SCHAFER | CULLEN
CAPITAL MANAGEMENT

Emerging Markets High Dividend SMA
Q4 2022 Commentary

Market Review:

The fourth quarter of 2022 saw Emerging Market (EM) equities rebound and recover some of the losses incurred during the earlier nine months. China's decision to relax its hard zero-covid policy was a major trigger, with expectations of global inflation reaching its peak and thereby resulting in relatively modest interest rate hikes also helped. That said, global central banks, especially the US Fed still maintained a hawkish stance and the outlook for global economic growth going into 2023 still remained that of caution, although fears of a major growth shock appeared to have moderated somewhat during the quarter. As such, EM equities (MSCI EM Index) returned 9.70% during the quarter, outperforming US equities (S&P 500 Index) which gained 7.55% but underperformed their Developed Market (MSCI EAFE Index) counterparts which rose 17.40% during the last three months of the year. Within the US, Q3 annualized GDP growth came in at 3.2%, ahead of the previous estimate of 2.9%. Unemployment remained at a near all-time low, with inflation at just over 7.0% but appeared to be peaking. The US Fed continued to raise its benchmark rate but reduced the pace by 25bps from the previous four consecutive 75 bps rate hikes. The Eurozone was the biggest outperformer among major global markets and also saw inflation concerns waning somewhat. However, Q3 economic growth slowed to 0.3% q/q from 0.8% in Q2 while major PMI indices remained below 50 but with some m/m improvement. Gains for EM equities came from major Asian economies as China's move away from severe mobility restrictions pointed to potential recovery in regional as well as global trade. In addition to that, EM equities also responded positively to the US and China signaling a mend to their relationship during the G20 summit held in Indonesia. While a weaker US dollar during Q4 was another trigger for EM equities, performance across other EM markets outside Asia was mixed with 1) weaker oil prices impacting the Middle East equity markets, 2) political changes in Brazil resulted in policy uncertainties, and 3) mixed macro date impacted Indian equities. As such, during Q4 EM Asia (+10.70%) outperformed EM Latin America (+5.94%) and EM Europe, Middle East and Africa (+5.81%). Within commodities, oil prices (CO1 Comdty) remained volatile reaching a high of $98.57/barrel and a low of $76.10/barrel within a month before closing the quarter at $85.91/barrel with a loss of 2.33%. The S&P GSCI Industrial Metals index was strong during the quarter with gains across all major base metals, especially nickel and lead.

The top performers in the quarter among major EM countries were Turkey, Poland and Hungary. Turkey outperformed as the country's central bank continued with its dovish monetary policy stance despite sharply higher inflation. Hungary and Poland outperformed after months of weakness due to the war in Ukraine and also as inflationary concerns in Europe appeared to soften somewhat. Major bottom EM country performers were Qatar, Saudi Arabia, and Indonesia. Weaker and volatile energy prices during the quarter impacted equities in Qatar as well as Saudi Arabia, while a meaningful drop in economic growth in Q3 for Indonesia versus Q2 impacted equity performance in the country. The top EM sectors in Q4 were Communication Services, Health Care and Industrials. The bottom performers were Energy, Utilities and Consumer Staples.

Performance:

The strategy returned 13.1% (gross) and 12.8% (net) in the fourth quarter of 2022, outperforming the benchmark (MSCI EM Index, 9.7%) by 3.4%.

