GLOBAL VALUE FUND

HWGIX
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MANAGER REVIEW & ECONOMIC OUTLOOK

JUNE 30, 2022

MARKET COMMENTARY

The MSCI World Index declined -16.2% in the second quarter of 2022. The MSCI World Value Index declined -11.6% while the MSCI World Growth Index declined -21.2%.

Several economic developments in the quarter sparked fears of a recession. Real US gross domestic product (GDP) was -1.6% quarter-over-quarter (1Q), the war in Ukraine showed little signs of abating, the Consumer Price Index increased 8.6% year-over-year, and an increasingly hawkish Federal Open Market Committee raised the Fed Funds rate by 125 basis points via two hikes (from 0.5% to 1.75%). The Fed signaled further rate increases going forward to combat the highest inflation level in more than 40 years.

Inflation continues to be a global phenomenon on extended supply chain disruptions and the ongoing conflict in Ukraine. Eurozone inflation hit 8.6%. France and Spain experienced new inflation records in June, while Germany remained elevated. Elsewhere, inflation in Australia and Canada continues to accelerate. The Reserve Bank of Australia raised interest rates by the most in 22 years, while the Bank of Canada hiked their key interest rate by the most since 1994. United Kingdom inflation rose to a 9.1% rate, the highest in 40 years. Higher rates are generally bad for equities. It becomes more costly to borrow, increasing the cost of capital, which is the rate used to discount future cash flows. Higher rates impair long-duration equities disproportionately because most of the intrinsic value is derived from a terminal value estimate far into the future. In general, growth stocks are longer duration securities than value stocks. Unsurprisingly, value has historically outperformed growth in periods of elevated inflation and interest rates.

Despite value's recent outperformance, the valuation spread between growth and value remains wide because the spread at the period's outset was extreme. The MSCI World Value trades at 11x forward P/E (consensus FY1) compared to the MSCI World Growth at 19x. At both a forward and normal P/E of 10x or less, the portfolio trades at an even larger discount. We believe these large spreads and the macroeconomic backdrop should continue to benefit value relative to growth, which should be a conducive environment for our investment approach.

ATTRIBUTION – 2Q22

The Hotchkis & Wiley Global Value Fund outperformed the MSCI World Index in the second quarter of 2022 but underperformed the MSCI World Value Index. Relative to the primary benchmark, overweights and stock selection in financials and energy contributed positively to performance. Positive stock selection and underweights in consumer discretionary and technology also helped. Stock selection in communication services detracted from performance, as did our underweights in health care, consumer staples, and utilities. The largest positive contributors to relative performance in the quarter were Cenovus Energy, Suncor Energy, BAE Systems, Elevance Health, and FedEx; the largest detractors were General Electric, Warner Bros Discovery, F5, General Motors, and Credit Suisse.

LARGEST NEW PURCHASES – 2Q22

Koninklijke Philips NV, once a sprawling conglomerate, Philips today is a leaner and more focused business. The company is a leading provider of diagnostic imaging equipment and is well positioned in several important fast-growing niches such as Cardio-Ultrasound and Cath Lab. The company is trading at a deep discount due to a voluntary product recall of certain CPAP, BiPAP, and Mechanical Ventilator devices. Since then, the FDA has required numerous extensive tests of their facilities and shareholders are becoming increasingly worried about these issues and the potential for related litigation. We believe that the reports, although serious, affect only a miniscule number of overall machines and expect earnings to recover strongly once these issues are resolved.

Samsung Electronics is a diversified technology company with leading positions in memory, display panels, mobile phones, tablets, PCs, networking, consumer electronics, and appliances. However, the crown jewel of the company is its semiconductor business, representing approximately 50-70% of earnings before interest and taxes (EBIT) in most years. Samsung is the scale player in this oligopoly industry characterized by improving revenue and growth prospects. Samsung trades at a low multiple of normalized earnings and has a net cash balance sheet.

Workday is a leader in cloud-based enterprise application software for back-office business functions including human capital management and financials. Back-office software is the least cloud-penetrated category of enterprise applications, which we believe gives Workday a long growth runway. In addition, Workday's formidable competitive advantages result in impressive unit economics that should support a robust mid-30s EBIT margin at maturity. Despite these quality characteristics, Workday's stock is down 45% YTD and now trades at a sizeable discount to its estimated fair value.

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PERFORMANCE (%) as of June 30, 2022

	QTR	YTD	1 Yr	3 Yr	5 Yr	Since 12/31/12
Global Value Fund – I Shares	-14.65	-15.56	-11.86	4.69	3.71	7.44
MSCI World	-16.19	-20.51	-14.34	7.00	7.67	9.00
MSCI World Value	-11.59	-12.16	-6.63	4.52	4.67	6.93

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.

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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.

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.

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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 6/30/22 as a % of the Fund's net assets: General Electric Co. 4.8%, F5 Inc. 3.9%, American Int'l Group Inc. 3.6%, Citigroup Inc. 3.5%, Microsoft Corp. 3.1%, Euronet Worldwide Inc. 3.0%, Alphabet Inc. 2.9%, Oracle Corp. 2.8%, CVS Health Corp. 2.5%, and Tokio Marine Hldgs Inc. 2.5%.

Real gross domestic product (GDP) is the inflation adjusted value of the goods and services produced by labor and property located in the US. The Consumer Price Index is a measurement of US prices for household goods and services. Earnings before interest and taxes (EBIT) is a measure of a company's profitability based on its core operations. Spread is the difference between valuations of value and growth stocks. Basis point is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument. Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g., depreciation) and interest expense to pretax income. Normal Price/Earnings is the current market price per share divided by normalized earnings per share. Forward Price/Earnings (fiscal year) is the projected P/E ratios of the companies invested in the portfolio, which ratios represent current market price per share divided by a company's estimated future earnings-per-share. Projected earnings are consensus analyst forecasts; actual P/E ratios may differ from projected P/E ratios. **A company's forecasted, or estimated, earnings made by analysts or by the company itself. Forward earnings differ from trailing earnings (which is the figure that is quoted more often) in that they are a projection and not a fact.**