International High Dividend ORD

Q4 2021 Commentary

Market and Economic Review:

Global equity markets appreciated in the latest quarter led by richly-valued US large capitalization growth stocks. Market participants for now have brushed off concerns related to the newly emerged Omicron variant of COVID-19 given its lower virulency. Thus, this variant is not expected to interfere with the outlook for companies to post strong growth in earnings and dividends and we see a good case for continued economic normalization over the next eighteen months. Central banks in developed markets have gradually begun the process of normalizing monetary policy as recent inflation readings have come in higher than expected. In this environment, equities outperformed fixed income, long-term interest rates were mostly range-bound and international currencies depreciated against the US Dollar. Commodity markets were largely mixed during the quarter: natural gas prices corrected significantly, crude oil prices were flat for the period, after much intra-quarter volatility, base metals, except for iron ore and aluminum, continued to rebound, while precious metals were range-bound. Looking ahead, investors will be watching for signs that the global economic recovery is strong enough to continue with less support from governments and central banks and whether inflation is a temporary or more persistent factor.

By sector, Utilities, Materials, Consumer Staples, Information Technology and Health Care outperformed, whereas Communication Services, Real Estate, Energy and Financials underperformed. By region, Western Europe outperformed Developed Asia and Developed Markets outperformed Emerging Markets. With the ongoing economic recovery propelling cyclical and defensive sectors alike, the breadth of the overall market widened somewhat, with six out of a total of eleven market sectors outperforming in the quarter.

With momentum-based strategies having led markets higher on a multi-year basis, adhering to the price disciplines of low price-to-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:

This quarter and for the full year, we outperformed all our benchmarks, MSCI EAFE, MSCI EAFE Value and MSCI ACWI ex US Value. This is despite growth outperforming value in Q4 and for the full year, which was a headwind for our relative performance. 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.

	Q4	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Incept*
SCCM Intl High Div ORD (gross)	**4.3**	**12.5**	**12.5**	**12.7**	**8.1**	**6.8**	**6.7**
SCCM Intl High Div ORD (net)	**4.2**	**12.0**	**12.0**	**12.1**	**7.5**	**6.1**	**6.1**
MSCI EAFE	2.7	11.3	11.3	13.5	9.5	7.0	6.3
MSCI EAFE Value	1.2	10.9	10.9	7.8	5.3	5.8	4.8
MSCI ACWI ex US Value	1.2	10.5	10.5	8.3	6.0	5.3	5.4