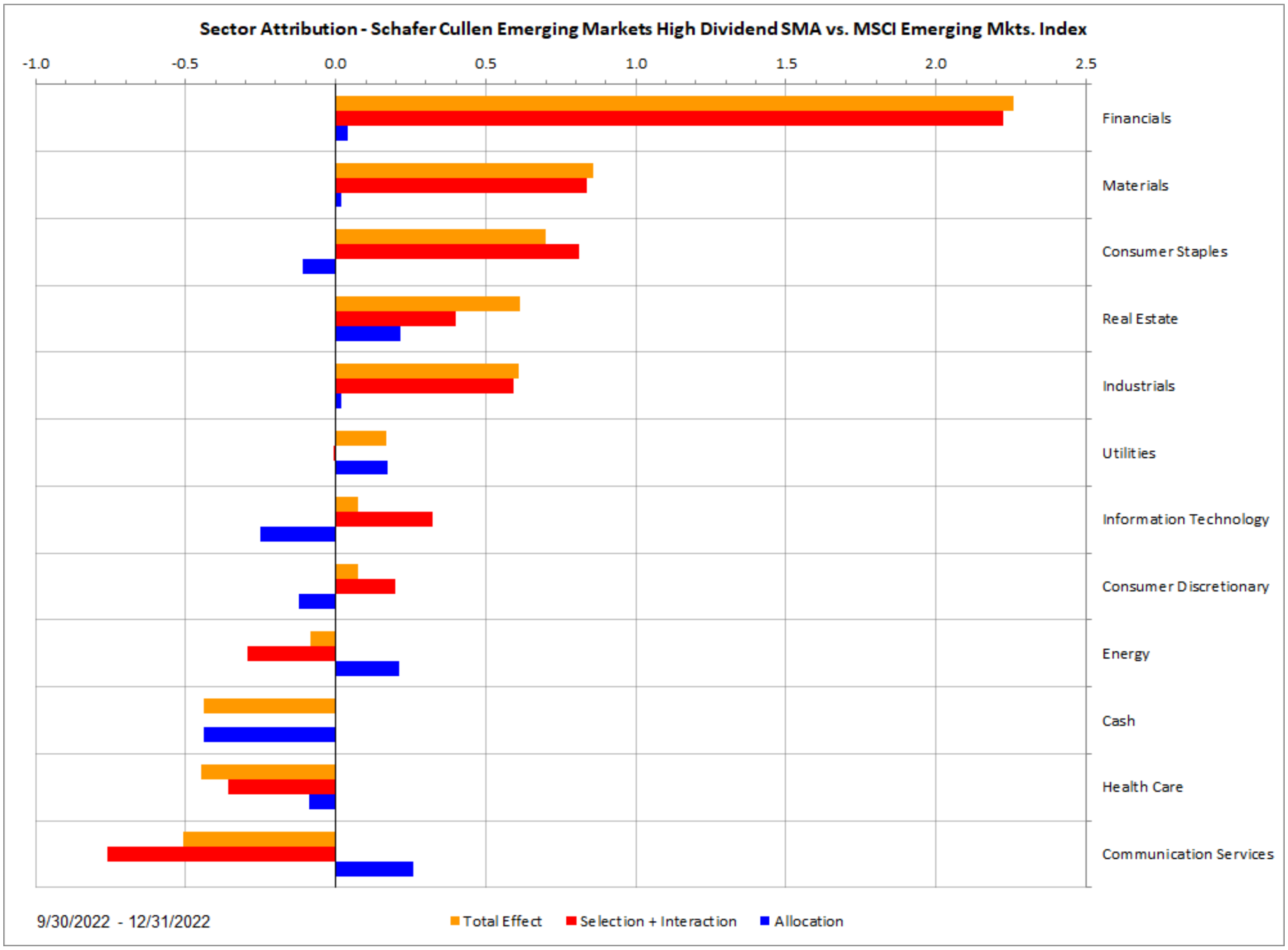
Emerging Markets High Dividend Returns vs. Benchmark

December 31, 2022	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception*
SCCM EM High Dividend (gross)	13.1	-9.6	-9.6	-0.7	0.9	2.4	7.0
SCCM EM High Dividend (net)	12.8	-10.5	-10.5	-1.8	-0.2	1.3	5.7
MSCI Emerging Markets Index	9.7	-20.1	-20.1	-2.7	-1.4	1.4	4.3
MSCI Emerging Markets Value Index	9.8	-15.8	-15.8	-2.6	-1.6	0.1	3.8

