SCHAFER | CULLEN
CAPITAL MANAGEMENT

Emerging Markets High Dividend SMA
Q1 2022 Commentary

Market Review:

Emerging Market (EM) equities, much like global markets, were severely impacted in Q1 2022 as a result of Russia's invasion of Ukraine. The conflict severely exacerbated the already increasing concerns around inflationary impact on global economic growth and the likelihood of monetary policy tightening across major economies. While the immediate disruptions as a result of the conflict were felt across global supply chains, commodities prices and equity and fixed income markets, the more lasting impact is expected to unravel as sanctions on Russia and new world trade relationships take hold. Within EM, China continued to remain in focus with fresh outbreaks of covid and possible disruptions to its economic growth recovery plans for 2022. As a result, EM equities (MSCI EM Index) ended the three-month period down 6.97% and underperforming their US (S&P 500 Index) and Developed Market (MSCI EAFE Index) counterparts that declined 4.60% and 5.77% respectively. Within EM, Value significantly outperformed Growth during Q1 as commodities and oil spiked, with further helped from the first US Fed rate hike since 2018, pushing the US 10-year yield to 2.34% by March-end. Within US, inflation concerns continued although employment and wage growth figures remained robust. Despite the disruptions and Europe's heavy reliance on Russia for its energy needs, PMI readings in EU remained well above 50 for the month of March. China remained a drag on EM equities during the quarter as fresh outbreaks of the Omicron variant forced large scale lockdowns in major cities such as Shenzhen and Shanghai, pushing PMI readings for March sharply down. Elsewhere, the impact was mixed with India showing resilience despite the energy shock with positive industrial production numbers, while Latin American as well as major Middle East markets benefitting from the sharp oil and commodities rally. While Brazil benefitted from commodity price increases, its central bank increased benchmark rate to 11.75% and indicating a likely controlled increase in inflation going forward. As a result, EM Latin America (+27.33%) significantly outperformed EM Asia (-8.73%) and EM Europe, Middle East, and Africa (-13.60%) during Q1. Commodities were the biggest movers during the quarter, with oil (CO1 Comdty) hitting a decade high of $127.98 before settling at $107.91 for the quarter, registering a gain of 38.74%. The S&P Industrial Metals Index gained 17.42% with spikes across base metals, especially nickel given Russia's heavy influence on the commodity.

The top performers in Q1 2022 among major EM countries were Brazil, Peru and Colombia. All three Latin American markets outperformed on the back of the sharp rally seen in commodities and energy due to the conflict in Ukraine. The major bottom EM country performers were Russia, Hungary and China/Hong Kong. While Russia sold off on account of its invasion of Ukraine, Hungary underperformed along with other Eastern European markets given their proximity to the conflict zone and potential linkages with the Russian economy. China/Hong Kong underperformed during the quarter largely on account of fresh outbreaks of the Omicron variant and the resulting mass scale lockdowns in major cities such as Shanghai. The top EM sectors in Q1 were Financials, Materials, and Utilities. The bottom performers were Consumer Discretionary, Healthcare, and Information Technology.

Performance:

The strategy returned -4.0% (gross) and -4.2% (net) in the first quarter of 2022, outperforming the benchmark (MSCI EM Index, -7.0%) by 3.0%.

