

International High Dividend ADR

Q2 2020 Commentary

Market and Economic Review:

Global asset markets posted a powerful recovery in the second quarter against the backdrop of timely and effective, record-level, do-whatever-it-takes fiscal and monetary responses from various governments. These interventions by the authorities, while aimed at cushioning economic activity over the intermediate-term, had the immediate effect of spurring risk taking in asset markets and led to a compression in credit spreads and equity risk premiums. While the immediate trigger of the year-to-date correction in equity markets is an unusual and difficult to model pandemic, which is likely to inflict much short-term economic pain, we believe that the adaptability of businesses and the ingenuity of our scientific community should eventually lead to a normalization in business conditions. In this positive environment, equities outperformed fixed income, long-term interest rates remained range-bound and international currencies appreciated against the US Dollar. Commodity markets also rebounded, with Brent crude oil prices ending the quarter at \$41 a barrel, up over 80% from the beginning of the period, and most base metals, including iron, copper and nickel and precious metals, such as gold and silver performing strongly.

By sector, cyclical sectors such as Materials, Information Technology, Industrials and Consumer Discretionary outperformed, whereas non-cyclical sectors such as Consumer Staples, Utilities and Communication Services underperformed. The breadth of market performance remained narrow this quarter, with only four cyclical sectors out of a total of eleven market sectors outperforming. By region, Western Europe outperformed Developed Asia and Emerging Markets outperformed Developed Markets.

With momentum-based strategies having until recently 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.

Portfolio Performance:

We outperformed our value benchmarks this quarter while underperforming MSCI EAFE as we faced major style class headwinds, with growth outperforming value by 460 basis points and small caps outperforming large caps by 500 basis points. Given our strong performance in the first quarter, on a year-to-date basis, we are performing broadly in-line with the overall market while outperforming our value benchmarks by around 700 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.

	Q2	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Incept*
SCCM Intl High Div ADR (gross)	13.1	-12.2	-4.3	-1.0	1.4	5.3	4.8
SCCM Intl High Div ADR (net)	13.0	-12.4	-4.6	-1.4	1.0	4.8	4.2
MSCI EAFE	14.9	-11.4	-5.1	0.8	2.1	5.7	4.1
MSCI EAFE Value	12.4	-19.3	-14.5	-4.4	-1.6	3.5	2.4
MSCI ACWI ex US Value	12.8	-19.4	-15.3	-4.0	-1.2	2.8	2.9