**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:

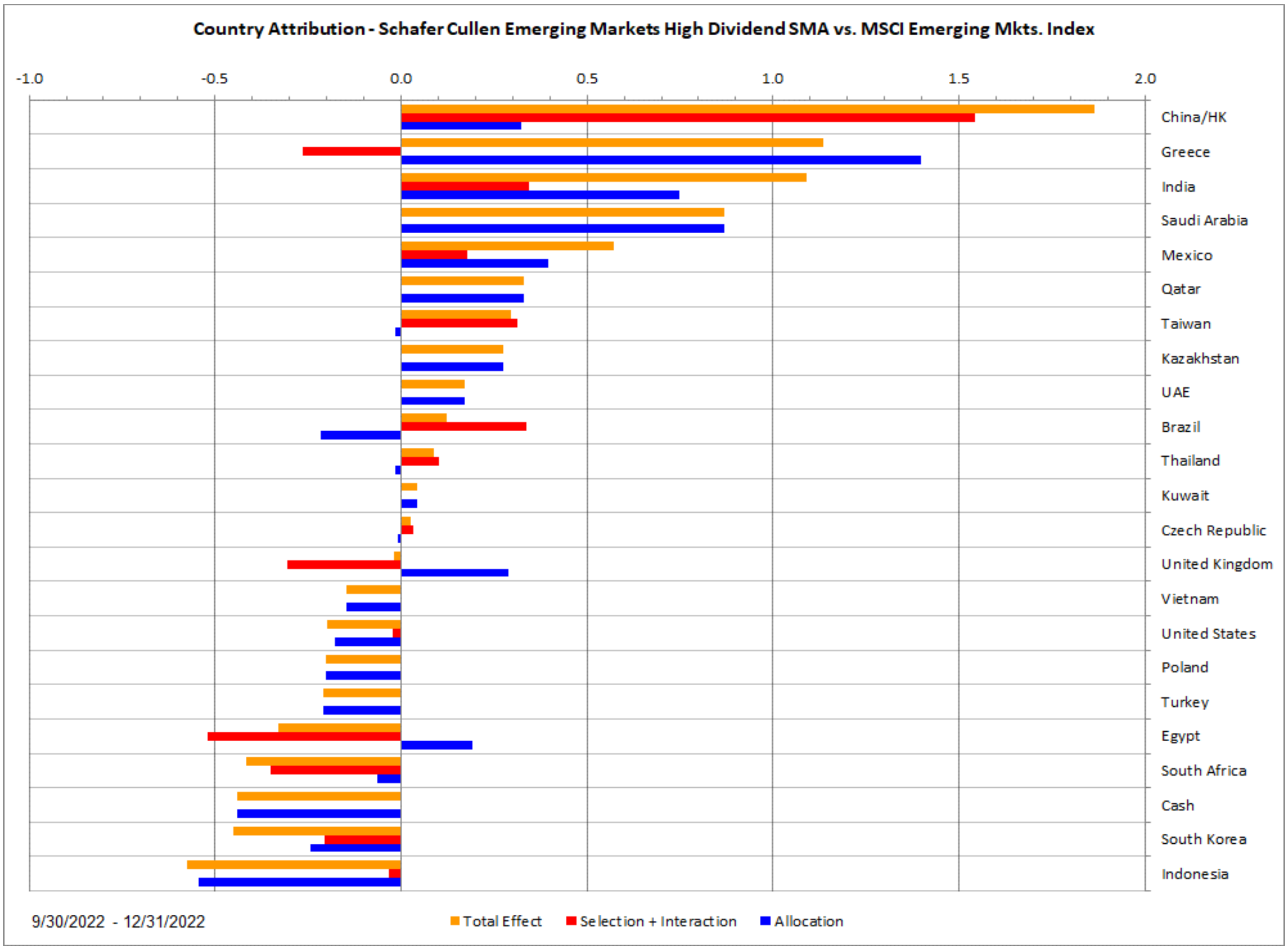
Sector Attribution



Source: SCCM Research, 12/31/2022.

On a sector basis, the strategy's top contributors included Financials, Materials and Consumer Staples. Stock selection was the main contributor for all three sectors. The top detractors were the strategy's stock selection in Communication Services and Health Care.

Country Attribution



Source: SCCM Research, 12/31/2022.

On a country basis, the strategy's top contributors were China/Hong Kong, Greece, and India. The strategy's overweight allocation to Greece versus the benchmark and stock selection in China/Hong Kong and India were the main contributors. The top country detractors were South Korea, South Africa, and Indonesia. The strategy's stock selection detracted in South Korea and South Africa, while the strategy's overweight allocation to Indonesia and underweight allocation to South Korea versus the benchmark also impacted its relative performance during the quarter. Top contributors during the quarter were Mytilineos SA (Greece, Industrials), AIA Group (China/Hong Kong, Financials), Tencent Holdings (China/Hong Kong, Communication Services), and Vale SA (Brazil, Materials). Top detractors in the quarter were Telekom Indonesia (Indonesia, Communication Services), Itau Unibanco (Brazil, Financials), and Airtel Africa (United Kingdom, Communication Services).

