

# 3Q 2021

# SCHAFFER | CULLEN

CAPITAL MANAGEMENT

## FIRM PROFILE

Independent & Registered  
Investment Advisor

37 Years of Experience as a Value  
Investment Management Firm

Approx. \$21.0 Billion<sup>1</sup>  
Assets Under Advisement

**63 Employees**  
17 Investment  
26 Client Service  
20 Operational

## STRATEGIES

▶ **High Dividend  
Value Equity**

International High Dividend  
Value Equity

Value Equity

## STYLE

Large Cap Value

Equity Income

## BENCHMARKS

Russell 1000 Value

S&P 500 Index

## OBJECTIVE

Long-Term Capital Growth

Current Income

## High Dividend Value Equity

### STRATEGY OVERVIEW

Schafer Cullen is a value investing firm, employing a price discipline focus with a long-term time horizon across all of its strategies. Value investing has significantly outperformed the market over the long-term, benefitting from the main drivers of equity market returns: valuation multiple expansion, earnings growth and strong dividend yields, while seeking to protect capital in down markets.<sup>2</sup>

The High Dividend Value Equity strategy, launched in 1994, invests in large capitalization equities with low Price/Earnings and Price/Book ratios, along with High Dividend Yields; this disciplined value approach aims to deliver strong long-term capital appreciation and above-average income with significantly less volatility. The strategy's competitive, risk-adjusted returns over full market cycles are driven by its strong upmarket capture and consistent down-market protection. The strategy's foundation is built on three primary investment disciplines, which have remained consistent since the strategy's inception:

- ▶ **LOW P/E DISCIPLINE**
- ▶ **HIGH DIVIDEND YIELDS**
- ▶ **STRONG DIVIDEND GROWTH**

First, the strategy invests in equities that trade at a significant discount to the market, which provides multiple expansion potential, while also seeking to protect capital in down markets. Second, each investment in the portfolio offers a dividend yield of a least 3% at initiation. Dividends have contributed nearly 40% to total equity returns over the last 70 years and provide meaningful downside protection. Lastly, the strategy seeks to invest in companies that consistently grow their dividends - an indication that the underlying business is attractive and growing. The portfolio is concentrated, investing in 30 - 40 stocks, but also diversified with exposure to each sector of the market.

# High Dividend Value Equity

## INVESTMENT DECISION PROCESS

### INITIAL SCREEN:

Bottom up approach that begins with a universe of 2,000+ stocks with a market capitalization generally greater than \$5 billion.

### SCREEN FOR VALUE:

- Seek out companies with price-to-earnings (P/E) ratios less than the S&P 500 with long-term earnings growth in the mid-to-high single digits or higher annually
- Look for companies with high dividend yields, strong dividend growth potential and moderate payout ratios

### FUNDAMENTAL RESEARCH:

- Quantitative and qualitative analysis focused on earnings growth drivers, balance sheet strength, cash flow consistency and improving returns
- Market leaders and businesses with sustainable competitive advantages
- Identify catalysts that unlock shareholder value or drive earnings growth
- Meetings and discussions with management, industry analysts, suppliers and customers
- Management committed to disciplined capital allocation and sustaining dividend payouts

### PORTFOLIO CONSTRUCTION:

- Diversification across approximately 30-40 stocks
- Diversification across approximately 15-20 industries
- No more than 30% invested in any one sector at cost
- No more than 15% invested in any one industry at cost
- No more than 5% invested in any one stock at cost
- Up to 25% of the portfolio may be invested in ADRs

### SELL DISCIPLINE:

- Price to earnings multiple not justified by earnings growth rate
- Deteriorating fundamentals or negative change in operating environment
- Dividend cuts, negative change in dividend policy or significant decline in yield due to price appreciation