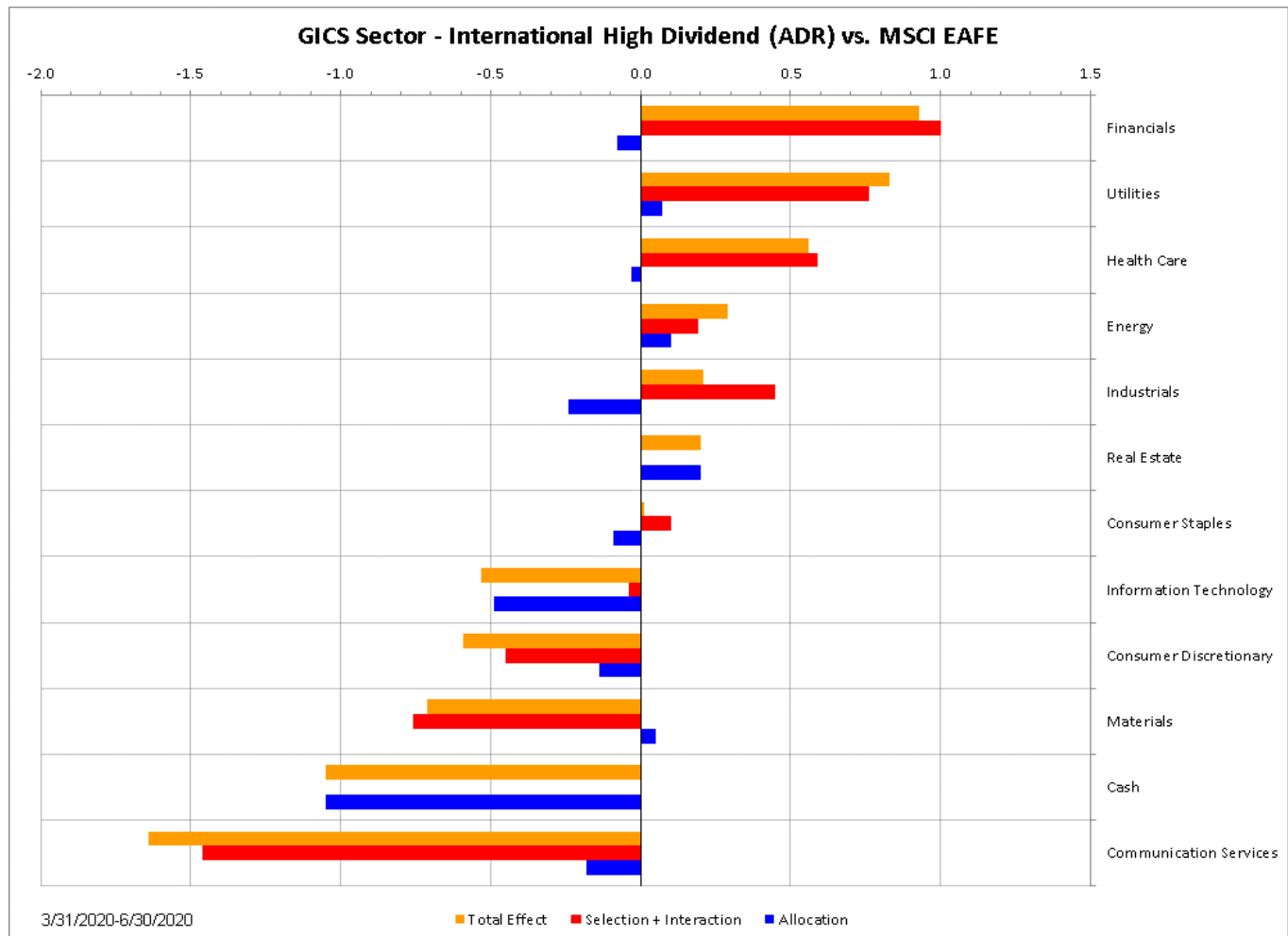
*6/30/2005. Performance for periods greater than 1 year is annualized. *Past performance is no guarantee of future results.*

Portfolio Attribution:

Sector Attribution

The largest contributor to relative performance was our stock selection across the **Financials**, **Utilities**, **Health Care**, **Industrials**, **Energy** and **Consumer Staples** sectors. Performance was led by a group of world-leading companies that benefitted from relatively lower risk exposure to macroeconomic variables, including Munich Re and Allianz, strong positioning across the renewable energy spectrum, including Enel and Iberdrola, and potential upside from the proposed European stimulus package, including Siemens and ABB. We also benefitted from our position in Sonic Healthcare, which outperformed against the backdrop of increased medical tests in Australia and Europe. Our relative performance also benefitted from our underweight allocation to **Energy** and our overweight allocation to **Utilities** and **Materials**.

The largest detractor from relative performance was our underweight allocation to **Information Technology**, **Industrials** and **Consumer Discretionary** and our overweight allocation to **Communication Services**. In many cases, our portfolio companies in these sectors were held back by negative short-term factors, but we see limited, if any, meaningful impact to the long-term earnings power of these companies. We generally remain comfortable with these allocation decisions based on valuations and the long-term outlook for our portfolio companies. Further detracting from relative performance was our stock selection in **Communication Services**, **Materials** and **Consumer Discretionary**. Cash detracted from performance in the quarter.