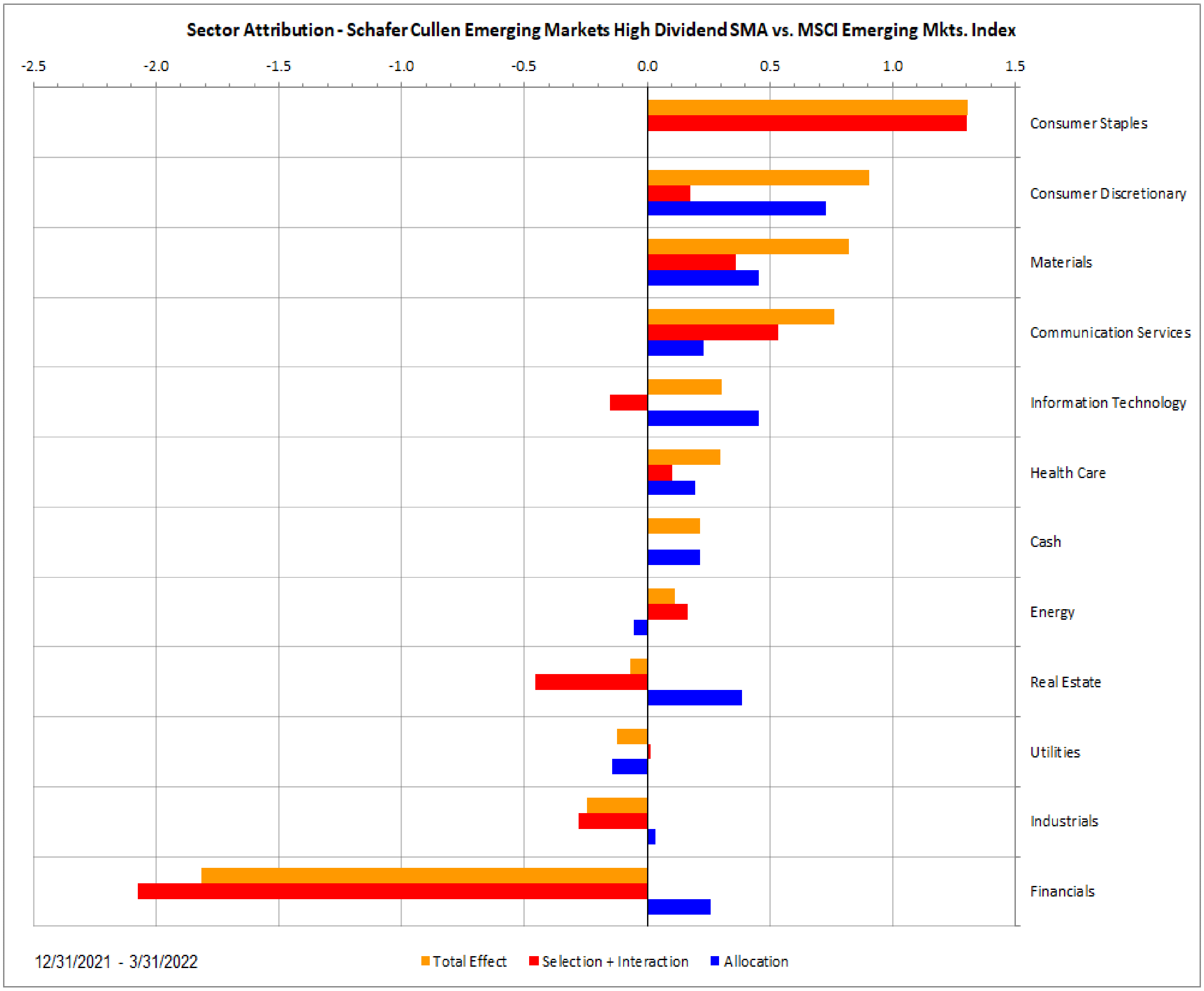
Emerging Markets High Dividend Returns vs. Benchmark

March 31, 2022	QTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception*
SCCM EM High Dividend (gross)	-4.0	-4.7	4.6	5.2	4.0	7.8
SCCM EM High Dividend (net)	-4.2	-5.8	3.5	4.1	2.8	6.4
MSCI Emerging Markets Index	-7.0	-11.4	5.0	6.0	3.4	5.4
iShares MSCI Emerging Markets ETF (EEM)	-7.8	-13.0	3.8	5.1	2.6	4.6
MSCI Emerging Markets Value Index	-3.4	-3.5	3.2	4.2	1.6	4.9

**Since Inception Date: 12/31/2005. Performance for periods greater than 1 year is annualized.*
Past performance is no guarantee of future results.

