DIVERSIFIED VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWCIX | HWCAX | HWCCX

PERFORMANCE (%) as of March 31, 2024

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 8/30/04
Diversified Value Fund – I Shares	9.55	9.55	26.00	11.37	13.38	9.91	8.46
Russell 1000 Value	8.99	8.99	20.27	8.11	10.32	9.01	8.47

The performance shown represents past performance. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. To obtain performance data current to the most recent month-end, access our website at www.hwcm.com.

The Fund's total annual operating gross expense ratio as of the most current prospectus is 1.04% for I Shares; 0.80% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2024. Expense ratio shown is gross of any fee waivers or expense reimbursements. I Shares sold to a limited group of investors. Periods over one year are average annual total return. Average annual total returns include reinvestment of dividends and capital gains. Expense limitations may have increased the Fund's total return.

MARKET COMMENTARY

The S&P 500 Index returned +10.6% in the first quarter, closing the period at an all-time high. Excluding Nvidia, which returned +82% in the quarter and is now the third largest stock in the US, the S&P 500's return would have been +8%. Inflation has remained slightly above 3% for the past 9 months, with the latest reading +3.2% year-over-year. While inflation has slowed dramatically from the 9.1% peak in mid-2022, it remains higher than the Fed's long-term 2% target. At the March FOMC meeting, the committee held the Fed Funds rate at 5.50% (upper bound) for the fifth consecutive meeting. The Fed has been increasingly reluctant to cut rates considering improving economic growth expectations and a strong labor market. The market's expectations for the Fed Funds rate in the coming year are about a full percentage point higher than those same expectations 12 months ago.

The S&P 500 trades at 22x next year's consensus earnings estimates, well above its 30+ year median of 18x. At the beginning of 2023, just 15 months ago, the index traded at an average level (18x). It is up +40% since then, more than half of which is attributable to multiple expansion. It has traded at a higher multiple only 20% of the time since the early 1990s, most of which occurred in the late 1990s/early 2000s. Today's equity market has drawn a lot of comparisons to that internet bubble period, not only due to elevated valuations but also its high concentration, large valuation disparities, and enthusiasm about revolutionary technology. The comparisons have merit, but the impressive growth, profitability, and free cash flow generation of the market's largest stocks make today's elevated valuations more rational than 25 years ago. The sustainability of this growth/profitability/cash flow, at least in some instances, represents our primary concern.

Outside of the tech-oriented mega cap cohort, the large cap market's valuation is rather ordinary, by most measures trading at a modest premium to historical averages. At 9x normal earnings, the portfolio trades right in line with its long-term average, representing a considerable discount to the value index and a massive discount to the broad index. This has been achieved, in our view, without sacrificing quality or assuming undue risk. Through our Fundamental Risk Rating framework, we rate each stock in the portfolio on three pillars: balance sheet, quality, and governance. A score of 1.0 is best, 5.0 is worst, and 3.0 is average. If we had to choose which of the three pillars is most important, it would likely be quality because it often encompasses elements of the other two pillars. In other words, it is uncommon for a high-quality business to score poorly on the other two pillars, or for a low-quality business to score well on the other two pillars—either can happen, it is just rare. Less than a quarter of the portfolio is invested in stocks with a quality rating below average (3.5 or 4.0 rated, we own none that are 4.5 or 5.0), nearly all of which are financials and energy. These are capital intensive, commodity businesses with the marginal competitors generating cost of capital returns. The positions we own in this group have little to no obsolescence risk, and at less than half the valuation of those with above average quality ratings, represent considerable upside potential.

Nevertheless, we are willing to pay higher prices for businesses that score well on our fundamental risk ratings framework. We reduced positions in select software stocks, which have good risk ratings, because their valuations have increased dramatically in recent years. Meanwhile, the relative valuations of healthcare and consumer staples have improved as the sectors underperformed. Many stocks in these sectors also have good risk ratings. The largest sector increase in recent years has been healthcare, which now represents the portfolio's second largest sector. We have been partial to well-positioned healthcare providers and competitively advantaged healthcare equipment companies. More recently, we have increased our consumer staples exposure via iconic-brand companies with stable businesses and strong market positions.

(continued)

Portfolio managers' opinions and data included in this commentary are as of March 31, 2024 and are subject to change without notice. Any forecasts made cannot be guaranteed. **Diversification does not assure a profit nor protect against loss in a declining market. Past performance is no guarantee of future results.**

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ATTRIBUTION ANALYSIS – 1Q24

The Hotchkis & Wiley Diversified Value Fund outperformed the Russell 1000 Value index in the first quarter of 2024. The portfolio's exposure to financials was the largest positive contributor in the quarter, as the overweight and stock selection in both banks and insurers helped. Positive stock selection in healthcare and industrials also helped relative performance, along with the lack of exposure to real estate. Stock selection in energy, communication services, and information technology detracted from relative performance in the quarter.

LARGEST INDIVIDUAL CONTRIBUTORS – 1Q24

Citigroup is the 4th largest US bank by assets with $2.4 trillion in total assets. Investment in its IT, compliance and risk capabilities have pressured margins and returns over recent years obscuring the bank's strong core franchise. As Citi completes this investment program over the next year or two, we expect expenses to decline and margins and returns to move toward management's targets as well as those produced by peers. On our estimates of normal earnings Citi is an attractive value. The company performed well during the quarter following announcements from management to restructure and simply the bank, which led to increased confidence that Citi will see an inflection in its costs and margins.