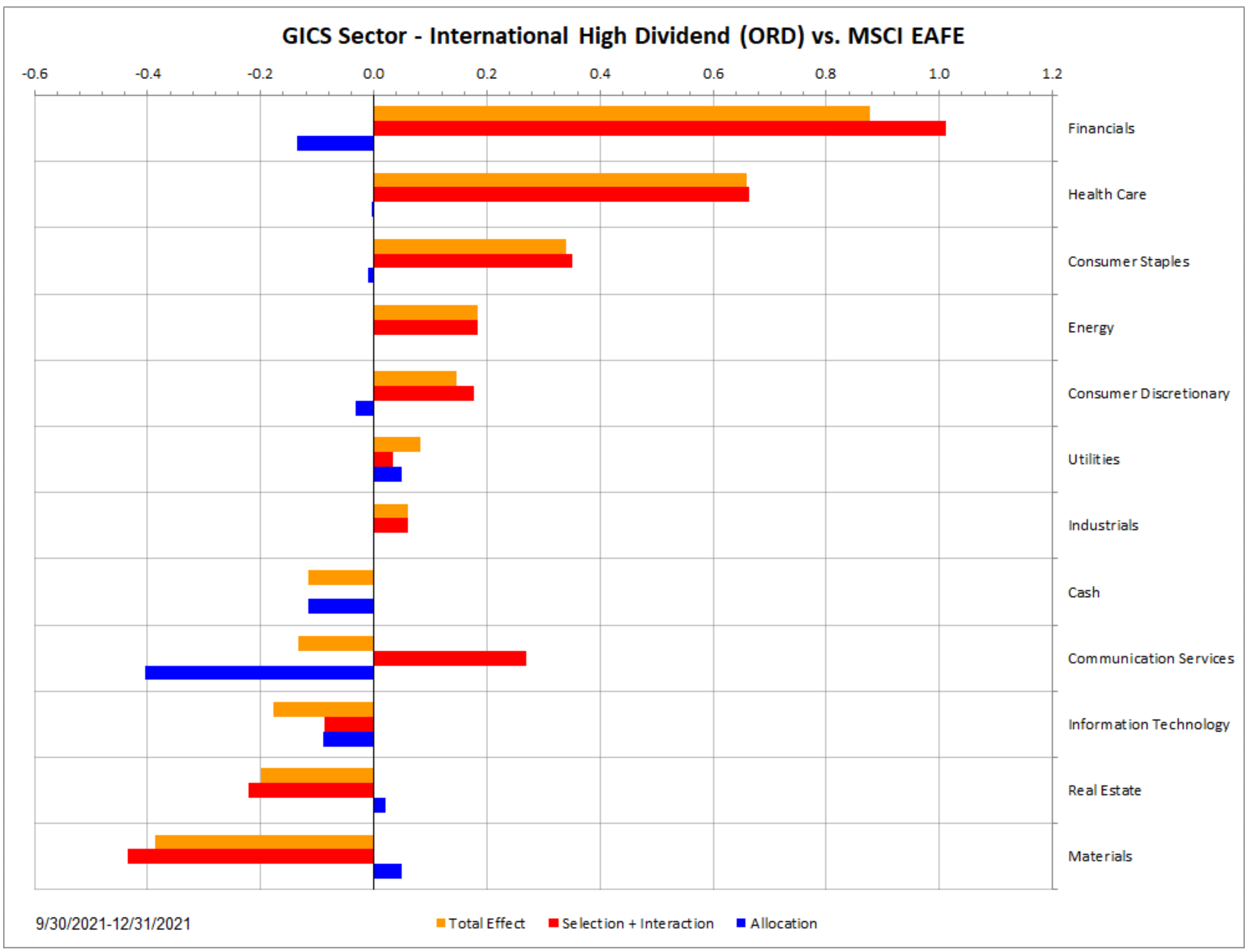
*8/31/2004. Performance for periods greater than 1 year is annualized. ***Past performance is no guarantee of future results.***

Portfolio Attribution:

Sector Attribution

The largest contributor to relative performance was our stock selection across a mix of both cyclical and defensive sectors, including ***Financials***, ***Health Care***, ***Consumer Staples***, ***Communication Services*** and ***Energy***. Within the ***Financials*** sector, performance was led by some of our largest positions in this sector, including BNP Paribas, Zurich Insurance and UBS, which benefited from market- and company-specific tailwinds. Further contributing to relative performance was our overweight allocation to ***Materials*** and ***Utilities*** and underweight allocation to ***Real Estate***. Across these sectors, we benefited from our position in companies that are exposed to global decarbonization efforts: Iberdrola, Smurfit Kappa and UPM-Kymmene.

The largest detractor from relative performance was our overweight allocation to ***Communication Services*** and ***Financials*** and our underweight allocation to ***Information Technology*** and ***Consumer Discretionary*** sectors. 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 remain comfortable with these selection decisions based on valuations and the long-term outlook for our portfolio companies. Further detracting from relative performance was our stock selection in the ***Materials***, ***Real Estate*** and ***Information Technology*** sectors. Cash detracted from relative performance this quarter.

