SCHAFER | CULLEN
CAPITAL MANAGEMENT

International High Dividend ADR
Q1 2022 Commentary

Market and Economic Review:

Global asset markets came under pressure this quarter, with both equity and fixed income prices declining, which is a rare phenomenon. Within equities, value as a style was a relative safe-haven and outperformed growth by over 900 basis points as high-valuation, momentum stocks posted steep declines. With persistently higher-than-expected inflation readings, which have been made worse by the supply disruption in key commodities caused by the Russian invasion of Ukraine, both market participants and central bankers have been forced to adjust upward their medium-term outlook for interest rates and inflation. In this environment, equities outperformed fixed income, long-term interest rates rose sharply, and the US Dollar appreciated moderately on a trade weighted basis. In response to the crisis in Ukraine and the anticipated disruption of supply from Russia, commodity markets were universally strong this quarter: oil and natural gas prices made five-year highs, wheat prices rose over 30% and base and precious metals rebounded strongly. Looking ahead, investors will be monitoring the evolution of the conflict in Ukraine, the response from Western allies and the extent to which inflationary pressures impact consumer and corporate spending patterns.

By sector, Energy, Materials, Financials, Communication Services and Real Estate outperformed whereas Information Technology, Consumer Discretionary, Industrials and Consumer Staples underperformed. By region, Developed Asia outperformed Western Europe and Developed Markets outperformed Emerging Markets. Despite the market volatility at the start of this year, the breadth of the overall market widened this quarter, with seven out of a total of eleven market sectors outperforming, driven by steeper corrections in the more expensive parts of the market.

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:

After the strategy outperformed all four of its primary benchmarks last quarter and for the full year 2021, this quarter the strategy posted somewhat more mixed returns as it outperformed our core benchmark, MSCI EAFE, while underperforming the two value benchmarks, MSCI EAFE Value and MSCI ACWI ex US Value. 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.

	Q1	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Incept*
SCCM Intl High Div ADR (gross)	**-5.4**	**-5.4**	**1.9**	**7.9**	**5.5**	**5.7**	**5.7**
SCCM Intl High Div ADR (net)	**-5.5**	**-5.5**	**1.6**	**7.5**	**5.0**	**5.3**	**5.2**
MSCI EAFE	-5.9	-5.9	1.2	7.8	6.7	6.3	5.2
MSCI EAFE Value	0.3	0.3	3.6	5.2	4.2	4.9	3.9
MSCI ACWI ex US Value	0.1	0.1	3.3	5.5	4.7	4.2	4.5

