GLOBAL VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

MARCH 31, 2023

MARKET COMMENTARY

Following strong relative performance in 2022, value stocks significantly underperformed growth stocks in the first quarter of 2023. The MSCI World Growth Index increased 15%, led by technology stocks up 23% in the quarter. The MSCI World Value Index increased 1%, hurt by relative underperformance in financials and energy stocks (down -4% and -6%, respectively). As a result of this divergent performance, value spreads widened over the course of the quarter, with the growth index P/E ratio now sitting 10 multiple points higher than the value index.

Equity markets outside of the U.S. have proven to be resilient despite recent volatility within the banking industry. Performance was quite strong across most of the developed world in the first quarter of 2023, with many countries across Western Europe experiencing double-digit returns, led by Netherlands (+16.6%), Spain (+15.6%), Italy (+15.5%), and Germany (+15.2%). By comparison, the United Kingdom returned +6.7%, Japan returned 6.3%, Canada returned +4.5%, and Australia was up a more modest +2.5%.

We remain partial to financials, with banks representing the largest absolute and relative weight in our portfolio. The banking industry has been in the crosshairs of skeptics since the early March failure of Silicon Valley Bank ("SVB") and Swiss government-backed takeover of Credit Suisse by UBS. While these events were unexpected, they were also, in our opinion, the result of unique challenges faced by those two institutions. We do not believe the banks we own face similar risks. Nonetheless, these well-capitalized, well-managed banks sold off in sympathy, and now trade at attractive valuations for the risks at hand. The portfolio's bank exposure trades at just over 6x normal earnings and under 0.8x book value, uncommonly attractive levels. We have thoroughly assessed widespread bank concerns about declining deposits, an impending recession, and potential regulatory changes. We conclude that these valuations more than compensate us for those risks. Our portfolio of banks is also well diversified across 8 different companies each with a different business mix and therefore different risks.

Technology is the portfolio's second-largest sector weight and here again we are overweight relative to the index. We own some high quality businesses in technology, and as a result are willing to pay higher valuation multiples. The portfolio's aggregate technology positions trade at less than 12x normal earnings, which we view as a bargain considering the quality of the businesses. Common traits among our tech holdings are excellent balance sheets, sticky customers that has generated recurring/predictable cash flow, and promising prospects for growth. We view these businesses as less cyclical than generally understood and prefer this exposure to other non-cyclical parts of the market that are currently trading at rich valuations and grow modestly, e.g., consumer staples, utilities. This exposure is much different than the exposure to energy and financials, thus acting as an effective offset/complement.

ATTRIBUTION – 1Q23

The Hotchkis & Wiley Global Value Fund underperformed the MSCI World Index but outperformed the MSCI World Value Index in the first quarter of 2023. Relative to the broad index, stock selection in Information Technology was the largest detractor from relative performance. The overweight positions in Financials and Energy also detracted. Conversely, stock selection in Industrials was a leading contributor to performance. The underweight positions in Health Care and Consumer Staples also contributed positively. The largest positive contributors to relative performance in the quarter were General Electric, Warner Bros. Discovery, UniCredit SpA, FedEx, and Accor; the largest detractors were AIG, CVS Health, Popular, Ovintiv, and Tokio Marine Holdings.

LARGEST NEW PURCHASES – 1Q23

APA Corp. ("APA") is an independent exploration and production company that operates offshore in the North Sea, onshore in Egypt, and in the Permian Basin (USA). The company's conventional Egypt and North Sea assets are less sensitive to oil prices, which results in more predictable cash flows when prices are low. At the same time, APA also has the ability to invest at high incremental returns in offshore Suriname.

Hartford Financial Services Group is a leading US commercial property-casualty insurer. The company's crown jewel is the small commercial insurance franchise, which has consistently delivered very strong underwriting margins and is the envy of many in the industry. The company is also a leading provider of group benefits (life & disability) to mid and large-sized corporate customers and their employees. Here, Hartford has the distribution, scale, and claims mgmt capabilities to produce solid & relatively stable profits and cash flows.

Rothchild & Co. is a global financial advisory firm that operates three primary lines of business: Investment Banking, Wealth and Asset Management, and Merchant Banking. While Rothschild's business lines are economically cyclical, all three business segments generate attractive returns on capital, with wealth management and merchant banking producing strong organic growth. In February 2023, the Rothschild family announced a bid to take the company private at €48/share, a price that we believe dramatically undervalues the business.

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HWGIX
HWGAX

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PERFORMANCE (%) as of March 31, 2023

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/12
Global Value Fund – I Shares	7.07	7.07	-4.39	23.09	4.53	7.23	8.07
MSCI World	7.73	7.73	-7.02	16.40	8.01	8.85	9.42
MSCI World Value	0.92	0.92	-5.05	15.90	4.99	6.54	7.15

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 1.22% for I Shares; 0.95% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 31, 2023. 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.

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 and emerging markets securities, which subjects the Fund to increased risk. Please read the fund prospectus for a full list of fund risks. All investments contain risk and may lose value. Specific securities identified are the largest contributors (or detractors) on a relative basis to the MSCI World 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.

Information obtained from independent sources is considered reliable, but H&W cannot guarantee its accuracy or completeness. 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. Certain information presented based on proprietary or third-party estimates are subject to change and cannot be guaranteed.

The "Largest New Purchases" section includes the three largest new security positions during the quarter based on the security's quarter-end weight adjusted for its relative return contribution; does not include any security received as a result of a corporate action; if fewer than three new security positions during the quarter, all security positions are included.

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.

Market Disruption: The global coronavirus pandemic has caused disruption in the global economy and extreme fluctuations in global capital and financial markets. H&W is unable to predict the impact caused by coronavirus pandemic, which has the potential to negatively impact the firm's investment strategies and investment opportunities.

The **MSCI World Index** is a free float-adjusted weighted index capturing large and mid cap stocks. The **MSCI World Value** and **MSCI World Growth Indices** are free float-adjusted weighted indexes capturing large and mid cap stocks, exhibiting overall value or growth style characteristics, respectively. The MSCI indices represent stocks across 23 Developed Markets (DM) countries and include reinvestment of dividends, net foreign withholding taxes. 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. **Top ten holdings** as of 3/31/23 as a % of the Fund's net assets: F5 Inc. 4.2%, Ericsson 3.6%, American Int'l Group Inc. 3.5%, Microsoft Corp. 3.2%, Elevance Health Inc. 3.0%, CVS Health Corp. 3.0%, General Electric Co. 2.7%, Workday Inc. 2.5%, Euronet Worldwide Inc. 2.5%, and Magna International Inc. 2.5%.

Spread is the percentage point difference between yields of various classes of bonds compared to treasury bonds. **Price-to-earnings** is the current market price per share divided by normalized earnings per share. Earnings per share is a company's net profit divided by the # of common shares it has outstanding. **Cash flow** measures the cash generating capability of a company by adding non-cash charges (e.g., depreciation) and interest expense to pretax income.

Mutual fund investing involves risk. Principal loss is possible.
NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE
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