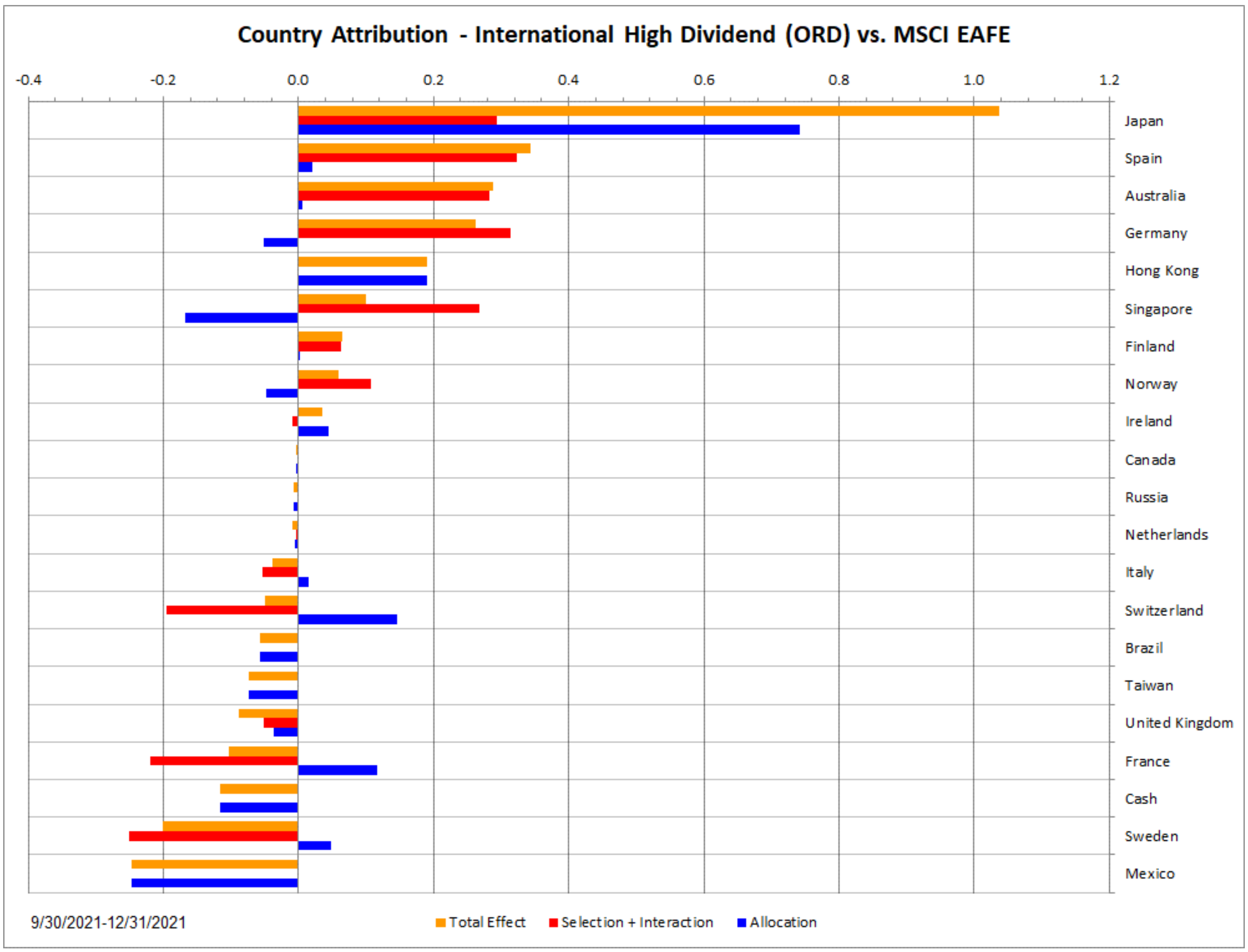


Source: Bloomberg, 12/31/2021

Country Attribution

The largest contributor to relative performance was our stock selection in ***Spain***, ***Germany***, ***Japan*** and ***Australia***, where our portfolio holdings benefited from the global transition to lower carbon products and solutions (Toyota Motor, Siemens, Iberdrola) and established market positions with stable operating environments (Nippon Telegraph & Telephone, Munich Re, Allianz, Sonic Healthcare). Our relative performance also benefited from our underweight allocation to ***Japan*** and our overweight allocation to ***Switzerland*** and ***France***. Across these countries, performance was led by a group of high-quality companies with long-term drivers of earnings growth, including Tokio Marine, Nestle, Roche and BNP Paribas.

The largest detractor from relative performance was our overweight allocation to ***Singapore***, ***Germany*** and ***Norway*** and our underweight allocation to ***Denmark***. We made these allocation decisions based on our assessment of the long-term earnings and dividend growth prospects of these companies, while looking to avoid exposure to high levels of financial and/or operating leverage. Further detracting from relative performance was our stock selection in ***Sweden***, ***France***, ***Switzerland*** and ***Italy.*** Across these countries, performance was primarily impacted by temporary headwinds for a subset of our portfolio holdings. Cash detracted from relative performance this quarter.



