

# GLOBAL VALUE FUND

## MANAGER REVIEW & ECONOMIC OUTLOOK

HWGIX | HWGAX



### PERFORMANCE (%) as of March 31, 2024

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/12
Global Value Fund – I Shares	8.02	8.02	29.03	10.03	11.51	7.45	9.78
MSCI World	8.88	8.88	25.11	8.60	12.07	9.39	10.73
MSCI World Value	7.49	7.49	18.78	7.64	8.34	6.44	8.14

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](http://www.hwcm.com).

The Fund's total annual operating gross expense ratio as of the most current prospectus is 1.25% for I Shares; 0.95% 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 MSCI World Index increased 8.9% in the first quarter of 2024. The MSCI World Growth Index increased 10.2% while the MSCI World Value Index increased 7.5%. The continued outperformance of growth stocks has resulted in the further widening of value spreads. The MSCI World Value trades at 14x forward P/E (consensus FY1) compared to the MSCI World Growth at 27x.

Global inflation trends show signs of moderation. In the US, the Consumer Price Index (CPI) declined to 3.2% year-over-year, marginally lower than the 3.4% recorded at the close of 2023. Similarly, Eurozone CPI decreased to 2.6%, while the United Kingdom saw a drop to 3.4%. However, key benchmark interest rates worldwide rose modestly in Q1 as expectations for the timing and magnitude of interest rate cuts by the US Federal Reserve have moved further into 2024 on the back of resilient economic data.

GDP in the US remains robust, with the final Q4 2023 estimate standing at 3.4%. In comparison, Japan's Q4 GDP grew by 0.1%, the Eurozone's remained flat at 0.0%, and the United Kingdom experienced a slight decline of -0.3%. While concerns about a global recession have diminished recently, the possibility of a broad economic slowdown remains on the horizon, particularly if inflationary pressures persist.

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. Regardless, once we move away from large cap tech we can find value, including in healthcare and financials.

### ATTRIBUTION ANALYSIS – 1Q24

The Hotchkis & Wiley Global Value Fund underperformed the MSCI World Index in the first quarter of 2024, although the Fund outperformed the MSCI World Value Index. Relative to the primary benchmark, stock selection in information technology was the largest detractor. Our position in Ericsson and not owning Nvidia were key detractors in the quarter. Stock selection in communication services and energy also detracted. Conversely, stock selection in financials was strong during the quarter. Stock selection in consumer discretionary and industrials also helped, as did the underweights in real estate, utilities, and materials.

### LARGEST INDIVIDUAL CONTRIBUTORS – 1Q24

General Electric is in the later stages of its long transformation from an underperforming conglomerate into three focused, high quality, industry-leading businesses. Following the spin of its power business (GE Vernova) in early April, what remains is an aerospace that we have long believed to be the "crown jewel" of the company. The stock has done well as management has delivered on its commitment to split the company into three and dramatically improve the underlying performance of each asset.

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.

(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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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.

*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](http://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. 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 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. 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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International Distributions Services is a holding company with two operating companies facing very different situations. The Royal Mail division is well positioned but is in the process of a turnaround as it manages through severe labor problems. The structurally separate GLS division is stable and growing and is widely estimated to be worth >£4/share, implying >£1B negative value for the Royal Mail business. International Distributions' stock underperformed due to concerns regarding weak parcel volumes in the near term.

Magna International is the fifth largest global auto supplier. Magna has the capability to supply close to two thirds of a vehicle's content, including Auto2.0 technology. Magna reported Q4 earnings that were slightly below expectations in part due to a slowdown in electric vehicle production. As a result, Magna is pushing their 2025 financial targets to 2026. We believe these issues to be transitory.

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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.

**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 10 holdings** as of 3/31/24 as a % of the Fund's net assets: Ericsson 3.8%, F5 Inc. 3.8%, Elevance Health Inc. 3.4%, FIS 2.8%, CVS Health Corp. 2.7%, Medtronic PLC 2.6%, Accor SA 2.5%, Siemens AG 2.5%, Citigroup Inc. 2.4%, and Alphabet Inc. 2.4%; **Price-to-earnings (P/E)**-ratio for valuing a company that measures its current share price relative to its earnings per share; **GDP**-Gross Domestic Product; **Capex**-capital expenditure; **Free cash flow**-represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets.

Mutual fund investing involves risk. Principal loss is possible.  
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