Portfolio Attribution:

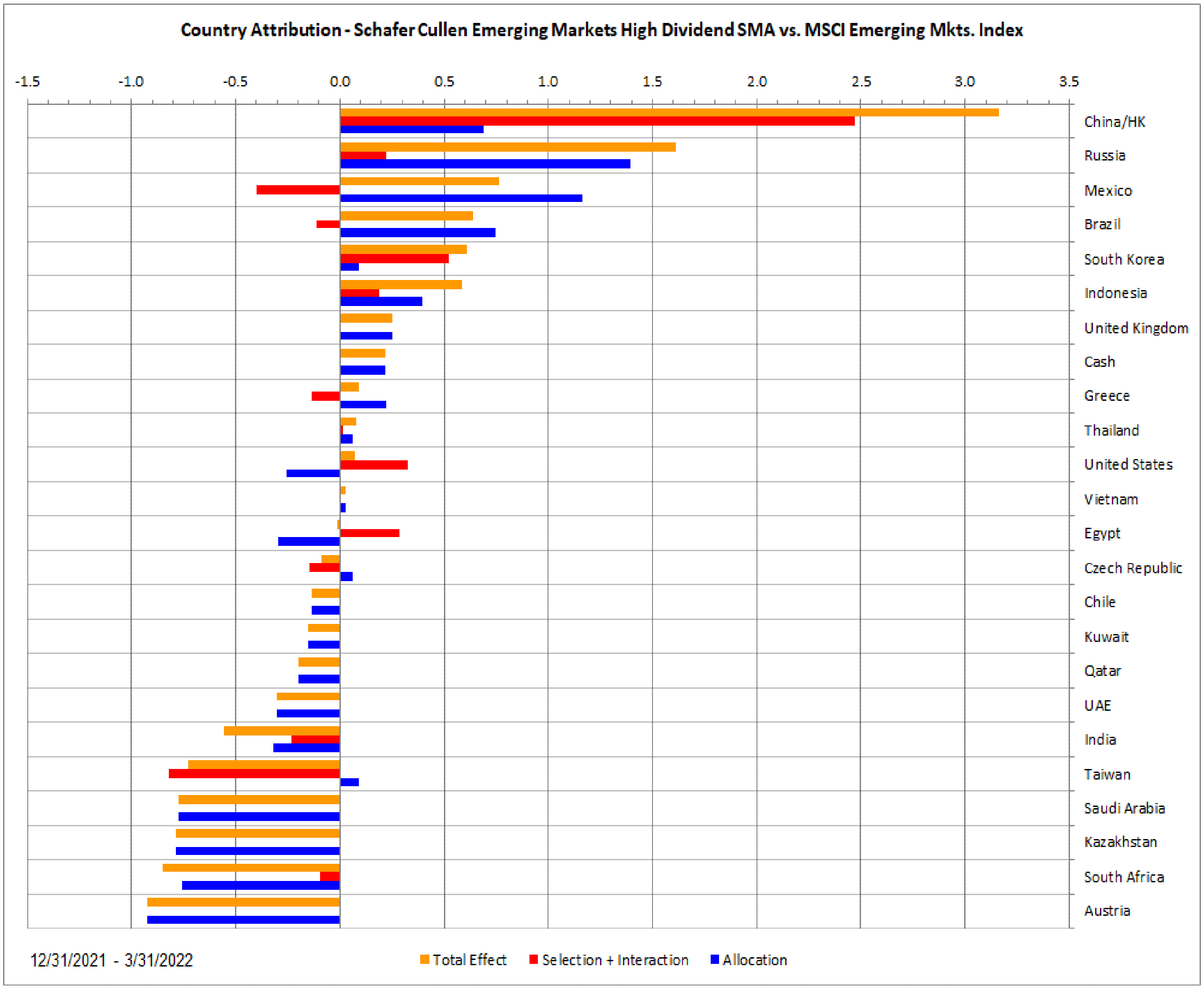
Sector Attribution (%)



Source: SCCM Research, 03/31/2022.

