

# 1Q 2022

## FIRM PROFILE

Independent & Registered  
Investment Advisor

38 Years of Experience as a Value  
Investment Management Firm

Approx. \$22.8 Billion<sup>1</sup>  
Assets Under Advisement

**62 Employees**  
16 Investment  
26 Client Service  
20 Operational

## STRATEGIES

▶ **Enhanced  
Equity Income**

High Dividend Value Equity

International High Dividend  
Value Equity

Value Equity

## STYLE

Large Cap Value

Equity Income

## BENCHMARKS

S&P 500 Buywrite Index (BXM)

S&P 500 Index

## OBJECTIVE

Long Term Capital Growth

Current Income

## Enhanced Equity Income

### STRATEGY OVERVIEW

In 1994, for investors more concerned with risk, Cullen Capital Management began managing portfolios with the Schafer Cullen High Dividend Value Equity strategy. The High Dividend strategy aims to take a conservative approach focusing on 3 investment tenets: a Low P/E discipline, High Dividend Yield and Strong Dividend Growth.

The Enhanced Equity Income strategy applies the same value investment discipline and seeks to balance current income and long-term capital appreciation. The strategy invests in high dividend stocks and sells short-term call options on generally 25-40% of the portfolio to generate increased income for investors. The three primary objectives of the strategy are:

- ▶ **GENERATE INCOME: CASH YIELD > 7%**
- ▶ **EQUITY MARKET APPRECIATION**
- ▶ **PROVIDE PROTECTION: LOWER VOLATILITY**

The portfolio yield target is 7%+, which we seek to generate through a 3.5% dividend yield and a 3.5%+ call premium yield. In addition, the strategy may enable investors to participate in the generally rising trend of equities over the long term. Third, the strategy seeks to provide investors with lower volatility of returns through its value discipline approach and income generation which may help to offset market declines.

The covered call portfolio is managed in an effort to enhance income and diversify risk. Call options are selected based on qualitative factors such as stock valuation and underlying stock fundamentals combined with quantitative factors such as call premium return thresholds. The call options are generally short-term in nature to enhance annualized returns.

The Enhanced Equity Income strategy seeks to provide current income with equity market appreciation potential while offering downside protection.

# Enhanced Equity Income

## INVESTMENT DECISION PROCESS

### INITIAL SCREEN:

- We utilize the bottom-up approach to investing, which begins with the fundamental analysis of individual companies, as opposed to analyzing economic trends to generate investing ideas.
- Bottom-up investing begins with a universe of 2,000 stocks with a market capitalization generally over \$5 billion and a dividend yield greater than 3%

### SCREEN FOR VALUE:

- Price to earnings ratio which is less than the market multiple
- High dividend yields, strong dividend growth rate potential and moderate pay-out ratios

### FUNDAMENTAL RESEARCH:

- Strong balance sheets and high standards with regard to cash flow, debt to capitalization, price to book and return on equity levels
- Leading market share or favorable prospects that are not recognized by the market
- Turnaround situations due to a potentially disposable or improvable business segment
- Meetings and discussions with management, industry analysts, suppliers and customers

### PORTFOLIO CONSTRUCTION:

- Diversification across approximately 30-40 stocks
- No more than 25% invested in any one sector at cost
- No more than 15% invested in any one industry at cost
- No more than 4% invested in any one stock at cost
- Up to 30% of the portfolio may be invested in ADRs
- Covered call options: call premium return thresholds, market conditions and stock valuation
- Covered call portfolio management: sector/industry diversification, rolling coverage by option month and buy-back opportunities

### SELL DISCIPLINE:

- Price to earnings multiple not justified by earnings growth rate
- Deteriorating fundamentals, negative change in business trend or change in investment thesis
- Cuts in dividend, change in dividend policy or significant decline in yield due to price appreciation