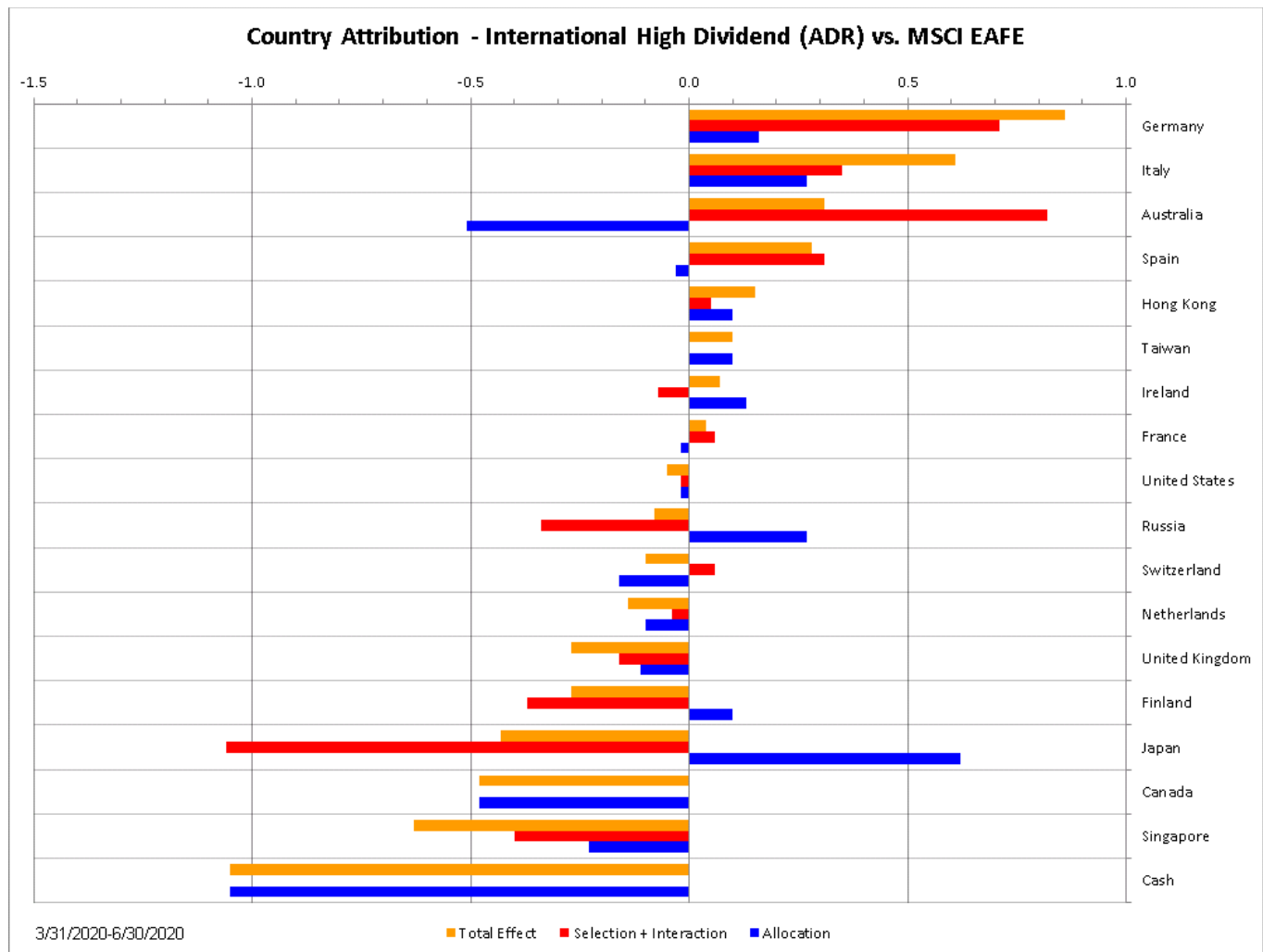


Source: Bloomberg, 06/30/2020

Country Attribution

The largest contributor to relative performance was our stock selection in *Australia, Germany, Italy, Spain, France* and *Switzerland*. Across these countries, strong performers were high-quality companies trading at reasonable valuations across a mix of cyclical and non-cyclical sectors, including Sonic Healthcare, Munich Re, Iberdrola, BNP Paribas, ABB and UBS. Our relative performance also benefited from our underweight allocation to *Japan* and *Italy* and our overweight allocation to *Germany* and *Ireland*. Across these countries, strong performers were high-quality companies with long-term drivers of earnings growth, including Enel and Siemens.

The largest detractor from relative performance was our underweight allocation to *Australia* and our overweight allocation to *Canada, Singapore* and *Switzerland*. We made these allocation decisions based on the visibility and sustainability of future dividend streams while looking to avoid companies with high levels of financial and/or operating leverage. Stock selection further detracted from relative performance in *Japan, Finland* and the *United Kingdom*, where a subset of our portfolio holdings was impacted by headwinds and likely temporary end-market weakness; nevertheless, we expect the affected companies to continue generating a stream of growing earnings over the long term. Cash detracted from relative performance in the quarter.