General Motors is one of the world's largest manufacturers of passenger vehicles. We like General Motors due to its business segments, free cash flow profile, and commitment to return large amounts of cash to shareholders. The stock continued its strong momentum post the UAW strike, driven by 2024 guidance that was materially stronger than consensus and the $10 billion accelerated share repurchase program.

Hartford Financial Services Group is a leading insurer to US businesses. Their small commercial insurance franchise consistently delivers very strong underwriting margins and is the envy of many in the industry. Their group benefits (life & disability) arm caters to mid and large-sized corporate customers and their employees. Here, the company has the distribution, scale, and claims management capabilities to produce solid and relatively stable profits and cash flows. We believe that Hartford Financial is attractively valued for a company with hard to replicate positions. Performance rose over the period as the company announced solid Q4 '23 results.

LARGEST INDIVIDUAL DETRACTORS – 1Q24

Ericsson is a vendor of hardware and software needed to operate wireless networks. This business is effectively an oligopoly, and we believe margins should be better than they have been historically. Ericsson's stock underperformed following weak 2023 results and 2024 outlook. This is a cyclical business, and we believe that the weakness in network operators' capex is temporary, and that network equipment spending will recover to more normalized levels.

APA Corp. (formerly known as Apache) is an independent E&P operating offshore in the North Sea, onshore in Egypt, and in the Midland and Delaware basins in the Permian. Recent exploration success in Suriname and Egypt has allowed APA to de-emphasize spending on lower returning assets in the US and North Sea. Given APA's production sharing contracts and relatively modest corporate production decline rate, the company can maintain its dividend and fund its growth capex plans at $50 oil. APA posted an OK fourth quarter, with EBITDAX-capex of $841m beating consensus by 2% due to slightly higher-than-expected NGL production. The FY24 production guide was modestly disappointing, which weighed on the stock price. In January, APA agreed to acquire Callon Petroleum, which we viewed as being modestly dilutive to existing APA shareholders compared to a share buyback.

The Boeing Company is the world's largest aerospace company. Boeing designs and manufactures aircraft for commercial and defense markets. Boeing faced numerous challenges stemming from an emergency exit door blow out during an Alaskan Airlines flight; luckily no one was injured. The FAA halted the production of all 737s, and, once the halt was lifted, limited the monthly rate of 737s leaving the factory. Investor sentiment towards Boeing is low, as they work through their operational issues, which may push the 2025/2026 targets out. Boeing announced changes at the CEO, Board, and head of Boeing Commercial Aircraft near the end of the quarter. While serious, we believe its challenges are more than reflected in its valuation.

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You should consider the Fund's investment objectives, risks, and charges and expenses carefully before you invest. This and other important information is contained in the Fund's summary prospectus and prospectus, which can be obtained by calling 1-800-796-5606 or visiting our website at www.hwcm.com. Read carefully before you invest.

The Fund may invest in foreign securities. Please read the fund prospectus for a full list of fund risks. All investments contain risk and may lose value. Equities, bonds, and other asset classes have different risk profiles, which should be considered when investing.

Fund holdings and/or sector allocations are subject to change and are not buy/sell recommendations. Current and future portfolio holdings are subject to risk. Specific securities identified are the largest contributors (or detractors) on a relative basis to the Russell 1000 Value Index. Securities' absolute performance may reflect different results. The Fund may not continue to hold the securities mentioned and the Advisor has no obligation to disclose purchases or sales of these securities. Attribution is an analysis of the portfolio's return relative to a selected benchmark, is calculated using daily holding information and does not reflect the payment of transaction costs, fees and expenses of the Fund. Certain information presented based on proprietary or third-party estimates are subject to change and cannot be guaranteed. Information obtained from independent sources is considered reliable, but H&W cannot guarantee its accuracy or completeness.

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The **Russell 1000® Value Index** measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values. The **S&P 500® Index** is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The indices do not reflect the payment of transaction costs, fees and expenses associated with an investment in the Fund. The Fund's value disciplines may prevent or restrict investment in major stocks in the benchmark indices. It is not possible to invest directly in an index.

Style Risk: A value-oriented investment approach involves the risk that value stocks may remain undervalued or may not appreciate in value as anticipated. Value stocks can perform differently from the market as a whole or from other types of stocks and may be out of favor with investors and underperform growth stocks for varying periods of time.

Top ten holdings as of 3/31/24 as a % of the Fund's net assets: Citigroup Inc. 3.9%, Wells Fargo & Co. 3.8%, APA Corp. 3.2%, General Motors Co. 3.1%, Ericsson 3.0%, Elevance Health Inc. 2.9%, F5 Inc. 2.9%, Marathon Oil Corp. 2.6%, FIS 2.5%, and US Bancorp 2.4%. **EBITDAX capex**-earnings before interest, taxes, depreciation, and amortization (excluding exploration costs), and capital expenditures; **E&P**-exploration and production; **Free cash flow**-represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets; **FOMC**- Federal Open Market Committee.