor to relative performance was our underweight allocation to ***Japan*** and our overweight allocation to ***Canada***, ***Switzerland***, ***United Kingdom***, ***Taiwan*** and ***Russia***. Across these countries, strong performers were high-quality companies trading at reasonable valuations across both cyclical and non-cyclical sectors, including British American Tobacco, Lloyds Banking Group, Manulife Financial, Vermilion Energy, Nestle, Imperial Brands, ASE Technology, BCE and Norilsk. Stock selection aided us in ***China***, ***Spain*** and ***Australia***, where we benefitted from our exposure to companies positioned within structurally growing markets with unique stock-specific catalysts, including Sinopec, Iberdrola and Sonic Healthcare.

The largest detractor from relative performance was our stock selection in ***Switzerland***, ***United Kingdom***, ***Netherlands***, ***Ireland*** and ***Japan***, 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 ***Germany*** and ***Singapore*** and our underweight allocation to ***Hong Kong*** and ***Italy***. 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: Bloomberg, 03/31/2019

Purchases:

Iberdrola S.A. **Spain** **Utilities**

Iberdrola generates, distributes, trades, and markets electricity in the United Kingdom, United States, Spain, USA, Mexico and Brazil. As the largest Spanish utility company and one of the best-regarded global operators, Iberdrola occupies a strong position in the area of renewables deployment and benefits from the expertise of its long-tenured management team. Iberdrola's strength lies in its global footprint, which allows it to be somewhat insulated from political turmoil in any given region, as well as its business mix of higher-growth renewable assets and stable and cash-generative network assets. The company has historically focused on Developed Markets and Latin American countries, regions where management believes the risk-reward and supply-demand dynamics tend to be favorable. Its strategy going forward is focused on expanding its presence in Latin America, with one of the largest capital expenditure plans across the entire European utilities sector. We believe that these investments will be accretive for the company, particularly those in the renewable energy space, given the successful execution track record demonstrated by the company's management team. Furthermore, while some of these markets are still regulated, which adds some uncertainty to the visibility of future cash flows, we believe that Iberdrola's portfolio diversification is an important mitigating factor in a sector generalized by regulation. Over the long term, we remain confident that Iberdrola is well positioned to benefit from incremental demand for fuel-efficient energy generation globally, stewarded by a management team with an established track record of shareholder value creation. Shares of Iberdrola are valued at 14.0 times forward earnings and offer a 5.1% dividend yield.

Sales:

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

We exited 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.

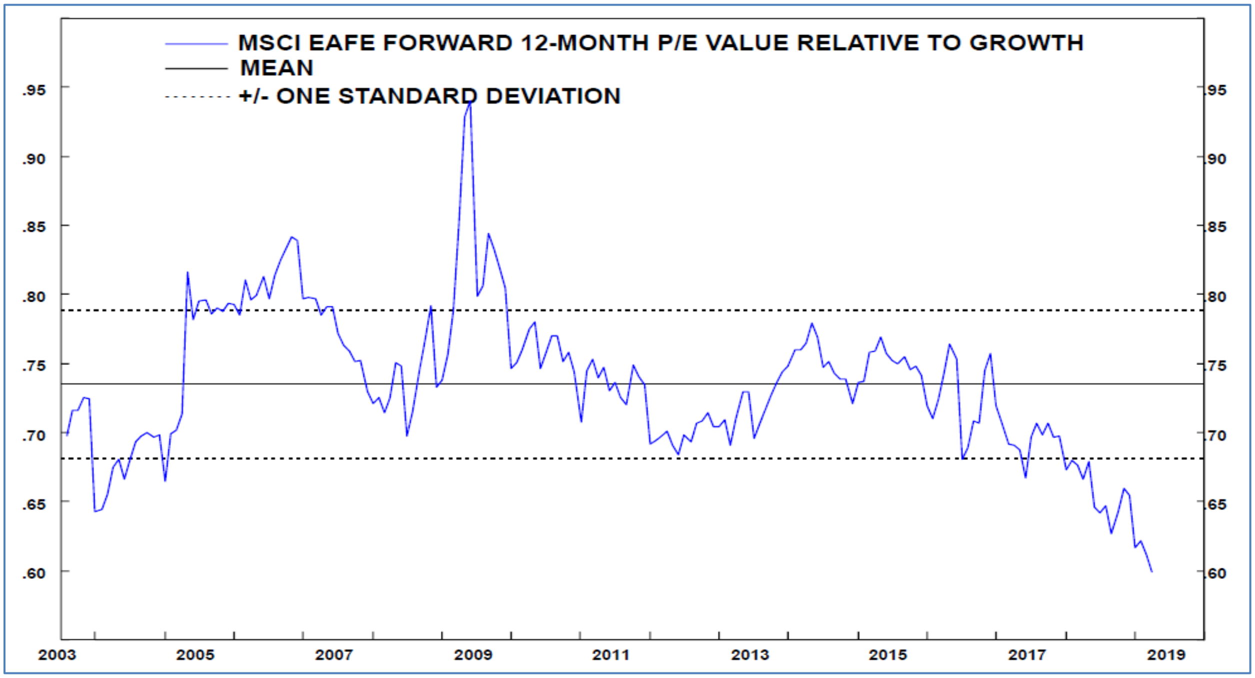
SSE PLC **United Kingdom** **Utilities**