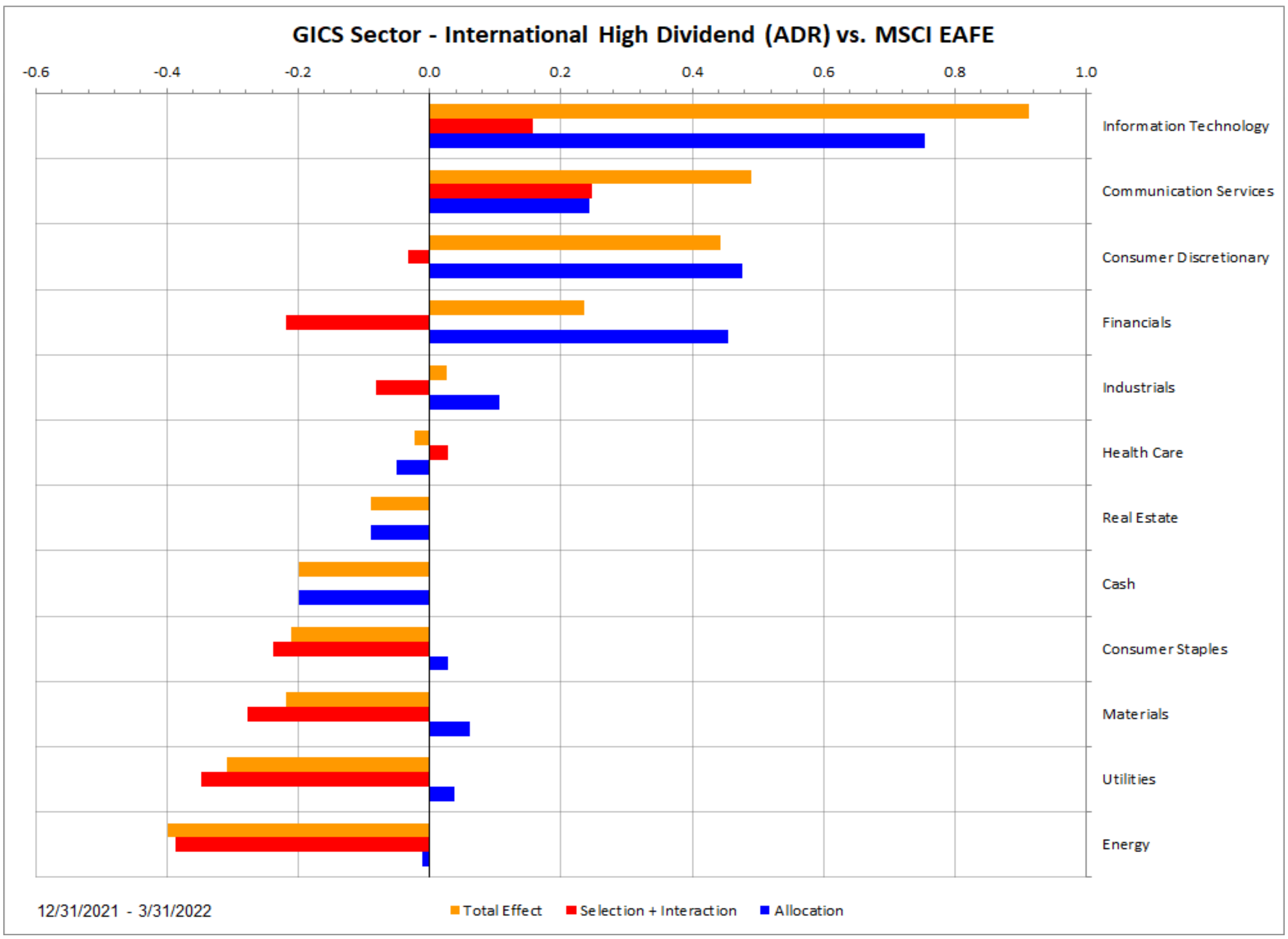
*6/30/2005. Performance for periods greater than 1 year is annualized. ***Past performance is no guarantee of future results.***

Portfolio Attribution:

Sector Attribution

The largest contributor to relative performance was our underweight allocation to ***Information Technology*** and ***Consumer Discretionary*** and overweight allocation to ***Financials*** and ***Communication Services***. Across these sectors, we benefited from our diversified exposure to non-European companies, including ASE Technology Holding, Toyota Motor, United Overseas Bank and BCE. Contributing to our relative performance was our ownership of higher quality and more defensive businesses that trade at more attractive valuations and which, in some cases, stand to benefit from rising interest rates. Our performance also benefited from our stock selection across a mix of mostly defensive sectors, including ***Communication Services***, ***Information Technology***, and ***Health Care***. In the Health Care sector, our positions in Novartis and Roche were buoyed by strong fundamentals and a flight to the safety of Swiss Franc-denominated assets.

The largest detractor from relative performance was our stock selection in the ***Energy***, ***Utilities***, ***Materials*** and ***Consumer Staples*** 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 underweight allocation to ***Real Estate***, ***Health Care***, ***Energy*** and ***Consumer Staples***. Cash detracted from relative performance this quarter.