On a sector basis, the fund's top contributors were the strategy's stock selection in Consumer Staples and Materials, while its underweight allocation to Consumer Discretionary and overweight allocation to Materials versus the benchmark also helped. The strategy's stock selection in Financials and Industrials and underweight allocation to Utilities versus the benchmark were the main detractors.

Country Attribution



Source: SCCM Research, 03/31/2022.

On a country basis, the strategy's stock selection in China/Hong Kong was the main contributor. Additionally, the strategy's overweight allocation to Mexico and Russia versus the benchmark also helped its relative performance during the quarter. The top country detractors were Austria, South Africa, and Kazakhstan. The strategy's overweight allocation to Kazakhstan and Austria and underweight allocation to South Africa versus the benchmark were the main detractors. Top contributors in the quarter were Vale SA (Brazil, Materials), Anglo American (United Kingdom, Materials), Itau Unibanco (Brazil, Financials), and Zijin Mining (China/Hong Kong, Materials). Top detractors in the quarter were JSC Kaspi (Kazakhstan, Financials), Erste Group (Austria, Financials) and Haier Smart Home (China/Hong Kong, Consumer Discretionary).

Portfolio Positioning and Outlook:

The first quarter of 2022 will undoubtedly go down as one of the most interesting quarters in recent memory for Emerging Market (EM) investors, marked by the unprecedented decline in Russian equities as a result of sanctions placed on Russia, compounded by other impacts of the war with Ukraine. The implications of the war also had a negative impact on Eastern European emerging markets, as greater uncertainty prevails in the region due to its geographic proximity and greater economic ties to Russia and Ukraine. Investors are also likely to reassess their exposure to China as concerns surrounding a potential invasion of Taiwan have heightened. Any such escalation could result in extremely damaging sanctions placed upon China, similar to what we have witnessed in the case of Russia. We tend to think the risk of such an invasion over the near term is less likely than before the war in Ukraine, since China has seen the detrimental impact that sanctions have and may not be able to manage them at this time. In summary, we think that the war may have a similar intermediate-term impact that the onset of Covid had in accelerating emerging pre-Covid trends like higher inflation and interest rates, as well as commodity price strength, supply chain localization and a global agenda to improve the environment. Indeed, commodity-rich EM countries have economically benefitted from the implications of the war with Brazil, Mexico, South Africa, the Middle East, and Indonesia as well as other commodity companies in other countries all outperforming the MSCI EM index. With larger emerging markets such as China, South Korea and Taiwan facing near term headwinds compared to the recent past, we expect redirected fund flows to continue to support smaller emerging markets where valuations also remain attractive. The slowdown in China is likely to accelerate over the near term because of the country's Zero Covid policy which is leading to further supply chain bottlenecks and a deceleration in consumption as large cities remain locked down. A positive aspect from the Covid-related slowdown in China may be that it could compel the government to provide far greater stimulus at a time when China is one of the only countries globally that is currently easing monetary policy. Large injections of stimulus have in the past provided a meaningful catalyst for the Chinese equity market and such a catalyst could become supportive of the market later in the year, especially if the regulatory environment and geopolitical tensions stabilize and Covid is finally brought under control, as has been the case in much of the rest of the world.

While the long-term outlook for semiconductor and other technology stocks that have supported the South Korean and Taiwan equity markets in recent years remains a good long-term story, valuations had become a bit elevated and near-term demand may also wane as inventories are high and consumption of tech products may also slow with Covid-related demand decelerating somewhat and the impact of inflation also weighing on near term demand. However, other parts of these North Asian markets, such as in the financials and telecommunications sectors, are performing well and we retain exposure to them. In addition to the commodity-producing countries mentioned above, other smaller emerging markets we favor include Greece and Southeast Asian emerging markets. In addition to increasing fund flows, Southeast Asian markets stand to benefit from post-Covid economic re-openings, attractive valuations and companies that are well positioned to benefit from opportunities in the region particularly for banks, telecoms, and consumer staple companies. Select companies in Greece provide interesting contrarian opportunities as the country emerges from a decade-long economic deceleration and benefits as the largest recipient of EU recovery funds, as well as political cohesion that is overlooked by consensus and is leading to supportive and business-friendly economic policies.