ANNUALIZED RETURNS (%) as of March 31, 2022	MTD	QTD	YTD	1 YR	3 YR	5 YR	7 YR	10 YR	SI <sup>^</sup>
Enhanced Equity Income (Gross)	2.4	3.0	3.0	13.5	11.8	9.4	9.3	9.7	10.1
Enhanced Equity Income (Net)	2.3	2.7	2.7	12.2	10.5	8.2	8.1	8.5	8.9
S&P 500 Buywrite Index (BXM)	4.1	0.8	0.8	14.9	8.6	7.2	7.2	7.1	7.3
SPDR Barclays High Yield Bond ETF (JNK)	-0.9	-4.7	-4.7	-1.2	3.5	3.8	3.6	4.4	4.7

<sup>^</sup>Since Inception: 12/31/2010. Performance for periods greater than 1 year is annualized. Past performance is no guarantee of future results.

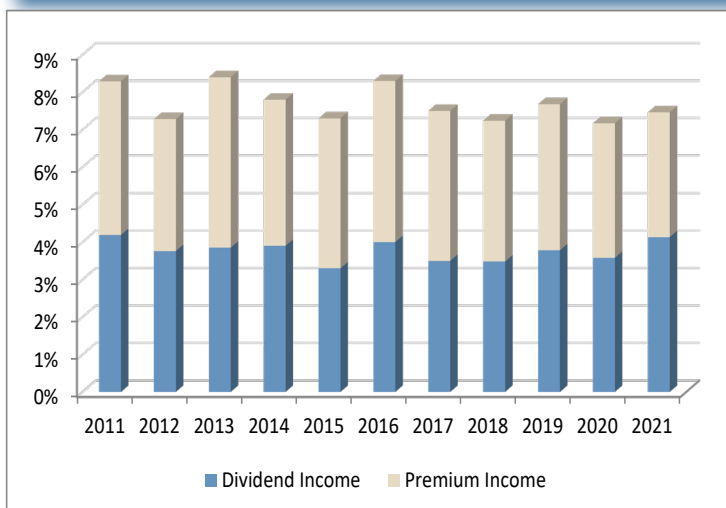
ANNUAL RETURNS (%) Period Ending December 31	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Enhanced Equity Income Strategy (Gross)	23.7	1.4	19.2	-4.1	11.5	12.4	-0.8	7.3	21.8	9.6	12.0
Enhanced Equity Income Strategy (Net)	22.3	0.2	17.8	-5.1	10.4	11.3	-1.8	6.2	20.4	8.6	10.9
S&P 500 Buywrite Index (BXM)	20.5	-2.8	15.7	-4.8	13.0	7.1	5.2	5.6	13.3	5.2	5.7
SPDR Barclays High Yield Bond ETF (JNK)	4.3	4.7	15.0	-3.2	6.5	14.8	-7.2	1.2	5.9	14.3	4.7

# Enhanced Equity Income

PORTFOLIO * CHARACTERISTICS	Enhanced Equity Income	S&P 500
P/E Ratio (2022)	13.6	21.9
P/B Ratio	2.6	5.1
Dividend Yield (indicated)	3.7	1.4
2021 Realized Dividend Yield**	3.7	--
Premium Yield***	3.6	--
LT Debt to Capital	36.3	37.9

Source: Bloomberg, 3/31/2022

## ANNUAL INCOME FROM DIVIDENDS & OPTIONS PREMIUM



SECTOR WEIGHTS * (%)	Enhanced Equity Income	S&P 500
Communication Services	6.7	9.4
Consumer Discretionary	5.8	12.0
Consumer Staples	11.7	6.1
Energy	7.8	3.9
Financials	15.3	11.1
Health Care	12.8	13.6
Industrials	9.4	7.9
Information Technology	8.0	28.0
Materials	6.6	2.6
Real Estate	5.9	2.7
Utilities	7.2	2.7
Cash	2.9	0.0
Total	100.0	100.0

## TOP TEN HOLDINGS \* (%)

Exxon Mobil Corp.	4.4
Raytheon Technologies Corp.	4.2
Duke Energy Corp.	4.0
Truist Financial Corp.	3.8
Bristol-Myers Squibb Co.	3.6
Dow Inc.	3.5
Chevron Corp.	3.4
Intel Corp.	3.3
PPL Corp.	3.2
Merck & Co. Inc.	3.2