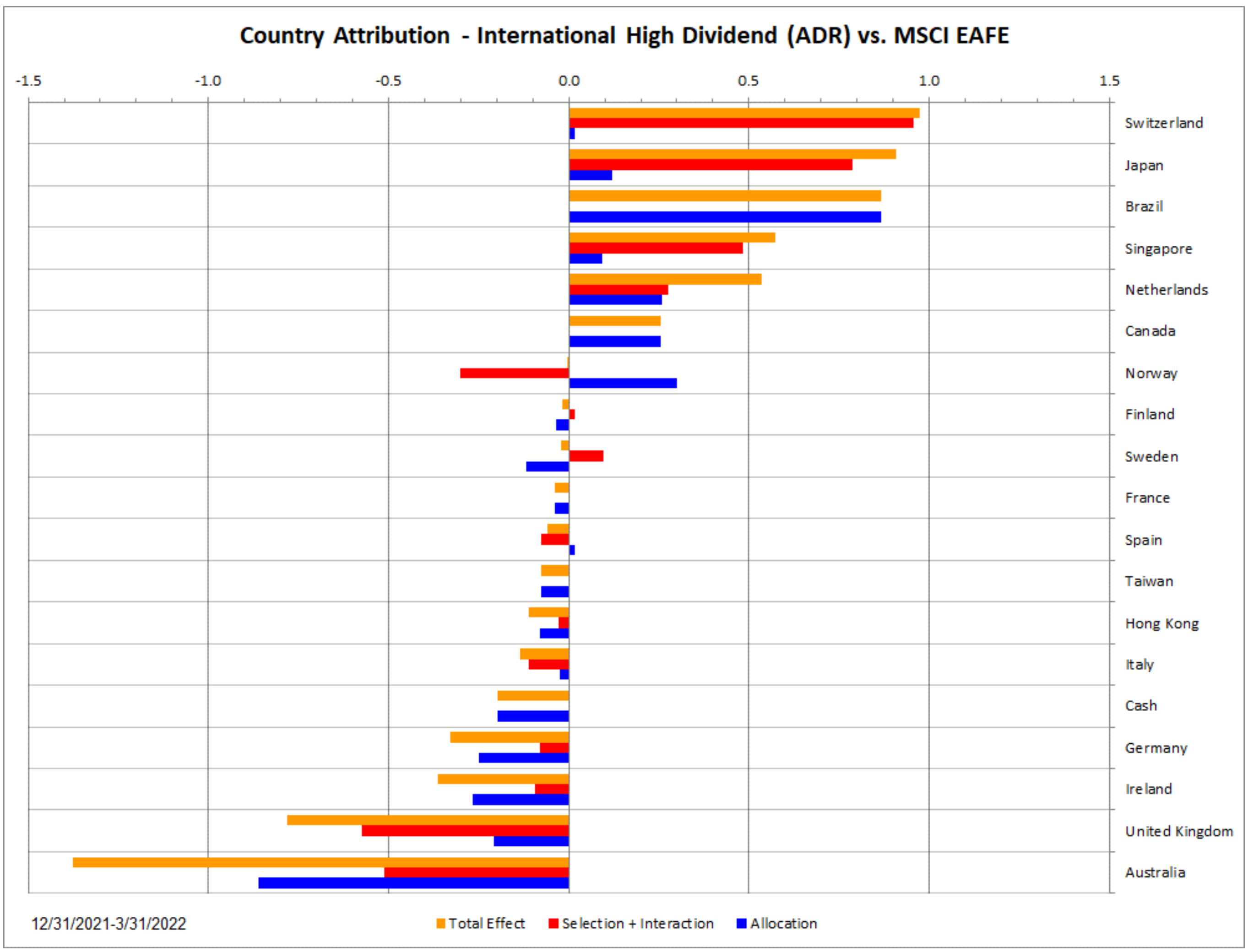


Source: Bloomberg, 03/31/2022

Country Attribution

The largest contributor to relative performance was our stock selection in ***Switzerland***, ***Japan***, ***Singapore*** and ***Sweden*** where we benefited from our exposure to non-Euro denominated companies, including Zurich Insurance Group, Nippon Telegraph & Telephone, United Overseas Bank and Svenska Handelsbanken. Our relative performance also benefited from our overweight allocation to ***Norway*** and ***Canada*** and our underweight allocation to the ***Netherlands*** and ***Japan***. Across these countries, performance was led by a group of high-quality companies with long-term drivers of earnings growth, including DNB Bank, NN Group, BCE and Tokio Marine.

The largest detractor from relative performance was our underweight allocation to ***Australia*** and the ***United Kingdom*** and our overweight allocation to ***Ireland*** and ***Germany***. 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 the ***United Kingdom***, ***Australia***, ***Norway*** 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, 03/31/2022

Portfolio Changes:

Purchases

3i Group PLC (United Kingdom, Financials) – 3i Group (3i) is a leading multinational investor in private equity and infrastructure assets in Europe and North America. The company has a strong record of delivering investment returns and has constructed a portfolio of assets that is well positioned for a resumption of pre-pandemic consumption trends across a diverse set of end markets, including retail, healthcare, technology services and transportation. One theme that underpins several investments in the company's private equity portfolio is 'value for money', including its positions in Action, a fast-growing general merchandise discount retailer in Europe, Hans Anders, a discount optical retailer in the Netherlands, and Basic-Fit, a discount gym operator in Europe. We anticipate that consumer preferences for retailers that offer good value for money will likely resume and possibly accelerate as inflationary pressures weigh on discretionary spending budgets. The portfolio also has significant exposure to companies that will benefit from a resumption of normal transportation patterns, including Scandlines, a ferry operator between Denmark and Germany, Regional Rail, a provider of freight transportation, car storage and transloading services between New York, Pennsylvania and Delaware, and Smarte Carte, a leading supplier of vended equipment in the travel and leisure industry, including baggage carts in 49 of the top 50 airports in the US. As one of only a handful of publicly listed private equity and investment groups in Europe, 3i is run by an experienced management team with a strong valuation discipline and a focus on long-term value creation. We believe that the company's valuation does not accurately reflect the strength and diversity of the company's portfolio of private equity and infrastructure investments, as well as the potential for earnings and dividend growth as normal consumption patterns resume. Shares of the company are valued at 5.4 times forward earnings, 0.9 times book value and offer a 3.3% dividend yield.

Rio Tinto (Australia, Materials) – Rio Tinto is one of the largest mining companies in the world with a leading position in iron ore and aluminum. The company also has a growing presence in copper, titanium dioxide and diamonds. A distinguishing feature of Rio Tinto is that most of its mining assets are present in Australia, Canada and United States, which are considered lower risk from a geopolitical and regulatory framework. This, along with the high quality and low-cost nature of its ore bodies, helps to ensure that the company generates more predictable and profitable results versus industry peers across an economic cycle. Over the past two decades, Rio Tinto has benefitted from the industrialization of China but the company has now updated its long-term strategy to focus on balancing earnings growth, decarbonization initiatives and shareholder returns in preparation for a global transition from fossil fuels to alternative sources of energy. In this regard, Rio Tinto is investing heavily into innovative and lower carbon-intensive methods to explore its mines with the goal of lowering its emissions by 50% by 2030. While maintaining its existing high-quality mining footprint, the company is proactively looking to grow its presence in copper, which is considered crucial in the transition towards low-emission solutions, such as electrification. In this regard, after several years of development, Rio Tinto, along with its partners, is looking to commence production by 2023 at the Oyu Tolgoi mine in Mongolia which has rich reserves of copper and gold. Historically, Rio Tinto has been an excellent payer of dividends, with an average payout ratio of 74% in the form of both regular and special cash dividends. With a continuing positive outlook for most commodities and Rio Tinto's strong balance sheet with no net debt and an A credit rating, we believe that the company's ability to pay high and sustainable dividends appears sound. Shares of the company are valued at 9.3 times forward earnings and offer an 8.2% dividend yield.

Xinyi Glass Holdings (China/Hong Kong, Industrials) – Xinyi Glass Holdings is the largest and most profitable float glass producer in China with around 13% market share. It has a strong track record of generating revenue and profit growth, while adhering to a solid dividend payout policy. From a macroeconomic perspective, Xinyi Glass is well-positioned to benefit from the government's supply-side reform policies such as 1) capacity swap introduced in 2018 with many new production lines forced to stop construction or delay rollout; 2) environmental restrictions which severely impacted production capacity in the Shahe region in North China, with some lines suspended from production; and 3) large capacity rollout in 2014 which means float glass producers have now reached the 7-8 year mark when kilns need to undergo cold repair, limiting production capacity to a certain extent. On the other hand, Xinyi's low-emission construction glass has been increasingly in demand due to the government's multi-stage plan to improve the energy-to-saving ratio for new buildings. Xinyi Glass, with its strong balance sheet, can continue to gain market share via M&A, as float glass effective capacity growth is expected to be c.10% in 2022. Furthermore, Xinyi Glass could also take advantage of its cost management scheme, rising float glass prices, and international expansion into Malaysia. A culmination of these factors is likely to translate into margin, revenue, and profitability growth. With a more consistent earnings outlook for Xinyi's float glass business, its focus on ESG and its associate stakes in Xinyi Solar and Xinyi Energy, we believe the company's multiple is on a structural re-rating track. Shares of the company are valued at 6.9 times forward earnings and offer a 7.3% dividend yield.