Source: Bloomberg, 12/31/2021

Portfolio Changes:

Purchases

Tesco PLC (United Kingdom, Consumer Staples) – Tesco is one of the world's leading food retailers, with a strong presence in the United Kingdom, Ireland and Eastern Europe. Having recently divested of its Asia business, the company operates under a simpler and more concentrated group structure that has allowed management to capitalize on Tesco's core competitive advantages, namely its leading domestic market share, wide distribution network and strong purchasing power. In the aftermath of the 2008 financial crisis, tighter household budgets and the pass-through of commodity inflation at the incumbent food retailers led to the structural growth of German discounters Aldi and Lidl in the UK market. This disruptive force led to a loss of market share for the incumbent players, including Tesco, and an intensely competitive pricing environment. However, the COVID-19 pandemic brought a reprieve to these dynamics, with larger store formats and a broader inventory of products luring consumers back into the Tesco ecosystem given social distancing considerations and limited product arrays at discounter stores. Moreover, with online grocery sales surging during the pandemic, Tesco became the clear market leader online, where its market share exceeds the nearly 30% share of offline sales. We believe that online sales represent a growth opportunity for Tesco, one that could be additive to the bottom line as the company flexes its wide distribution network and invests in increasingly more automated fulfillment centers. Over the long term, we believe that Tesco has significant flexibility around future growth prospects, including a potential crystallization of its portfolio of fully-owned properties in the UK market, internally valued at £17.9 billion. Furthermore, investors are rewarded with a progressive dividend policy and an opportunistic share buyback program that underlines management's conviction that the current share price underestimates the value of this business. Shares of the company are valued at 12.9 times forward earnings and offer a 3.9% dividend yield.

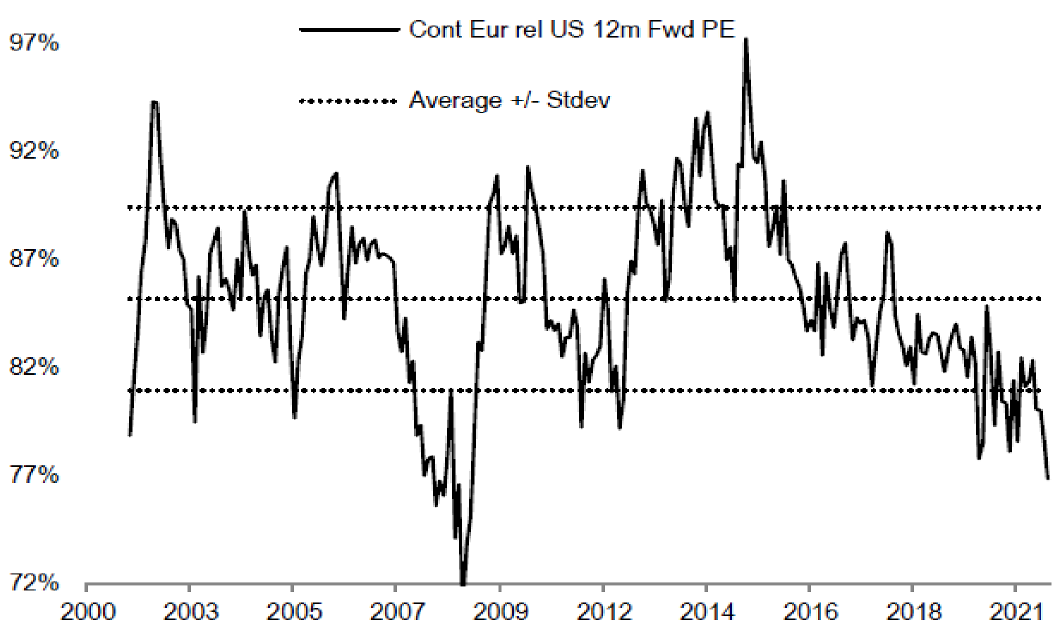
Sales

Industrivarden AB (Sweden, Financials) – We sold our position in Industrivarden, a long-term asset manager and active owner in listed Nordic companies. We received shares of Industrivarden in the form of an extra dividend from our position in Svenska Handelsbanken, which reduced its exposure to Industrivarden in its pension management fund. Shares of Industrivarden do not meet our minimum dividend yield thresholds, so we decided to liquidate our position and reallocate the capital across the portfolio.