## INVESTMENT TEAM

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

**TIMOTHY A. CORDLE**  
MANAGING DIRECTOR / PORTFOLIO MANAGER  
29 YEARS INVESTMENT EXPERIENCE

**MICHAEL GALLANT, CFA**  
VICE PRESIDENT / PORTFOLIO MANAGER  
19 YEARS INVESTMENT EXPERIENCE

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

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

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

**ERIK SCHAFER**  
ASSISTANT VICE PRESIDENT / ANALYST  
15 YEARS INVESTMENT EXPERIENCE

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

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

**MICHAEL KELLY, CFA**  
VICE PRESIDENT / PORTFOLIO MANAGER  
18 YEARS INVESTMENT EXPERIENCE

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

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

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

**KAREN RAMLOGAN**  
MANAGING DIRECTOR / INVESTMENT OPERATIONS  
20 YEARS TRADING/OPERATIONS EXPERIENCE

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

**ERIK NORGAARD**  
ANALYST  
3 YEARS INVESTMENT EXPERIENCE

<sup>1</sup>Includes model program assets of \$13.1 billion as of 3/31/2022. CCM provides models on the following SMA strategies: High Dividend, International High Dividend, Value Equity and Global High Dividend.

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The benchmarks used for comparison purposes are the total return indices for the S&P 500 Index and the S&P 500 BuyWrite Index. The S&P 500 Index is the commonly used measure of the broad U.S. stock market. The Standard & Poor's 500 Buywrite Index tracks the performance of a hypothetical buy-write strategy on the S&P 500 Index. The SPDR Barclays High Yield Bond ETF seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the Barclays High Yield Very Liquid Index. Comparisons to indices are inherently unreliable indicators of future performance. The strategies used to generate the performance may vary from those used to generate the returns depicted in the indices. Investors cannot directly invest in an index.

**Past performance does not guarantee future results. Investing in the stock market involves gains and losses and options trading may not be suitable for all investors. Investors have the opportunity for losses as well as profits. There are inherent risks with options trading, and in some cases the losses can be unlimited. Returns are expressed in US dollars. Gross of fee performance is calculated gross of management fees and custodian fees and net of transaction costs. Net of fee performance is calculated net of actual management fees and transaction costs but gross of custodian fees. Individual account performance will not match the composite and will depend upon various factors including market conditions at the time of investment. Returns reflect the reinvestment of dividends and other earnings. It should not be assumed that recommendations made in the future will be as profitable or surpass the historical performance of the securities in the composite.** Some option-related strategies involve complicated tax assumptions. Accordingly, as with any transaction having potential tax implications, clients should consult with their own tax advisor. Neither CCM, nor any of its employee affiliates provide legal or tax advice. Please note that either the commissions or the fees incurred can either decrease an account's overall profitability or increase an account's overall loss. Investors selling covered calls run the risk of having their stock "called away," thereby forfeiting the opportunity for further gains.

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*\*\* 2020 Realized Dividend Yield is calculated on a calendar year (CY) basis using a representative account. Starting with the beginning year portfolio value, the method combines realized ex-dividend accruals, from the start of the CY to the date of this report, with dividend accruals projected for the remaining months until CY end. In calculating the Portfolio Dividend Yield at the end of 2Q, the yield is based on realized accruals only.*

*\*\*\* Option premiums represent the proceeds from the sale of a call option. An option gives the owner the right to buy or sell a security at a predetermined price. Options also have expiration dates and their prices will fluctuate relative to the underlying security's market price. Dividends and premiums are reinvested. 20220414.61997*

To receive additional information, please contact us at:  
**Cullen Capital Management, Inc.**

645 Fifth Avenue, Suite 1201, New York, NY 10022

212.644.1800 ♦ 800.644.6595 ♦ [info@schafer-cullen.com](mailto:info@schafer-cullen.com) ♦ [www.schafer-cullen.com](http://www.schafer-cullen.com)