The environment of stagflation that we likely find ourselves in should also be supportive of EM financials which will benefit from the higher interest rates needed in such an environment. As mentioned, we continue to favor commodity exposure and view the current inflationary environment as supportive for commodity prices. The longer-term outlook also looks favorable for select commodities exposed to the energy transition away from fossil fuels and into renewables, a theme which has gained in importance because of the war, yet is still in its early innings. We have optimal exposure to this theme with investments in companies exposed to commodities such as copper, nickel, high grade iron ore, platinum, palladium, agricultural commodities, and oil and gas. We had previously had a neutral view on energy stocks owing to the challenges these companies face to decarbonize their businesses. However, our view has changed as the war and sanctions have created a more supportive environment for oil and gas prices, while reducing the urgency to decarbonize. Consequently, we believe that energy stocks are set to pay lucrative dividends over the intermediate term.

Portfolio turnover was a bit higher than usual in the quarter owing to the need to sell all our Russian equities and to modestly reposition the portfolio considering the unique environment brought about by the war and worsening inflationary pressures. We sold our positions in Russian equities Sberbank (Financials), Norilsk Nickel (Materials), Lukoil (Energy), Polymetal International (Materials) and Globaltrans Investment (Industrials). We were able to limit the damage from our exposure to Russia as we began de-risking exposure in the fourth quarter of 2021 and early in the first quarter of 2022 as our prior experience of investing in Russia has taught us that such de-risking is prudent when Russia-related, geopolitical tensions dramatically escalate. Our exposure to Russia was primarily to the type of commodity companies which have benefitted from the ensuing environment, so we replaced this exposure with other commodity stocks.

We bought positions in energy companies Petrobras (Brazil) and Sasol (South Africa), all of which stand to benefit from higher than previously anticipated energy prices, which are likely to persist and should translate into lucrative dividends from these companies. Similarly, we established a position in copper producer, Grupo Mexico (Mexico), and agricultural commodity producer, SLC Agricola (Brazil), that, we believe, will similarly benefit from higher commodity prices and lower supply which should also translate into large dividends for shareholders, while both companies are well positioned over the long term given their unique and high-quality commodity assets. We also established a position in Banco del Bajio (Mexico, Financials), a regional bank focused on SME lending which is highly geared to benefit from rising interest rates. During the quarter we exited our position in Times China (China/Hong Kong, Real Estate) as the persisting weakness in property development in China will lead to a meaningful reduction in dividends. We sold our position in Erste Bank (Austria, Financials) to reduce exposure to Eastern Europe, which is more vulnerable to an incremental escalation and/or spillover effects of the war in Ukraine, and thus demands a higher equity risk premium than prior to the war. We also exited our position in Vinythai (Thailand, Chemicals) as the company was acquired by PTT Global Chemical, and we tendered our shares as part of the transaction. Finally, we established a position in Hellenic Telecom (Greece, Telecommunications) which will benefit from the improving macro-economic and geopolitical environment in Greece as well as domestic spending initiatives to further digitize the economy.

With close to half of our portfolio exposure in financial and commodity companies, and with meaningful exposure to telecoms, consumer staples and other stocks that have good pricing power and other secular drivers of growth, we are well positioned for the current market environment. In addition, the high dividend yield and solid dividend growth that the portfolio offers is particularly valuable in the current environment as it serves to mitigate and offset the impact to investors of inflation. We believe that this exposure should provide a bridge to strong, long-term returns in the future as uncertainty and inflation subside perhaps later in the year. Moreover, there is meaningful upside potential for strong relative performance when considering that emerging markets are amid one of the longest periods of historical underperformance versus developed market stocks, while valuations and long-term growth potential remain attractive.