Outlook:

As the current global economic recovery unfolds, we remain confident in the intermediate-term outlook which is bolstered by the faster than expected recovery in earnings and dividends. The challenge for investors remains, though, that in some cases this positive outlook is already well reflected in elevated equity valuations. In this regard, international equities, such as in Europe, are currently among the cheapest they have been relative to US equities over the last two decades. As seen below, Continental European equities are trading at a near-record 23% discount to US equities, despite the intermediate-term earnings growth outlook for both regions appearing fairly similar. In fact, in the past, early in an economic recovery, Europe and other international regions have tended to re-rate relative to the US as they are more represented by cyclical sectors which benefit from higher interest rates and inflation. Further, international markets are underweight higher valuation and/or defensive sectors, which in periods of rising rates tend to lag. So far, we have seen quite the opposite of this typical pattern with European equities de-rating sharply despite strong indications that the current economic recovery has good support and may still have some ways to go. This dislocation appears to provide long-term investors with an interesting opportunity to ignore the herd and instead add to attractively-valued international equities.

Europe Appears Extremely Cheap Relative To The US On Forward 12 Month Price/Earnings



Source: Refinitiv, Credit Suisse Research; 11/17/2021.

Global equity markets presently appear to be grappling with elevated valuations, especially in pockets of the Information Technology and Consumer Discretionary sectors globally, which may be in the late stages of a full-fledged mania. Many of these companies have disproportionately benefitted from a one-time pandemic-induced disruption, though we believe that this is more than adequately reflected in their current valuations. In this regard, the speed with which the Chinese Information Technology companies, which until recently were stock market darlings, have corrected by over 50% from their recent highs, highlights the importance of staying alert to complacency regarding high valuations. Over 60% of growth companies in the Russell 3000 index currently are losing money, which is near an all-time high for this measure. Past episodes of a similar nature have marked a major top in speculation and subsequently led to major declines such as in 2000 and 2008. While every period of market excess is different, some themes common to all include a) easy monetary conditions, b) price momentum which leads to performance chasing, c) some form of innovation or disruption which is difficult to precisely measure, d) extremes in valuations and e) a belief that the good times will roll on forever. Thus, while predicting exactly when the current growth mania will subside is nearly impossible, using the price disciplines of low price-earnings and high dividend yield as a safety net, while navigating through a potentially choppy period for markets ahead, will likely be essential.

The over +1,100 basis points outperformance of international value versus growth since Pfizer's positive COVID-19 vaccine announcement on November 9, 2020 is encouraging and may indicate that we are in the early stages of a turn towards Value. This rotation is taking place in an environment of stronger economic growth, higher interest rates and rising commodity prices, which should be positive for value stocks. This is particularly true for international value stocks which historically have seen strong earnings growth in such periods. In the last three quarters, however, value stocks lagged somewhat as concerns grew regarding the spread of the more infectious Delta and Omicron variants of COVID-19 and that the rate of change in the economic recovery may be peaking. While these developments create some near-term uncertainty, we believe that the combination of effective vaccines, which meaningfully lower the rate of hospitalizations and deaths, and powerful pent-up demand should support the long-term economic outlook. In this context, it is also important to note how historically oversold value remains from a long-term perspective. Currently, on a trailing ten-year basis, the performance of MSCI EAFE Value is 394 basis points a year below that of MSCI EAFE Growth, whereas over the last 47 years MSCI EAFE Value has outperformed MSCI EAFE Growth by 204 basis points a year. This current extreme 598 basis points annualized performance deficit versus historical averages, which translates into a greater than two standard deviation event, shows that Value is more out of favor today versus at the height of the Tech Bubble of 2000 following which MSCI EAFE Value returned 95% over the next 7 years (April 2000 – March 2007) while MSCI EAFE Growth returned only 8%.

Determining whether expected higher inflation will be structural or transitory in nature is quite difficult given the multitude of variables which could influence this outcome, including, among others, changes in the money supply, the size of government deficits, future expectations of pricing, the rate of globalization, the degree of innovation-led productivity improvements, commodity prices, supply chain disruptions and demographics. Currently, the consensus on Bloomberg forecasts consumer price inflation will average 3.4% and 2.3%, respectively, in the United States and European Union over the next two years, which is well above the average rates of 1.9% and 1.2% over the last eight years. Our ownership of a portfolio of attractively valued, well positioned companies with growing demand for their products and the ability to raise prices helps ensure that we are well positioned largely irrespective of the inflation outlook. Given recent higher inflation readings, several central banks, including in the United States, Canada, United Kingdom, Norway, Australia, New Zealand and Singapore are expected to begin to normalize their interest rate policies in the next twelve months. A gradual increase in long-term interest rates closer to the rate of inflation would appear healthy to us, as it would be driven primarily by expectations for somewhat higher prices and normalized economic growth. Such an environment should be supportive for value stocks globally which have outperformed historically during periods of rising long-term interest rates.