Source: Bloomberg, 06/30/2020

Portfolio Changes:

Purchases

Enel (Italy, Utilities) – Enel is a major integrated utility company, with generation, distribution and marketing assets in Italy, Spain and Latin America. The company is one of the global leaders in the energy transition, with an integrated business model that enables it to capture growth opportunities across a wide range of operations within the energy sector and across a geographically diverse footprint. While Enel is already the largest renewables developer in Europe, the company intends to gradually expand its global renewables capacity over the medium-term, which we believe will present a credible growth opportunity underpinned by rising government commitments to green energy and falling construction costs. Furthermore, with one third of Enel’s renewables pipeline and two thirds of planned electricity network capex in Europe, we believe that the company stands to be a potential beneficiary of the EU recovery stimulus aimed at supporting the green energy transition. Enel has also unveiled plans to close its Spanish, Italian and Chilean coal power plants, cutting the group’s annual carbon dioxide emissions by up to 40 million tonnes; we believe that this should broaden its addressable market of investors, allowing it to better compete against other renewables majors for ESG inflows. With nearly 70% of earnings derived from regulated and contracted activities, we believe that Enel has a lower risk profile, which is not fully reflected in the stock’s valuation. The company has a very strong cash flow generation profile, which should provide a strong base for future growth and solid shareholder returns. Enel and Iberdrola, the other sector position owned in our portfolio, are the only utilities in Europe to have set a dividend floor over the next three years, which we believe should further drive a valuation re-rating in a sector context. Shares of the company are valued at 11.2 times forward earnings and offer a 6.4% dividend yield.

SoftBank Corp. (Japan, Communication Services) – SoftBank Corporation (SoftBank) is a Japan-based, telecommunication company established in 1994 as a division within the global holding behemoth, SoftBank Group. As the unit matured within the backdrop of Japan’s fertile landscape of rational competition and pricing power, it eventually became the group’s crown jewel, and was spun off in 2018. The company operates three business segments and is the third largest player (by market capitalization) within its high-barrier, oligopolistic market. The Consumer segment caters to the spectrum of mobile consumers via its high-end SoftBank brand as well as its more cost-conscious sub brands, Y! Mobile and LINE Mobile. The Corporate segment offers a complete array of services for corporate customers from mobile and landline telephone services to perhaps its most attractive growth driver, enterprise business solutions, which is poised to nearly double in the next few years on the heels of secular growth trends in artificial intelligence (AI), internet of things (IoT), digital marketing, robotics and cloud computing. Finally, the Distribution segment offers hardware, software, cloud and IoT solutions for both corporate and individual customers. SoftBank is perhaps the best positioned telecom provider globally regarding next-generation technology as evidenced by its swelling non-telecom revenues and well-placed investments. The company recently increased its stake in Yahoo Japan (Z-Holdings) to 45%, purchased Japan’s leading e-fashion retailer, Zozo Inc., and forged a pending merger with Line. The combined unit will signal a paradigm shift for Japan’s internet landscape, creating Japan’s first “super app” – offering a fully integrated suite of services ranging from messaging and search to e-commerce, payments and ride-hailing, among others. With technology-related earnings (assets that typically trade well north of 25x) swelling to a projected 20% of the group total, SoftBank’s valuation is poised for a re-rating. Furthermore, the company’s expansive ecosystem has served to reduce churn rates to historical lows while it has continued to deliver industry-leading margins and ROEs more than double those of peers. Additionally, SoftBank is positioned to capture a bump in ARPU following its 5G rollout, while capex is set to unwind in the near term. With strong cash generation and high interest cover, SoftBank presents not only an alluring deleveraging story, but also a rare opportunity for investors seeking yield within the relative safety of the Japanese market. In fact, the company is one of the highest dividend yielding equities within Japan’s universe at 6.2%, revealing

the company as a true outlier within the spectrum of high-yield defense. Shares of the company are attractively valued at 13.7 times forward earnings.

