GLOBAL VALUE FUND

HWGIX
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MANAGER REVIEW & ECONOMIC OUTLOOK

JUNE 30, 2020

MARKET COMMENTARY

The MSCI World Index returned +19.4% in the second quarter of 2020, recovering most of its first quarter decline; the index is -5.8% since the beginning of the year. During the quarter, economic activity began to rebound globally. Prices of risk assets, including equities, also benefited from aggressive central bank and government intervention. Volatility remained elevated, however, as the recovery remains uneven and uncertain, with the virus' continued presence complicating reopening efforts.

The MSCI World Growth Index outperformed the MSCI World Value Index by nearly 13 percentage points in the quarter (+25.5% vs. +12.6%). This extended growth's year-to-date advantage to more than 24 percentage points (+6.5% vs. -17.8%) and its three-year edge to 51 percentage points (+48.6% vs. -2.4%). The wide valuation gap between global growth and global value is approaching levels only previously observed during the late 1990's tech/growth bubble.

Our estimate of a company's intrinsic value is based on its earnings power over the long term, i.e. over a period of many years. If a company's earnings temporarily contract in any period—as will happen to many of our businesses due to the global pandemic and related recession—it should only modestly reduce our estimate of intrinsic value. The exception is when a company lacks the financial wherewithal to survive the contraction—something we work hard to avoid. We believe that the share price declines for many of our cyclical businesses have meaningfully outpaced the declines in intrinsic value. Meanwhile, companies that are largely insulated from COVID-19's reach, and those that benefit from it in the short term, have seen their stock prices rise considerably. Many of these companies traded at elevated valuations even before this period. We recognize the seriousness of the pandemic, including its extensive impact on the economy and capital markets; however, we view the market's response as myopic. While COVID-19 has taken a painful toll, both human and economic, we will get through it. When we do, we are confident that more rational economics will prevail, and valuations will revert toward more normal relationships—our clients are well positioned to potentially benefit from such a scenario.

Recently, the Business Cycle Dating Committee of the National Bureau of Economic Research ("NBER") declared February 2020 as the official start of a recession in the United States. This ended the 128-month expansion, which was the longest, though not the strongest period of sustained economic growth in the history of US business cycles, dating back to at least 1854. Since the Great Depression, the average recession has lasted less than a year. In the recovery following recessions, value has outperformed growth consistently and by a large margin. In the five-year period following a recession's end, value beat growth in *all* 14 recovery periods dating back to the Great Depression, with an average performance advantage of more than 50 percentage points. Value has demonstrated similar performance trends in international markets.*

The irrational gap between global growth and value indices represent an uncommon opportunity, but in our view, the true opportunity in today's market goes well beyond this simple relative incongruity. The opportunities within value are extraordinary. The portfolio trades at 6.4x normal earnings which is near record low levels compared to its history; this represents a significant discount to the MSCI World Index, which trades at 16.2x normal earnings.

ATTRIBUTION – 2Q20

The Hotchkis & Wiley Global Value Fund underperformed the MSCI World Index in the second quarter of 2020. The fund's value bias caused the underperformance as growth outperformed value considerably; the fund did outperform the MSCI World Value Index meaningfully. Relative to the broad benchmark, stock selection in technology and industrials detracted from performance. The overweight exposure to financials and underweight exposure to technology also hurt. Positive stock selection in real estate and financials helped performance, along with the underweight exposure to real estate and utilities. The largest individual detractors to relative performance in the quarter were General Electric, Wells Fargo, Tokio Marine Holdings, BAE Systems, and Embraer; the largest positive contributors were Magna International, AIG, Siemens, Royal Mail, and News Corp.

LARGEST NEW PURCHASES – 2Q20

Euronet Worldwide is a provider of electronic payment systems, with a network of ATMs, a money transfer business, and a digital media payment business. Core markets are sensitive to travel, and as a result are under pressure today. We believe that travel ultimately resumes and recovers. The business has a long runway for growth, a history of consistent execution, a good balance sheet, and strong leadership. The current share price does not reflect these qualities.

Evercore has built a strong investment banking advisory business that has consistently gained market share from its peers. The company has a clean balance sheet and the business model generates extremely high incremental returns and should be able to return most of its net income to shareholders. Concerns about a sharp decline in merger and acquisition advisory activity have pressured shares, but we believe that the company's earnings will recover.

(continued)

Hotchkis & Wiley

Popular, the largest bank in Puerto Rico, has a dominant market share of loans and deposits in the US territory. In addition to its leading share in Puerto Rico, it has a niche US regional banking business with operations primarily in Florida and New York City targeting the Hispanic market. As a result of this unique market position, the bank earns very high returns on its capital. The bank has substantial excess capital on its balance sheet, positioning it well to manage through the current environment.

PERFORMANCE (%) as of June 30, 2020

	QTR	YTD	1 Yr	3 Yr	5 Yr	Since 12/31/12
Global Value Fund – I Shares	15.46	-26.26	-20.42	-5.94	-0.68	4.30
MSCI World	19.36	-5.77	2.84	6.70	6.90	8.97
MSCI World Value	12.58	-17.78	-11.32	-0.81	2.21	5.25

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 1.32% for I Shares; 0.95% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 31, 2021. Expense ratios shown are 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. The "Largest New Purchases" section includes the three largest new security positions during the quarter/year based on the security's quarter/year-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/year, all new 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. Growth investing tends to work well during speculative, momentum-driven markets, while value investing tends to work well following recessionary periods. Past recessions and recoveries cannot predict future performance due to different factors and circumstances, including differences in US and international financial markets.

Market Disruption: The recent global coronavirus pandemic has caused and continues to cause disruption in the global economy, unprecedented business and travel disruption and extreme fluctuations in global capital and financial markets. H&W is unable to predict the consequences of the upheaval caused by coronavirus pandemic, which, depending on the severity and the length of the outbreak, has the potential to negatively impact the firm's investment strategies and reduce available investment opportunities.

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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. Price-to-Normal Earnings is the current market price per share divided by normalized earnings per share. Top ten holdings as of 6/30/20 as a % of the Fund's net assets: American Int'l Group 5.0%, General Electric Co. 4.7%, Microsoft Corp. 4.6%, Magna Int'l Inc. 3.0%, Oracle Corp. 2.9%, News Corp. 2.9%, Siemens AG 2.8%, Wells Fargo & Co. 2.5%, Tokio Marine Holdings Inc. 2.5% and Vodafone Group PLC 2.3%.

*Source: BofA, Dartmouth/Ken French Data Library, NBER. Value defined as highest 3 deciles of book to market/Growth as lowest 3 deciles of book to market.