

MARKET COMMENTARY

The MSCI World Index rose 7.7%, closing the second quarter of 2021 just shy of an all-time high. It is up +13.1% since the beginning of the year. While the threat of new COVID variants persists, vaccination levels increased and new cases slowed in most regions. Consequently, governments continued to ease closures/restrictions, accelerating economic activity around the globe. Manufacturing and labor markets showed signs of improvement, highlighting the potential for tight supply conditions. Consumer prices in the US rose at the fastest level in years. Brent crude oil touched \$76/barrel, its highest level in more than two years. Corporate earnings continued to show strength, with 77% of MSCI World companies outperforming consensus expectations.

The yield on most developed market government bonds fell during the quarter (Germany Bunds were a slight exception), particularly for long-dated bonds. Real estate was among the top-performing sectors in the MSCI World index as REITs often trade inversely to interest rates, though at 2.7% it entered the quarter as the index's smallest sector. Technology was the top-performing sector. The 8 largest individual contributors for the MSCI World were all technology-driven companies, though technically 3 of them reside in other sectors (Google and Facebook = communication services; Amazon.com = consumer discretionary; the others were Microsoft, Apple, Nvidia, PayPal, and Adobe). Utilities was the only sector that declined in the quarter, though industrials, materials, and consumer staples also lagged.

The MSCI World Growth Index outperformed the MSCI World Value Index (+10.9% vs. +4.7%) in the second quarter. This does not mean that value's recent, limited stretch of outperformance has come to an end. Nearly all prolonged value-led markets contain stints when growth outperforms value. In perhaps the strongest value rally ever, for example, the MSCI World Value outperformed the MSCI World Growth by 78 percentage points from March 2000 through December 2006. However, growth outperformed value in more than one-third of those months (31 out of 82 months).

We continue to observe value spreads that are considerably wider than average. So too is the spread between the portfolio and the value benchmark, which means the spread between the portfolio and either the core or growth index is extreme. We believe this bodes well going forward as value relationships normalize. We continue to focus on companies trading at large discounts to intrinsic value but that have strong balance sheets, quality businesses, and employ appropriate corporate governance—a combination that we believe should continue to benefit our clients.

Portfolio managers' opinions and data included in this commentary are as of June 30, 2021 and are subject to change without notice. Any forecasts made cannot be guaranteed. 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. **Diversification does not assure a profit nor protect against loss in a declining market. Past performance is no guarantee of future results.**

ATTRIBUTION – 2Q21

The Hotchkis & Wiley Global Value Fund underperformed the MSCI World Index in the second quarter. The Fund's value focus hurt performance relative to the broad benchmark as global growth stocks outperformed global value stocks by a wide margin. The Fund modestly underperformed the MSCI World Value Index. Relative to the broad benchmark, stock selection in technology and communication services detracted from performance, along with the overweight position in industrials. Positive stock selection in energy and consumer staples, along with the lack of exposure to utilities helped. The largest detractors to performance were F5 Networks, Discovery, Euronet Worldwide, Citigroup, and General Electric; the largest positive contributors were Wells Fargo, Heineken, Hess, Royal Mail, and Oracle.

LARGEST NEW PURCHASES – 2Q21

Babcock International Group is a U.K. government outsourcer with a focus on Ministry of Defense (MoD) contracts. Babcock's 35k employees generally perform complex technical work with high barriers to entry and limited competition. The business saw productivity—and as a result margins—decline due to COVID-related health and safety measures put in place. Additionally, a few of Babcock's key end markets, mainly Training and Aviation, have experienced depressed demand. With new leadership refocusing the business, we expect a significant recovery in profitability. Trading around 6x our view of normal earnings, we believe this is an attractive opportunity.

CVS Health operates fast growing insurance and pharmacy benefit management businesses. These well-positioned businesses should deliver strong earnings growth. Yet the value of these assets has been overshadowed by concerns regarding CVS' front-end retail business. While the headwinds facing retail are real, this business is ultimately a very small piece of CVS Health's value. We believe that CVS Health's sum-of-the-parts valuation is attractive.

Gruma is the world's largest tortilla and corn flour company. It competes in a small but growing category that benefits from favorable secular trends. The Company's brands are well-positioned: nearly all of Gruma's business has #1 or #2 market positions. Gruma is unusual among Mexican consumer staples companies in that 75% of its sales and profits are earned outside of Mexico in hard currency rather than pesos, with the U.S. representing more than half of EBITDA. The balance sheet is healthy, cash flow generation strong, and we trust management to be good stewards of shareholder value.

PERFORMANCE (%) as of June 30, 2021

	QTR	YTD	1 Yr	3 Yr	5 Yr	Since 12/31/12
Global Value Fund – I Shares	4.56	21.34	63.58	7.50	11.74	9.97
MSCI World	7.74	13.05	39.04	14.99	14.83	12.14
MSCI World Value	4.71	14.72	37.91	8.43	9.82	8.65

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 Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard & Poor's Financial Services, LLC ("S&P") and is licensed for use by Hotchkis & Wiley ("H&W"). All rights reserved. Neither S&P nor MSCI is liable for any errors or delays in this report, or for any actions taken in reliance on any information contained herein. 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.

Market Disruption: The global coronavirus pandemic has caused 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 has the potential to negatively impact the firm's investment strategies and 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. Top ten holdings as of 6/30/21 as a % of the Fund's net assets: Wells Fargo & Co. 4.9%, American Int'l Group 4.6%, General Electric Co. 4.4%, Anthem Inc. 4.0%, F5 Networks Inc. 3.5%, Microsoft Corp. 3.2%, Credit Suisse Group AG 3.1%, Royal Mail PLC 2.9%, Euronet Worldwide 2.8%, and BAE Systems PLC 2.7%. **Extraordinary performance is attributable in part due to unusually favorable market conditions and may not be repeated or consistently achieved in the future.**

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