Sales

Engie (France, Utilities) – We sold our position in Engie, a French utility company with major operations in Europe and Latin America, after the company withdrew its 2020 guidance and canceled previously announced 2019 dividend payments. Engie cited pandemic-induced volume reductions, project postponements and the possibility of collection issues as factors leading to the withdrawal of its guidance. However, the dividend cancellation was a bigger negative surprise given the unlikelihood of Engie seeking government support and a strong balance sheet position with around EUR 16.0 billion in cash and equivalents, including undrawn credit facilities. The proposed dividend payout would have implied a cash outflow of around EUR 2.0 bn.

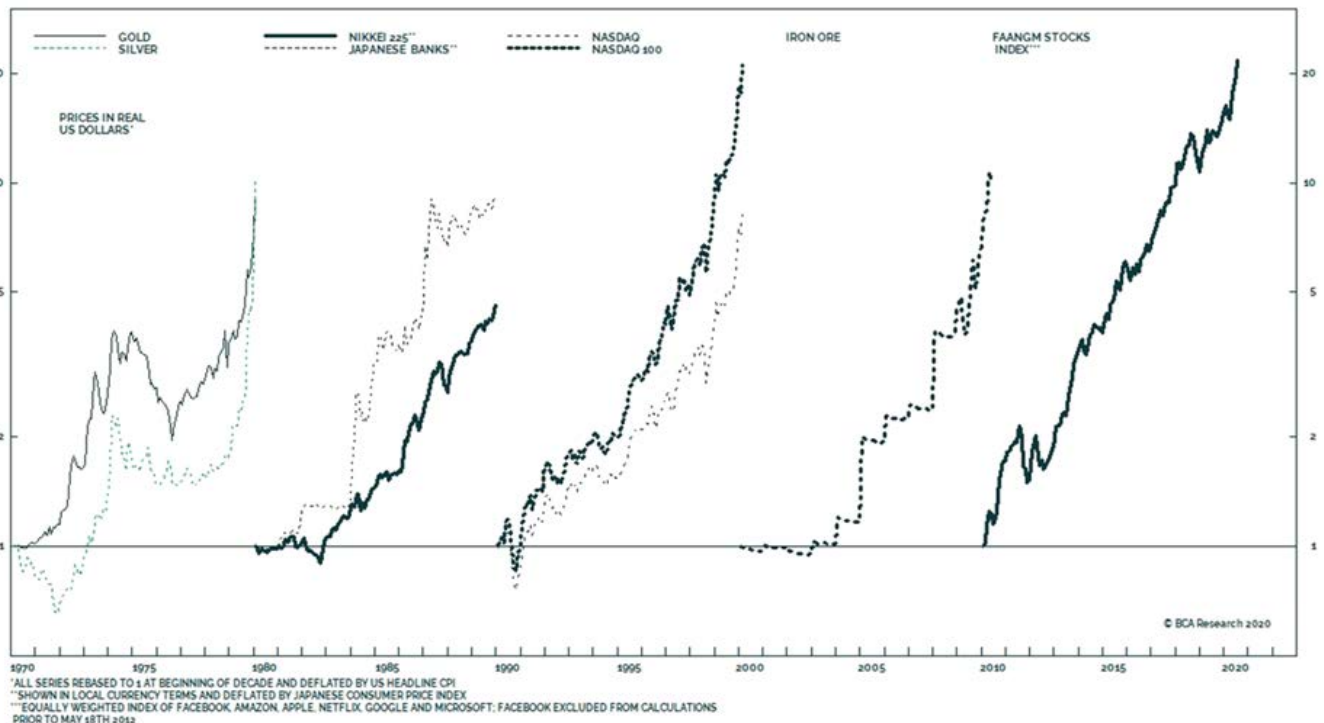
Lloyds Banking Group (United Kingdom, Financials) – We sold in position in Lloyds Banking Group (Lloyds), the largest retail bank in the United Kingdom, with a leading market position in current accounts and mortgages and a growing presence in corporate lending. After the UK Prudential Regulatory Authority urged UK banks not to pay out dividends in 2020 in order to help support the economy in the aftermath of the coronavirus pandemic, Lloyds canceled the already-announced dividend for this year. Against an uncertain economic backdrop, we anticipate that the bank will have to mitigate the effect of low interest rates while also managing the impact of rising credit risks, which will further cloud the prospect of capital distribution in the near-to-medium term.