Portfolio Positioning and Outlook:

After significantly underperforming US and global equities over the past 10 years, emerging market stocks may finally be positioned to stage a multi-year period of outperformance. Several meaningful catalysts have simultaneously materialized with many emanating from the largest emerging market, China. These catalysts include (a) the complete U-turn in Covid policy towards a re-opening of China's economy, (b) targeted stimulus directed towards the ailing domestic property market, (c) an easing of regulations and restrictions on the technology and other sensitive sectors, and (d) better rhetoric and communications with the US and other countries. Several other broad based emerging market catalysts are also surfacing synchronously, including (a) the potential for a super cycle in select commodities that will benefit many emerging markets who have rich commodity deposits, (b) opportunities arising from nearshoring activities and the recovery of the emerging market consumer, (c) attractive absolute valuations and stronger relative earnings growth, particularly in Asia, relative to the rest of the world, (d) a better than anticipated end to the war in Ukraine, (e) a shift away from communism towards capitalism and democracy in Russia and China as a result of social unrest due to recent policy initiatives, (f) the potential for a multi-year period of US dollar weakness, and (g) the potential for supportive fund flows as people finally reallocate from their massive overweight position in US asset markets and invest in other global markets, including emerging markets. The latter two points appear to be interlinked as the reallocation of assets away from the US is a causative catalyst for US dollar weakness. This becomes an even more likely outcome when considering the impact of a negative pivot from the Fed which has historically been bearish for the US dollar.

Historically, the US dollar has gone on to decline meaningfully in the years following the bursting of a major equity market bubble in the United States. Thus, the bear markets which lasted from 2000-2002 and 1973-1974, respectively, in the aftermath of the dotcom and nifty-fifty bubbles, were followed by a 40% and 23% decline in the US dollar from 2001-2008 and 1976-1978, respectively. These were prodigious declines in US equity markets, and their associated negative economic effects often made the United States a less attractive investment destination than other parts of the world for a period of time. That was particularly true when looking at the high valuations of US equities and the US dollar versus non-US equities and foreign currencies before and during those past corrections, as is presently the case once again. The US dollar currently also appears expensive versus most currencies on a purchasing power parity basis. In addition, the freezing of Russia's US dollar central bank reserves in the aftermath of the Ukraine conflict appears to have made other emerging market central bankers cautious to accumulate more US dollars, and instead to consider selling them to diversify into non-US assets and commodities. Therefore, it's not only financial investors who own a significant amount of US dollar assets that can create selling pressure and support emerging market currencies, governments also play a significant role in this relationship. Thus, after rising for much of the last decade, a strong case can be made to support the near-term weakening of the US dollar. As we illustrated in our 3Q22 commentary, US dollar weakness has almost always created a significant tailwind for emerging market equity performance. Since the inception of the MSCI EM Index, there have been 9 major periods of US dollar weakness, and index returns were positive in over 88% of those periods, posting an average return of 45.2%.

Notwithstanding the seemingly supportive environment for emerging market equities, there are also several risks to global equities including (a) the potential likelihood of a global recession and (b) the seemingly consenus views on global equities that currently prevails. With regards to the risk of recession, we believe that parts of the world will enter a mild recession, and that a more severe event is less likely in the near term. Fortunately, the world (particularly the European region) has greatly benefitted from higher temperatures during the winter, which has eased the risk of a shortage of gas and helped to avert a severe recession for now. While colder temperatures could still ensue, and the gas shortage risk may be present through next winter, the riskiest period does seem to be behind us, and that is clearly a positive for global equities. After reviewing many investment outlooks in recent months, the consensus view (in our opinion) is that (a) global equities, led by US stocks, will decline in the 1st half of the year due to the likelihood of a recession, and (b) emerging market equities are poised to outperform global equities for the 1st time in a decade. It's also a consensus view that the outperformance could be multi-year in nature. We are always a bit wary when so many investment views share a common thread, but we do take solace and concur with the outlook on EM equities when considering the opinions of certain EM strategists. While our discipline is our primary guide when investing as one might expect, it has been helpful since our strategy's inception, to also study and consider the views of renown EM strategists. Over time, we believe we have identified many of the very best global and EM equity strategists, and we find it both interesting and encouraging that so many of the brightest and most experienced investment minds have turned increasingly bullish on EM equities. Additionally, this contrasts with a less impressive multitude of strategists adopting a herd view and raising concerns from a contrarian perspective. The recent, abbreviated views of the aforementioned, well-respected investment professionals is summarized below:

"After two years of underperformance, Asia is poised to outperform DM, led by Greater China and Korea. Our APxJ PB based model suggests an average upside of 20% over the next year with a 90% hit rate."

