

DIVIDENDS | INCOME INVESTING

Finding Good Dividends in Emerging Markets

BY LAWRENCE C. STRAUSS

U.S. stocks aren't the only game in town for income investors, despite the outsize attention commanded by big dividend stocks such as Coca-Cola and Johnson & Johnson.

Recently, the MSCI Emerging Markets Index yielded 2.9%, nearly double the S&P 500's 1.6%.

For more than 20 years, Rahul Sharma, a portfolio manager at Schafer Cullen Capital Management, has plumbed various emerging markets for worthy dividend stocks. Although Sharma is a value investor, he's flexible and will pay more for growthier stocks, provided he thinks the valuations are reasonable and the companies' fundamentals are sound.

"What has always intrigued me is just how much great exposure you can get to great growth and great themes" in emerging markets, he says.

The \$536 million Cullen Emerging Markets High Dividend fund (ticker: CEMDX) has a 10-year annual return of 3.7%, including dividends, besting 86% of its Morningstar peers. Sharma has played a key role in running the fund since it launched in 2012. He joined the firm in 2000, having studied mathematics at The College of William & Mary while wrestling on the school's team.

Sharma says he learned some life lessons on the mat. "I didn't get pinned too much, but sometimes you do get beat," he says. "You have to get up and carry on."

Sharma and his investment team use screens to whittle down the universe of stocks to a manageable number. Then, they do more analysis, including talking to management teams. "We're very focused on having strong free cash flows to support dividends," he says.

The portfolio's dividend yield was recently at 5.3%, compared with about 3.3% for the MSCI Emerging Market Index, its benchmark. Sharma observes that "country factors matter a lot more in emerging markets, and you need tools to be able to analyze those risks."

For example, he sold most of the fund's Russia holdings prior to Russia's invasion of Ukraine in 2022.

The Cullen emerging market dividend fund's country allocations include being underweight China, equal weight Taiwan, and overweight India, Mexico, Greece, and Brazil.

Sharma views India as "the new China," noting that it "has a lot going for it. They have a comparative advantage with regards to labor, which is large, skilled, and often English speaking—and it's a young workforce."

One of the fund's holdings is NHPC (NHPC.India), a large operator of hydropower generating plants in India. Not surprisingly, Sharma sees it as a play on renewable energy. The stock recently traded at 12.5 times earnings and sported a dividend yield of 3.6%.

Sharma incorporates global macro investment themes into his stock-picking. Mexico, for example, is benefiting from reshoring—that is, foreign companies repositioning their supply chains there in order to reduce dependence on China after the major supply disruptions that occurred during the pandemic. Mexico, he adds, "has a very large labor force that's very hard working."

One of the fund's holding is Prologis Property Mexico (FIBRAPL. Mexico), a leading Mexican real estate investment trust, which recently yielded around 3%.

And Greece had a severe financial crisis in 2009 when its economy was overwhelmed by debt, but has since bounced back. One of his holdings is Mytilneos (MYTIL.Greece), an industrial conglomerate and aluminum producer with a dividend yield of 3.5%.

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Average Annual Total Return (%) as of September 30, 2023

	QTD	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception
Retail Class (CEMDX)	0.23	13.87	26.28	8.41	4.31	3.63	3.99
Class I (CEMFX)	0.29	14.06	26.60	8.66	4.57	3.90	4.27
MSCI EM	-2.93	1.82	11.70	-1.73	0.55	2.07	2.50

Performance data presented reflects past performance and does not guarantee future results. The investment return and principle value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance data quoted. You can obtain performance data current to the most recent month end by calling 877.485.8586 or visiting our website: cullenfunds.com. The Fund imposes a 2.00% redemption fee if shares are redeemed within 7 days of purchase. Performance data does not reflect the redemption fee. If it had, returns would be reduced.

Source: Cullen Capital Management and Lipper. Inception date: August 31, 2012. Returns presented in US Dollars, NAV to NAV, net withholding of tax to September 30, 2023. Returns over 1 year are annualized. NAV to NAV is the net asset value of the fund from the beginning of a stated time period to the stated end date.

The Fund's holding and sector allocations may change at any time due to ongoing portfolio management. References to specific investments should not be construed as a recommendation by the Fund or Cullen Capital Management to buy or sell the securities.

Fund Risks

Mutual fund investing involves risk. Principal loss is possible. Foreign investments involve additional risks, which include currency exchange-rate fluctuations, political and economic instability, differences in financial reporting standards, and less strict regulation of securities markets. Mid cap securities are subject to greater investment risk as compared to large cap securities.

This must be preceded or accompanied by a [fund prospectus](#). Please read carefully before investing.

[Cullen Emerging Markets High Dividend Fund Fact Sheet \(as of 09/30/2023\)](#)**Top 10 Holdings (%) as of 09/30/2023**

Mytilneos	3.6
Samsung	3.4
ICICI Bank	3.3
Petrobras	3.2
Arca Continental	3.2
Kaspi.kz	3.2
NHPC	3.1
REC	3.0
FIBRA Prologis	2.9
OPAP	2.9

30-Day SEC Yield (CEMDX) as of 09/30/2023:

Subsidized: 3.37%

Unsubsidized: 3.19%

Portfolio Weighted Average Dividend Yield (as of 10/31/23):

5.3%

Fund distributed by Paralel Distributors LLC. Paralel is unaffiliated with Cullen Capital Management.

Industry Terms:

The **MSCI EM Index** is an unmanaged market capitalization-weighted index based on the average weighted performance of widely held common stocks. The **S&P 500 Index** is an unmanaged market capitalization-weighted index based on the average weighted performance of widely held common stocks. One cannot invest directly in an index. **Free cash flow**, or FCF, is the money that is left over after a business pays its operating expenses, such as mortgage or rent, payroll, taxes, inventory costs, and capital expenditures. **Dividend yield** is a financial ratio that shows how much a company pays out in dividends each year relative to its stock price. **Subsidized yield** reflects fee waivers in effect. Without such waivers, yields would be reduced. **Unsubsidized yields** do not reflect fee waivers in effect. **Portfolio weighted average dividend yield** is a calculation that measures the dividend yield of a portfolio by taking into account the size of each holding.

	1 YR	3 YR	5 YR	10 YR
Retail Class (CEMDX)	2	7	12	15
Class I (CEMFX)	2	6	11	12
# of Peers in Category	808	733	682	495

*Percentile Rank as of November 30, 2023.

**CEMDX is ranked in the 15th percentile for its 10-year performance in a peer group of 496, as of publication date (11/21/23).

The Cullen Emerging Markets High Dividend Fund is part of the Diversified Emerging Markets Category.

Morningstar Rankings are no guarantee of future investment success. Investing in a highly rated fund does not ensure that a client or investor will experience a higher level of performance. Additional information regarding Morningstar rankings is available by contacting the Adviser.

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