Royal Dutch Shell (Netherlands, Energy) – We sold our position in Royal Dutch Shell (Shell), a large integrated oil and gas company. A near-40% decline in oil prices year-to-date triggered concerns over balance sheet strength and credit availability and led to a meaningful re-basing of the company's dividend. With weakness across all of its end markets, including LNG, the company will likely be further pressured as its outlook has significantly deteriorated. In the current environment, we anticipate that Shell will prioritize debt repayment over shareholder returns, whether they be dividends or share buybacks. We are more comfortable with our allocation to Total, the other Energy position in the portfolio.

Outlook:

This year, given unprecedented policy support, equity markets have re-rated upwards and thus we have seen equity prices rise at the same time that forecasts for earnings and dividends have remained muted. The re-rating in global equities is especially pronounced in high-momentum concept stocks such as FAANGM (Facebook, Amazon, Apple, Netflix, Alphabet/Google and Microsoft), which are perceived as net-winners in the post-COVID era and have re-rated by over 30% year-to-date. In growing signs of a bifurcated market, shares of these companies are rapidly advancing while the rest of the broad market remains more subdued. This is reminiscent, as seen in the chart below, of previous periods of extreme outperformance by a single asset class over each of the last four decades, which resulted in full-blown manias. However, the pain inflicted upon investors in the aftermath of these manias, especially for those who were late and bought near the top, is often underappreciated. Gold and Japanese equities peaked in 1980 and 1989, respectively, following which it took these previously popular assets over 25 years to recoup their losses. Dot-com companies and iron ore, which peaked in 2000 and 2011, respectively, had faster recoveries but not before first posting peak-to-trough losses of around 80%. Throughout all these historical episodes of boom and bust, sticking to a balanced asset allocation that included value equities provided steadier returns and such an approach eventually went on to meaningfully outperform over the long term. Thus while it may be tempting to simply chase what is currently working and put aside any and all valuation considerations, history shows that the prudent approach is one of rational and balanced asset allocation. In this regard, a good case can be made for maintaining and/or increasing one's allocation to international value equities at present as this asset class has the long-term potential to benefit from the normalization of two extreme historical discounts of 1) international versus US equities and 2) value versus growth equities.

Every Decade Has A Mania



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

Within value areas of the market, investors have the option of investing in quality value or distressed/deep value. We have retained more exposure to the former group of companies, as they tend to have higher profit margins, more sustainable business models and lower balance sheet leverage and thus are in a better position in our opinion to pay sustainable dividends over the long term. Certain countries, sectors and

industries are better placed than others in an era of structural changes, which have in some cases been accelerated by the global pandemic. We are factoring in this altered outlook in making our portfolio decisions, while also staying firmly anchored to our disciplined value approach to investing. Given the above-average number of companies cutting their dividend payments this year and subsequently experiencing a sharp sell-off in their share price, we may be provided with an opportunity to initiate new positions on a select basis if we find valuations and the long-term fundamental outlook attractive.

By region, non-financial companies in Europe and Japan have lower aggregate levels of leverage versus their US peers as they have engaged in fewer debt-fueled buybacks over the last decade. In Europe there are early signs that structural changes to aid long-term economic growth are seriously being considered and this includes better fiscal integration and a more rational approach to allowing consolidation in currently inefficient and fragmented industries such as banks, wireless telecommunications and capital goods. Companies in Japan continue to offer value, though their treatment of shareholders and willingness to pay sustainable dividends remains sub-par. Emerging Markets, which have been out of favor for some time, currently trade at near-crises valuation levels and may provide a contrarian opportunity for long-term investors.

Our active risk management decisions over the last two years to further insulate us from tail risks have been beneficial in this year's more difficult market environment. These decisions include reducing our exposure to companies with complex global supply chains, which may see long-term pressure on their operating margins and avoiding low valuation companies in numerous industries such as advertising, retail, travel and real estate, which routinely come up on our valuation screens, as these companies are being disrupted at a record pace. In Financials we have avoided investments which rely solely on an accurate prediction of the direction of long-term interest rates and instead have invested in more sustainable property & casualty companies which generate a majority of their earnings via underwriting. A continued source of alpha for the strategy has been our ability to identify companies which stand to benefit from the secular tailwind provided by decarbonization and a move towards more ecologically-friendly and sustainable solutions. More recent portfolio changes have been driven by our aim to continually improve and upgrade our income stream and thus we have been adding exposure to Utilities while reducing somewhat our exposure to Materials and Consumer Discretionary. As always, we have remained focused on investing in attractively valued companies which should benefit from sustainable economic moats and secular growth drivers and can perform reasonably well irrespective of the broader economic and interest rate environment.