We sold our position in SSE, a vertically integrated utility company with operations in the UK, Ireland and Scotland. Following the termination of the proposed deal with Innogy, which would have created Britain's second-largest retail power provider, we believe that SSE will look to separate its retail business and potentially rebase the company's dividend thereafter. Furthermore, due to its largely domestic footprint, we expect that SSE's investments in renewable energy generation will put the company at a disadvantage relative to global competitors better positioned to benefit from economies of scale. Consequently, we decided to reallocate capital to more attractive alternatives in the space.

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 37.6% versus their long-term average weight of 51.6%, as the performance of world equities is being dominated by a narrow group of US-domiciled large capitalization growth stocks. 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. Thus, our international value strategy 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 5.0% 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, international value equities are currently trading at a 40% valuation discount to international 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, 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: BCA Research; 03/31/2019

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 who are cashing out to sell to the general public believe that valuations are extremely favorable. 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.

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, 5.0% dividend yield and a more sustainable dividend growth profile relative to the benchmark MSCI EAFE. Thus far in 2019, 84% of our portfolio companies which have declared dividends have raised their dividend payments by an average of 6.8% YoY. In this regard, strong dividend increasers include United Overseas Bank, NN Group, BOC Hong Kong, Manulife Financial, Allianz, Smurfit Kappa and Imperial Brands. With strong balance sheets and continued earnings growth, we anticipate that this trend will continue in 2019 and beyond.

Best Regards,

Jim Cullen – Portfolio Manager
Rahul Sharma – Portfolio Manager
Pravir Singh, CFA – Director of International Research
Anuca Laudat, CFA – Analyst

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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 MSCI EAFE Index consists of 21 developed market country indices. The **MSCI All Country World ex-US** Index (ACWI ex-US) is a free-float-adjusted, market capitalization–weighted index designed to measure the performance of 46 equity markets outside the United States. The index consists of 46 country indices, 22 of which measure developed markets and 24 measure emerging markets indices. The index is unmanaged and has no fees. **The MSCI World** Index is a broad global equity index that represents large and mid-capitalization equity performance across 23 developed markets countries. It covers 85% of the free float-adjusted market capitalization in each country and does not offer exposure to emerging markets. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any other securities or financial products. This report is not approved, reviewed or produced by MSCI. One cannot invest directly in an index.

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

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

Portfolio Exposure

Sectors	% Asset	Regions	% Asset
Communication Services	9.2	Developed Asia Pacific	11.8
Consumer Discretionary	6.1	Continental Europe	47.6
Consumer Staples	12.6	United Kingdom	23.5
Energy	8.2	North America	4.4
Financials	24.0	Asia Pacific Emerging	3.9
Health Care	15.2	Latin America	1.7
Industrials	8.9	EMEA	2.1
Information Technology	2.1		
Materials	4.6		
Real Estate	0.0	Developed Markets	87.3
Utilities	4.1	Emerging Markets	7.6
Cash	5.1	Cash	5.1
Total	100.0	Total	100.0

Top 10 Countries		Top 10 Holdings	
United Kingdom	23.5	Novartis	3.6
Switzerland	17.3	Nestle	3.4
Germany	11.2	Roche Holdings	3.2
France	8.4	Iberdrola	3.1
Netherlands	5.2	Zurich Insurance Group	3.1
Canada	4.4	Allianz	2.9
Japan	4.3	United Overseas Bank	2.7
Singapore	3.2	Munich Re	2.7
Spain	3.1	Total SA	2.7
Australia	2.7	Sonic Healthcare	2.7

Portfolio Characteristics

	Forward Price / Earnings	Forward Dividend Yield	Q1 19 LT Debt / Capital	Est. LT DPS Growth	Est. LT EPS Growth	Q1 19 Market Cap
SCCM Intl High Div ADR	12.8	5.0	33.0	7.9	9.6	$86.7
MSCI EAFE Index	14.1	3.6	29.3	7.5	10.1	$64.2

Source: SCCM Research, BCA Research, Bloomberg