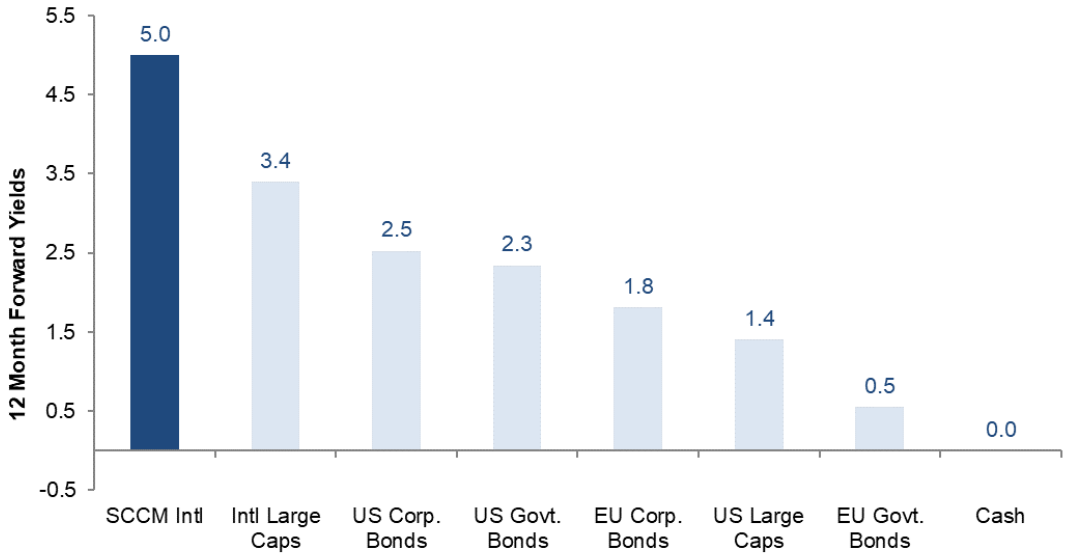
Sales

MMC Norilsk Nickel PJSC (Russia, Materials) – We sold our position in Norilsk Nickel during the quarter – we trimmed our position significantly in the period leading up to the military conflict in Ukraine and exited the position fully shortly after the invasion in late February. While we continue to believe that Norilsk Nickel is a high-quality company with a portfolio of assets that are foundational to the global decarbonization agenda, we could no longer justify owing shares in the company against the growing risks of economic sanctions and other punitive actions by Western Allies in response to Russia's disruption of international order. Our apprehensions were proven to be correct, with the company now operating under a difficult business environment and foreign shareholders unable to repatriate dividend distributions.

Outlook:

Currently, the consensus on Bloomberg forecasts consumer price inflation will average 4.2% and 3.3%, respectively, in the United States and European Union, over the four years from 2021 through 2024, which is meaningfully higher than the average rates of 1.5% and 0.9% over the six years from 2015 through 2020. Given the level and persistence of this above-average inflation, asset markets globally have begun a process of correcting excesses that were previously tolerated against a backdrop of exceedingly accommodative monetary policies and multi-generational low interest rates. Such a shift from a deflationary to an inflationary mindset, if it were to accelerate, would have meaningful ramifications for asset prices with several major asset classes needing to be marked down to reflect higher discount rates and opportunity costs. In this environment, as seen below, our strategy offers an attractive 5% yield which is meaningfully higher than what is available on other income alternatives. Further, our portfolio companies, since the inception of our strategy in 2005, have been able to grow their dividend payments above the rate of inflation. Hence, our strategy offers the twin benefits of attractive current income and good built-in inflation protection via our ownership of a portfolio of attractively valued, well positioned companies with growing demand for their products and the ability to raise prices. This should help ensure that we should be able to provide satisfactory long-term returns across most macroeconomic environments.

Income Opportunities by Asset Class



Source: Bloomberg, CCM Research; 03/31/2022.
Past performance does not guarantee future results. You cannot invest directly in an index.

The +2,200 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 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 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 225 basis points a year below that of MSCI EAFE Growth, whereas over the last 47.25 years MSCI EAFE Value has outperformed MSCI EAFE Growth by 201 basis points a year. This current extreme 426 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%.

For some time now, global equity markets have tolerated 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 high valuation 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.

