

H&W Strategy Overview



An Expertise in Discovering Overlooked, Undervalued Investment Opportunities for Our Clients

Firm History

Hotchkis & Wiley (“H&W”) was founded in 1980 by John Hotchkis and George Wiley. The founders’ vision was to create an investment management firm that places clients’ interests above all else by promoting a disciplined investment approach and superior service. After 31 years, these principles continue to guide the firm today.

Disciplined Philosophy

Consistent, time-proven investment approach

- ▶ Fundamental, bottom-up process seeks to exploit market inefficiencies
- ▶ Research-driven investment process
- ▶ Style pure, rigorous valuation criteria

Research Advantage

Commitment to independent, in-depth research

- ▶ Focused on determining a company’s long-run normal earnings power
- ▶ Organized by industry with a focus on asset valuation across the capital structure
- ▶ A flat, collegial culture fosters teamwork

Experienced Team

Well-established professionals skilled at delivering investor value

- ▶ 31-year institutional track record
- ▶ 20 industry analysts with 17 years of average industry experience and 10 years of average tenure with Hotchkis & Wiley
 - Supported by 6 research associates
- ▶ 12 client service personnel with 20 years of average industry experience and 12 years of average tenure with Hotchkis & Wiley

Stable, Independent Firm

Focused solely on clients’ best interests

- ▶ Nimble, flat organization facilitates collaboration, creativity and dynamic decision-making
- ▶ Majority employee-owned
 - No parent company or public shareholder pressures
 - Our goals are aligned with clients’ goals
 - Promotes quality and continuity
- ▶ Committed to maintaining manageable asset levels in all strategies

Overview

Investment Style	Value
Investment Professionals	20
Founded	1980
Headquartered	Los Angeles, CA

Assets Under Management (AUM)

Strategies	AUM
Large Cap Diversified Value	\$6.4 b
Large Cap Fundamental Value	\$6.4 b
Mid-Cap Value	\$1.7 b
Small Cap Value	\$881 mm
Value Opportunities	\$69 mm
High Yield	\$671 mm
Capital Income	\$8 mm
Total	\$16 b

Available as separately managed accounts and mutual funds
All figures as of December 31, 2011

Consistency Across Strategies

Portfolio decisions for all strategies are driven by one firm-wide investment philosophy and research platform.

Strategy	Overview	Typical Holdings	Benchmark
Equities			
Large Cap Diversified Value	Seeks to own a well-diversified portfolio of large, financially strong companies that offer the best combination of value and potential for price appreciation.	<ul style="list-style-type: none"> ▶ 50-80 securities ▶ Companies with a market capitalization >\$5B 	Russell 1000 Value
Large Cap Fundamental Value	Seeks to own large, financially strong companies that offer the best combination of value and potential for price appreciation.	<ul style="list-style-type: none"> ▶ 40-60 securities ▶ Companies with a market capitalization >\$3B 	Russell 1000 Value
Mid-Cap Value	Seeks to own a well-diversified portfolio of mid-size companies that offer the best combination of value and potential for price appreciation.	<ul style="list-style-type: none"> ▶ 50-100 securities ▶ Companies with a market capitalization ranging from \$500M to \$15B 	Russell Midcap Value
Small Cap Value	Seeks to own a well-diversified portfolio of small companies that offer the best combination of value and potential for price appreciation.	<ul style="list-style-type: none"> ▶ 50-100 securities ▶ Companies with a market capitalization ranging from \$100M to \$3B 	Russell 2000 Value
Value Opportunities	Seeks to own value opportunities in all market capitalizations and all parts of the capital structure. This is a highly concentrated, benchmark agnostic strategy.	<ul style="list-style-type: none"> ▶ 15-50 securities ▶ Invests across the capital structure in all market capitalizations 	Russell 3000 Value
Income			
Capital Income	Seeks to own undervalued dividend-paying equities and high yield fixed income securities with an emphasis on maximizing current income.	<ul style="list-style-type: none"> ▶ 25-50 equities (market capitalization >\$1b) ▶ 75-100 high yield issues 	S&P 500 BofAML U.S. Corp., Govt. & Mtg
High Yield	Seeks to own a well-diversified portfolio of high yield credits with superior asset coverage and improving fundamentals.	<ul style="list-style-type: none"> ▶ Target 100 issuers ▶ Emphasis on more senior structures and BB and B credit quality 	BofAML US High Yield BB-B (Const 2%)