Thank you for your continued support and please do not hesitate to contact us with any questions.

Best Regards,

Schafer Cullen Capital Management, Inc.

Portfolio Exposure and Characteristics as of 3/31/2022

Sectors	SCCM EM (%)	MSCI EM (%)
Communication Services	8.1	10.1
Consumer Discretionary	7.7	12.3
Consumer Staples	8.4	5.8
Energy	6.9	4.8
Financials	24.5	22.1
Health Care	2.0	3.9
Industrials	6.1	5.4
Information Technology	13.6	21.6
Materials	15.2	9.5
Real Estate	7.4	2.1
Utilities	0.1	2.6

Top 10 Countries	SCCM EM (%)	MSCI EM (%)
China / Hong Kong	20.9	30.2
Mexico	13.4	2.3
Brazil	12.1	5.9
South Korea	11.2	12.6
Taiwan	9.0	15.9
South Africa	7.2	4.0
India	6.8	13.1
Indonesia	5.8	1.8
Greece	4.9	0.2
Vietnam	2.0	

Regions	SCCM EM (%)	MSCI EM (%)
Asia Pacific	57.5	77.6
EMEA	17.0	10.7
Latin America	25.5	9.2
Other	0.0	2.5

Top 10 Holdings	SCCM EM (%)
Petroleo Brasileiro	3.6
Itau Unibanca	3.4
Shinhan Financial Group	3.4
Anglo American	3.3
Taiwan Semiconductor	3.3
ICICI Bank	3.3
Prologis Property	3.3
PT Bank Rakyat	3.1
Arca Continental	3.1
AIA Group	3.0

Portfolio Characteristics	Price/Earnings Forward	Dividend Yield NTM	LT DPS Growth	LT EPS Growth	Weighted Avg. Market Cap ($B)
SCCM EM High Dividend	10.7	5.6	9.2	11.8	66.0
MSCI EM Index	13.0	3.1	9.0	11.0	122.9

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

Dividend Yield refers to the dividend per share divided by the price per share. **Forward Price-to-earnings ratio (P/E)** refers to the price of a stock divided by its estimated forward 12-month earnings per share. **Earnings per Share (EPS)** is the portion of a company's profit allocated to each share of common stock and can serve as an indicator of a company's profitability. **Long-term EPS** is the net income less dividends paid on preferred stocks divided by the number of outstanding shares. **Long-term Dividend per Share (LT DPS)** is the sum of declared dividends issued by a company for every ordinary share outstanding. **Basis points (BPS)** refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1% and is used to denote the percentage change in a financial instrument.

Emerging Markets High Dividend Strategy is also referred to as "SCCM EM High Dividend" throughout this document.

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The primary benchmark used is the total return indices for the **MSCI Emerging Markets Index**. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that measures equity market performance of emerging markets. 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 **iShares MSCI Emerging Markets ETF (EEM)** seeks to track the investment results of an index composed of large- and mid-capitalization emerging market equities. One cannot invest directly in an index. The **S&P 500 index** is a market capitalization-weighted index of 500 companies in leading industries of the US economy. The **MSCI EM Asia Index** captures large and mid-cap representation across 9 Emerging Markets countries. The **MSCI EM Latin America Index** captures large and mid cap representation across 5 Emerging Markets (EM) countries in Latin America. The **MSCI EM Europe Middle East and Africa Index** is a free float-adjusted market capitalization index that is designed to measure equity-market performance in the emerging market countries of Eastern Europe, the Middle East, and Africa. The **S&P Industrial Metals Index** is a measure of industrial metals price movements within the commodity markets. The **Dollar Index (DXY)** is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.'s most significant trading partners. The **MSCI Emerging Markets High Dividend Yield** reflects the performance of equities in the MSCI EM Index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

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