We had earlier assumed that it would take at least three years for dividends in international markets to fully recover from the COVID-19 recession and we are pleased to note that our portfolio companies have already seen their dividend payments fully recover in under two years. Many of our portfolio holdings are also buying back their stock as valuations remain attractive, which is further enhancing total shareholder returns. During the quarter, we made limited changes as we believe that our portfolio is well positioned for the year ahead. We made one new purchase and sale and added to an existing holding in the Financials sector. Looking ahead, we are exploring select opportunities in Asia, both Developed and Emerging, as this region has lagged for some time and valuations are now more attractive. We are looking to identify companies with durable competitive advantages while avoiding ones with leveraged balance sheets and regulatory overhangs.

We believe that in this environment, our portfolio of attractively valued, high dividend paying international equities offers the patient long-term investor the potential ability to compound wealth over time across a number of macroeconomic and interest rate environments. Our portfolio is valued at 12.7 times forward earnings which is around a 23% and 48% discount to the MSCI EAFE and S&P 500 indexes, respectively. In addition, our current forward twelve-month dividend yield (gross) at 4.6% is at among the highest spreads since the inception of our strategy versus yields offered on fixed income securities. Thus, discounted valuations and a high absolute dividend yield offer us a margin of safety especially if interest rates were to rise and normalize, whereas the ability of our companies to grow earnings and dividends allows for potential long-term capital appreciation.

Despite the higher probability of longer-term economic normalization, major central banks have mostly maintained a proactive approach to support asset prices and have indicated that this is likely to persist for some time to come. In this continued low interest rate environment, which translates into negative real yields on government bonds, most asset prices appear richly valued in absolute terms and thus offer lower prospective returns. International dividend-paying value equities, we believe, are one of a few bright spots in this regard given their attractive valuations in both absolute and relative terms. After a more subdued year for dividends in 2020, driven by pandemic-related uncertainties, we witnessed a very strong recovery in dividend growth in 2021. Dividend income this year across all portfolio holdings, as measured by a 10% trimmed mean, has grown by 16.5% YoY. We believe that our companies have strong balance sheets and robust business models and we anticipate that this trend for dividend growth will continue over the long-term.

Best Regards,

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

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Past performance is no guarantee of future results. Individual account performance results will vary and will not match that of the composite or model. This variance depends on factors such as market conditions at the time of investment, and / or investment restrictions imposed by a client which may cause an account to either outperform or underperform the composite or model's performance. There is no guarantee that any historical trend illustrated in this report will be repeated in the future, and there is no way to predict precisely when such a trend might begin. A list of all recommendations made by SCCM within the immediately preceding period of not less than one year is available upon request.

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 12/31/2021

Portfolio Exposure

Sectors	% Asset	Regions	% Asset
Communication Services	9.6	Developed Asia Pacific	19.2
Consumer Discretionary	8.0	Developed Continental Europe	57.3
Consumer Staples	8.8	United Kingdom	10.6
Energy	3.4	North America	3.9
Financials	27.2	Asia Pacific Emerging	3.1
Health Care	9.8	Latin America	2.4
Industrials	13.3	EMEA	1.8
Information Technology	3.1		
Materials	8.9		
Real Estate	1.7	Developed Markets	91.0
Utilities	4.4	Emerging Markets	7.3
Cash	1.7	Cash	1.7
Total	100.0	Total	100.0

Top 10 Countries		Top 10 Holdings	
France	14.1	BNP Paribas	3.6
Japan	12.9	Total	3.5
Switzerland	12.0	Toyota	3.4
Germany	11.8	Cie de Saint-Gobain	3.3
United Kingdom	10.6	Siemens	3.2
Sweden	4.8	Softbank	3.1
Canada	3.9	NN Group	3.1
Singapore	3.9	Smurfit Kappa	3.1
Netherlands	3.0	Nestle	3.0
Ireland	3.0	Tokio Marine	3.0

Portfolio Characteristics

	Forward Price / Earnings	Forward Dividend Yield	Q4 21 LT Debt / Capital	Est. LT DPS Growth	Est. LT EPS Growth	Q4 21 Market Cap
SCCM Intl High Div ORD	12.7	4.6	33.4	8.3	10.0	$89.8
MSCI EAFE Index	16.5	3.0	29.9	7.5	10.1	$88.4

Source: SCCM Research, BCA Research, Bloomberg