-Desh Peramunetilleke, Global Head of Microstrategy, Jefferies, 11/25/2022

"The years of capital flooding into the U.S. markets continues to show more and more signs of reversing, as global investors reallocate capital toward the 'explosion of global opportunities' in commodities, commodity-producing regions and sectors, and the broader international stock markets. This shift could be further fueled by a sustained decline in the USD, in addition to other economic, market and contagion-forces."

-13D Strategy & Research, 12/2022

"We expect the global equity leadership to rotate away from the US tech/TMT stocks in 2023. As a result, we are putting EM stocks on an upgrade watch and will likely upgrade them in 2023."

- Arthur Budaghyan, Chief Emerging Markets Strategist, BCA Research, 12/8/2022

"The growing evidence of further closet Covid easing this week is clearly bullish for Chinese equities and increases the chance that the emerging market asset class has made a major bottom against both the S&P500 and the MSCI World Index. This is particularly the case given the positive earnings upgrade potential for several Asian markets next year and the risk of earnings downgrades in the US in 2023......Global asset allocators should increase their allocation to emerging markets if they agree with *GREED & fear*'s base case, namely that monetary tightening expectations and the US dollar have peaked.'

-Chris Wood, Jefferies, 12/8/2022

"We have discussed many hundreds of charts of markets, sectors, and indicators in 2022. The technical-profiles and longer-term set-ups in many of these markets and sectors that are rising from a decade-plus or multi-decade extreme in underperformance relative to the U.S. stock-market are among the most-bullish we can recall."

-13D Strategy & Research, 12/2022

In the 4th quarter, we established a stake in China internet and gaming giant, Tencent (China, Technology) to take advantage of its depressed share price, attractive valuation and the potential re-opening of China's economy, as well as prospects for a greater focus on shareholder returns via higher dividend payments. Similarly, we bought shares in China Merchants Bank (China, Financials) when it traded at less than 0.8x book value while turning out over 16% ROE's, which is quite attractive considering the company is a privately owned bank with an attractive wealth management business. Our position came in anticipation of the bank benefitting from China's re-opening coupled with efforts aimed at stabilizing the country's domestic property market. During the quarter, we sold our position in China brokerage company, CITIC Securities (China, Financials), in order to enhance the liquidity profile of the portfolio.

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 12/31/2022

Sectors	SCCM EM (%)	MSCI EM (%)
Communication Services	8.8	9.9
Consumer Discretionary	10.6	14.1
Consumer Staples	9.4	6.4
Energy	2.3	4.9
Financials	24.2	22.1
Health Care	1.3	4.1
Industrials	8.0	6.1
Information Technology	11.5	18.6
Materials	9.6	8.8
Real Estate	10.3	1.9
Utilities	0.2	3.0

Top 10 Countries	SCCM EM (%)	MSCI EM (%)
China / Hong Kong	29.7	32.2
Mexico	14.7	2.4
India	9.0	14.4
Greece	8.4	0.3
Taiwan	7.5	13.6
South Korea	7.0	11.4
Brazil	6.6	5.3
Indonesia	4.8	1.9
South Africa	3.5	3.6
Kazakhstan	2.0	0.0

Regions	SCCM EM (%)	MSCI EM (%)
Asia Pacific	61.4	78.2
EMEA	17.3	10.7
Latin America	21.3	8.5
Other	0.0	2.6

Top 10 Holdings	SCCM EM (%)
Prologis Property	4.2
Arca Continental	4.1
ICICI Bank	4.0
Tencent	4.0
AIA Group	4.0
Alibaba	3.5
PT Bank Rakyat	3.4
Haier Smart Home	3.3
Opap	3.3
Taiwan Semiconductor	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	11.0	5.0	9.1	11.9	71.0
MSCI EM Index	12.3	3.4	9.0	11.0	93.8

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