ANNUALIZED RETURNS (%) as of September 30, 2021	MTD	QTD	YTD	1 YR	3 YR	5 YR	7 YR	10 YR	Since Inception January 1994
High Dividend Value (Gross)	-3.5	0.2	18.3	33.4	9.1	10.4	9.2	12.1	10.4
High Dividend Value (Net)	-3.5	0.1	17.9	32.9	8.6	9.9	8.8	11.6	9.8
Russell 1000 Value Index	-3.5	-0.8	16.1	35.0	10.1	10.9	9.3	13.5	9.6
S&P 500 Index	-4.7	0.6	15.9	30.0	16.0	16.9	14.0	16.6	10.5

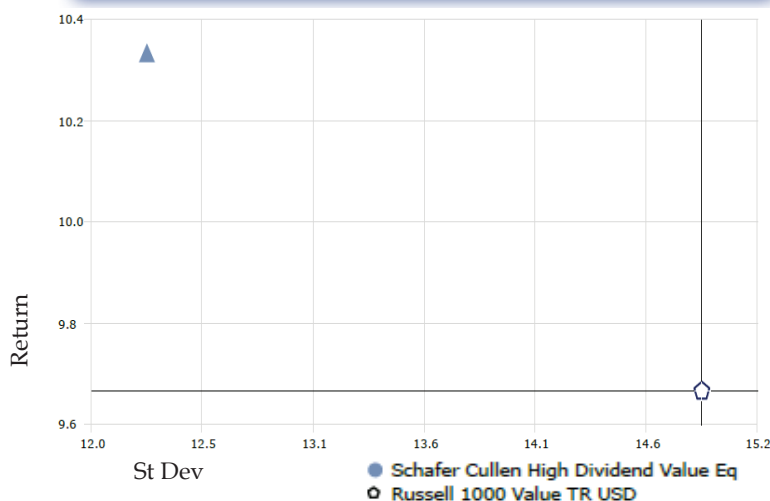
\*Returns over 1 year are annualized.

ANNUAL RETURNS (%) period ending 12/31	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
High Dividend Value (Gross)	-2.0	21.1	-3.3	17.4	11.8	0.0	12.2	24.9	11.5	13.7	12.2	10.5	-28.8	5.2	25.6
High Dividend Value (Net)	-2.3	20.7	-3.7	17.0	11.4	-0.4	11.7	24.4	11.0	13.3	11.6	9.8	-29.3	4.5	24.9
Russell 1000 Value Index	2.8	26.6	-8.3	13.7	17.3	-3.8	13.5	32.5	17.5	0.4	15.5	19.7	-36.9	-0.2	22.3
S&P 500 Index	18.4	31.5	-4.4	21.8	12.0	1.4	13.7	32.4	16.0	2.1	15.1	26.5	-37.0	5.5	15.8

Past performance is no guarantee of future results.

SECTOR WEIGHTS * (%)	High Dividend	Russell 1000 Value
Communication Services	5.0	8.3
Consumer Discretionary	6.9	5.6
Consumer Staples	11.1	7.1
Energy	6.5	5.1
Financials	18.8	21.4
Health Care	14.1	17.3
Industrials	14.3	11.6
Information Technology	8.3	10.2
Materials	1.5	3.6
Real Estate	5.5	4.7
Utilities	5.1	4.9
Cash	2.9	0.0
Total	100.0	100.0

**HIGH DIVIDEND VALUE  
SINCE INCEPTION RISK-REWARD  
ENDING 9/30/2021  
RUSSELL 1000 VALUE INDEX \***



Since Inception Capture Ratio:	Up-Market ↑	Down-Market ↓
High Dividend	83.95	70.86
Russell 1000 Value	100.0	100.0

PORTFOLIO * CHARACTERISTICS	High Dividend	Russell 1000 Value
P/E Ratio (2021)	16.6	21.9
Dividend Yield	3.2	2.0
LT Debt to Capital	36.9	37.5
Weighted Average Mkt Cap. (\$B)	186.6	157.0
Median Market Cap. (\$B)	139.9	13.3