Our strategy continues to offer a sustainable dividend yield of close to 5%, which equates to among the highest spreads versus sovereign bonds since the inception of our strategy in 2005. After two strong years for dividend growth in 2018 and 2019 we expect a more subdued year in 2020 where dividend sustainability remains key. In this regard, we aim to both having a higher absolute dividend yield versus broad indexes such as MSCI EAFE and MSCI EAFE Value, while also providing a meaningfully more sustainable income stream with far fewer dividend cuts. With our companies having strong balance sheets and robust business models we anticipate that this trend for dividend growth will continue over the long-term especially once the most difficult part of our current economic slowdown is behind us.

Best Regards,

Jim Cullen – Portfolio Manager
Rahul Sharma – Portfolio Manager
Pravir Singh, CFA – Portfolio Manager
Anuca Laudat, CFA – Analyst

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Risk Disclosure: Market conditions can vary widely over time and can result in a loss of portfolio value. Investing in the stock market involves gains and losses and may not be suitable for all investors. Investors have the opportunity for losses as well as profits. Investing in equity securities is speculative and involves substantial risk. Schafer Cullen invests in foreign securities which may involve greater volatility and political, economic and currency risks and differences in accounting methods.

The strategy depicted in this report has been managed in accordance with the investment objectives of the strategy as determined by the Adviser. The Adviser has selected benchmarks, which in their opinion closely resemble the style of the securities held in the composite or model portfolio of the strategy (e.g. large cap value, small cap value, international, etc.). The securities held in the composite or model are actively managed while the benchmark index is not. Investors should be aware that the Adviser makes no attempt to match the portfolio securities, or the security weightings of the benchmark. The composite or model’s performance will be affected greater by the price movements of individual securities as the composite or model is more concentrated, generally less than 100 securities, while a comparative benchmark will generally have between 500 and 2,500 securities where individual security price movements have a lesser affect. An individual cannot invest directly in an index.

The MSCI EAFE Index is the commonly used measure of international equity performance. The MSCI EAFE Value Index captures large and mid-cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the US and Canada. The MSCI ACWI ex U.S. Value Index captures large and mid-cap securities exhibiting overall value style characteristics across Developed and Emerging Markets countries around the world, excluding the US.

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.

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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 06/30/2020

Portfolio Exposure

Sectors	% Asset	Regions	% Asset
Communication Services	14.0	Developed Asia Pacific	16.8
Consumer Discretionary	5.4	Continental Europe	56.6
Consumer Staples	12.9	United Kingdom	12.1
Energy	2.5	North America	6.2
Financials	20.2	Asia Pacific Emerging	1.7
Health Care	16.7	Latin America	0.6
Industrials	8.0	EMEA	1.5
Information Technology	1.8		
Materials	7.0		
Real Estate	0.0	Developed Markets	91.7
Utilities	7.1	Emerging Markets	3.8
Cash	4.5	Cash	4.5
Total	100.0	Total	100.0

Top 10 Countries

Switzerland	19.2
United Kingdom	12.1
Germany	11.2
France	9.2
Japan	9.0
Canada	5.3
Singapore	4.6
Netherlands	4.4
Spain	3.8
Italy	3.3

Top 10 Holdings

Iberdrola	3.8
Sanofi	3.6
Roche	3.4
Nestle	3.4
Enel	3.3
Zurich Insurance Group	3.3
Sonic Healthcare	3.2
GlaxoSmithKline	3.2
Novartis	3.2
SoftBank Corp.	3.2

Portfolio Characteristics

	Forward Price / Earnings	Forward Dividend Yield	Q2 20 LT Debt / Capital	Est. LT DPS Growth	Est. LT EPS Growth	Q2 20 Market Cap
SCCM Intl High Div ADR	14.6	4.7	33.6	7.9	9.7	85.8
MSCI EAFE Index	17.0	3.1	29.6	7.5	10.1	64.5

Source: SCCM Research, BCA Research, Bloomberg