The until recently positive intermediate-term outlook for the global economic recovery coming out of the COVID-19 induced recession has been somewhat dampened by the Russian invasion of Ukraine and the related impact this event has had on commodity input costs, economic growth and sentiment. Russia and Ukraine together account for only around 2% of world gross domestic product (GDP) and the direct revenue exposure for our portfolio companies to these countries is thus unsurprisingly low at below 1%.

The primary impact this conflict is having on businesses and consumers globally is via a steep increase in the prices of commodities that these two countries have leading global market share in, including crude oil, natural gas, coal, wheat, barley, nickel, cobalt and platinum. This increased input cost pressure has the potential to hurt profit margins of companies unless companies can also correspondingly raise their selling prices. If commodity prices continue to grow meaningfully faster than disposable income, this is likely to somewhat dent consumer confidence and spending. Higher inflation also limits the tools available to central bankers to stimulate economic growth, as lower interest rates and/or higher asset prices are likely to exacerbate already high consumer price inflation, which in turn would lead to lower consumer spending and weaker overall economic growth.

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 and this is further enhancing total shareholder returns. During the quarter we added to our positions in Energy, Materials and Communication Services and pared back our positions in Consumer Discretionary, Financials, Industrials and Utilities. By region, we increased our allocation to Asia, United Kingdom and North America and reduced our allocation to Continental Europe. We made these changes factoring in a likely more inflationary environment while we also took advantage of heightened near-term volatility in the quarter to initiate new positions in companies which we have known and tracked for some time. Our shopping list of ideas has grown of late as markets have corrected and we plan to go through these names methodically to make further portfolio changes as opportunities arise. We are looking to identify companies with durable competitive advantages and growing earnings while avoiding ones with leveraged balance sheets and weak business models.

Despite some recent moves to normalize monetary policy, major central banks have mostly maintained a proactive approach to support asset prices and have indicated that this may persist for some time to come. In this continued lower-than-usual 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. Following a robust recovery in dividend growth in 2021, we anticipate another strong year of dividend growth in 2022. In the first quarter of this year, 80% of our portfolio companies which have declared dividends have raised their dividend payments and across our entire portfolio, dividend income has grown on average, by 14.2% 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

Appendix: Portfolio Exposure and Characteristics as of 3/31/2022

Portfolio Exposure

Sectors	% Asset	Regions	% Asset
Communication Services	10.9	Developed Asia Pacific	23.0
Consumer Discretionary	7.0	Continental Europe	46.8
Consumer Staples	10.5	United Kingdom	15.2
Energy	4.9	North America	5.1
Financials	25.9	Asia Pacific Emerging	1.8
Health Care	10.5	Latin America	3.0
Industrials	10.2	EMEA	0.0
Information Technology	1.8		
Materials	9.8		
Real Estate	0.0	Developed Markets	90.0
Utilities	3.4	Emerging Markets	4.8
Cash	5.3	Cash	5.3
Total	100.0	Total	100.0

Top 10 Countries		Top 10 Holdings	
United Kingdom	15.2	Nippon Telegraph & Telephone	3.9
Switzerland	13.8	United Overseas Bank	3.8
Japan	13.3	Novartis	3.7
France	11.0	Zurich Insurance	3.4
Germany	6.9	Nestle	3.4
Canada	5.1	Rio Tinto	3.4
Australia	4.7	Roche Holding	3.3
Singapore	3.8	Toyota Motor	3.2
Sweden	3.6	Softbank	3.1
Brazil	3.0	Tokio Marine	3.1

Portfolio Characteristics

	Forward Price / Earnings	Forward Dividend Yield	Q1 22 LT Debt / Capital	Est. LT DPS Growth	Est. LT EPS Growth	Q1 22 Market Cap ($B)
SCCM Intl High Div ADR	11.6	5.0	32.7	8.5	10.1	$95.6
MSCI EAFE Index	13.8	3.4	29.9	7.5	10.1	$84.2

Source: SCCM Research, BCA Research, Bloomberg

Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. **Downside Capture** Ratio represents the degree to which a strategy outperformed or underperformed the benchmark in periods when the benchmark return was negative. The lower the downside capture ratio, the better

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The primary benchmarks used for comparison purposes are the net return indices for the MSCI EAFE Index, MSCI EAFE Value Index and the MSCI ACWI ex U.S. Value Index. The MSCI EAFE Index is a free float-adjusted market capitalization index that measures the equity market performance of developed markets, excluding the US & Canada. 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.

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