Source: CCM, Bloomberg 9/30/2021

TOP TEN HOLDINGS * (%)	
JP Morgan Chase & Co.	3.4
Morgan Stanley	3.3
Bank of America Corp.	3.2
NextEra Energy Inc	3.0
Chubb Ltd.	3.0
Johnson & Johnson	2.9
Johnson Controls International	2.9
BCE Inc.	2.9
Target Corp.	2.7
Philip Morris International Inc.	2.7

**The Goal of the High Dividend Strategy:**

To participate in the long-term upside potential of equities while simultaneously providing a consistent measure of downside protection. The following capture ratio table demonstrates our success in executing this strategy.

From the strategy's inception in January 1994 through September 30, 2021 of the 333 monthly returns for the Russell 1000 Value, 118 were negative. The High Dividend Value strategy outperformed in 88 out of these 118 down months, and of these 88 months of outperformance of the Russell 1000 Value, the strategy had a positive return in 19 months.

## INVESTMENT TEAM

**JAMES P. CULLEN**  
CEO / CHAIRMAN / PORTFOLIO MANAGER  
57 YEARS INVESTMENT EXPERIENCE

**BROOKS CULLEN**  
EXECUTIVE DIRECTOR / VICE CHAIRMAN  
31 YEARS INVESTMENT EXPERIENCE

**TIMOTHY A. CORDLE**  
MANAGING DIRECTOR / ANALYST  
28 YEARS INVESTMENT EXPERIENCE

**PRAVIR SINGH, CFA**  
MANAGING DIRECTOR / DIRECTOR OF RESEARCH  
16 YEARS INVESTMENT EXPERIENCE

**MICHAEL GALLANT, CFA**  
VICE PRESIDENT / DIRECTOR OF RESEARCH  
18 YEARS INVESTMENT EXPERIENCE

**ANUCA LAUDAT, CFA**  
SR. VICE PRESIDENT / ANALYST  
9 YEARS INVESTMENT EXPERIENCE

**ERIK SCHAFFER**  
ASSISTANT VICE PRESIDENT / ANALYST  
14 YEARS INVESTMENT EXPERIENCE

**VAISHALI LARA KATHURIA**  
ASSISTANT VICE PRESIDENT / ANALYST  
5 YEARS INVESTMENT EXPERIENCE

**ERIK NORGAARD**  
ANALYST  
2 YEARS INVESTMENT EXPERIENCE

**JENNIFER CHANG, CFA**  
EXECUTIVE DIRECTOR / PORTFOLIO MANAGER  
22 YEARS INVESTMENT EXPERIENCE

**RAHUL SHARMA**  
EXECUTIVE DIRECTOR / ANALYST  
21 YEARS INVESTMENT EXPERIENCE

**MICHAEL KELLY, CFA**  
VICE PRESIDENT / DIRECTOR OF RESEARCH  
17 YEARS INVESTMENT EXPERIENCE

**BRIAN DRUBETSKY**  
VICE PRESIDENT / ANALYST  
19 YEARS INVESTMENT EXPERIENCE

**STEPHEN O'NEIL**  
EXECUTIVE DIRECTOR / ANALYST  
36 YEARS INVESTMENT EXPERIENCE

**KAREN RAMLOGAN**  
MANAGING DIRECTOR / INVESTMENT OPERATIONS  
19 YEARS INVESTMENT EXPERIENCE

**KRITI JAIN, CFA**  
VICE PRESIDENT / ANALYST  
7 YEARS INVESTMENT EXPERIENCE

**JASON STEINBERG**  
ASSISTANT VICE PRESIDENT / ANALYST  
3 YEARS INVESTMENT EXPERIENCE

<sup>1</sup>Includes model program assets of \$11.8 billion as of 9/30/2021. CCM provides models on the following SMA strategies: High Dividend, International High Dividend, Value Equity and Global High Dividend.<sup>2</sup>Source: Capital IQ, Standard & Poors, SCCM Research, December 31, 2020.

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