GLOBAL VALUE FUND

HWGIX
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MANAGER REVIEW & ECONOMIC OUTLOOK

SEPTEMBER 30, 2022

MARKET COMMENTARY

The MSCI World Index declined -6.2% in the third quarter of 2022. The MSCI World Value Index declined -7.3% while the MSCI World Growth Index declined -5.1%.

Investors continued to grapple with elevated inflation and the Fed's hawkish action and sentiment. The latest Consumer Price Index (CPI) reading was 8.3% year-over-year, which was slightly above consensus forecasts but below the 40-year high reached in June (9.1%). Energy prices declined, with WTI crude oil falling from $106/barrel to $79/barrel over the course of the quarter. The most recent Core CPI reading, which excludes food and energy, increased slightly from the beginning of the quarter (6.3% from 5.9%). To combat inflation, the Federal Open Market Committee continued to raise interest rates. It increased the Fed Funds Target Rate by 150 basis points via two hikes in the quarter. The target rate now stands at 3.25% (upper bound), a full 3 percentage points higher than where the year began (0.25%). Market implied expectations are for the rate to exceed 4% by year-end.

The economy demonstrated mixed signals. Second quarter real gross domestic product (reported in the third quarter) contracted -0.6% quarter-over-quarter. The ISM Manufacturing PMI declined to 50.9 from over 60 in late 2021 (a reading above 50 indicates expansion, below 50 contraction). The ISM Services PMI was 56.7, slightly higher than at the beginning of the quarter. Unemployment and initial jobless claims remain low. Reported corporate earnings were strong, with 78% of S&P 500 companies exceeding analyst expectations. Lower forward guidance was a common theme, however. Many management teams have been pointing to inflation, continued supply constraints, and the stronger dollar as near-term profitability headwinds.

Inflation also remains stubbornly high across most European economies, thanks largely to higher fuel costs. Eurozone inflation hit 9.1% for the month of August (the latest available data), and several European countries are now at double-digit inflation. Meanwhile, coordinated monetary tightening by central banks across the world is resulting in slowing economic growth and the higher likelihood of a global recession. Central banks are caught in a tough position. Gas prices have more than doubled over the past year, and the recent disruption to the Nord Stream 1 pipeline, Russia's largest gas pipeline to Europe, is likely to exacerbate the inflation situation.

While the MSCI World Index trades at a discount to its average historical valuation, it is not average across all sectors uniformly. We find few attractive opportunities in non-cyclical sectors like Consumer Staples and Utilities. Both trade at valuations considerably richer than is typical. While we are attracted to the relative stability of the underlying businesses, we are unwilling to invest at current valuations for sectors that are perpetually slow growing. We are attracted to select technology companies that trade at better valuations and grow faster. Many of these businesses also have great balance sheets and are less economically sensitive than generally believed.

We continue to find attractive opportunities in Energy. There has been massive underinvestment in new energy projects. These projects take a long time, i.e., years, to produce oil and gas, so even if investment ramps up, we appear poised for a supply shortage for some time. This should keep upward pressure on commodity prices and benefit energy companies' earnings and cash flow. Eventually this is likely to balance but this could be well into the future. In the meantime, the overearning and above normal cash flow puts energy companies in a position to return a lot of capital to shareholders. Retiring shares at attractive valuations is accretive to earnings per share and makes these companies even more attractively valued. We also remain partial to banks, which trade at significant discounts to the market and to their own history. Banks are also returning a lot of capital to shareholders and are one of very few industries than can benefit from rising interest rates. The substantial excess capital on their balance sheets should enable banks to withstand an economic downturn without requiring dilutive capital raises.

ATTRIBUTION – 3Q22

The Hotchkis & Wiley Global Value Fund underperformed the MSCI World Index in the third quarter of 2022. On a sector basis, stock selection in Information Technology, Energy, Consumer Discretionary, and Industrials detracted from relative performance. Conversely, the underweight in Real Estate, along with the overweight positions in Energy, Financials, and Industrials contributed positively to performance. The largest positive contributors to relative performance in the quarter were Workday, UniCredit, Cummins, AMERCO, and CVS Health; the largest detractors were FedEx, Euronet Worldwide, Royal Mail, Accor, and Vodafone.

LARGEST NEW PURCHASES – 3Q22

Kosmos Energy is an independent offshore exploration & production company with valuable producing assets, an underappreciated liquefied natural gas discovery, and additional opportunities to reinvest capital at advantaged rates of return. In addition to possessing significant tangible assets, we believe that the company's exploration capabilities are growing in importance as the number of companies with comparable expertise declines. Kosmos trades at a discount to the net present value of its producing assets, with the market completely ignoring the other valuable pieces of the business.

Lloyd's Banking Group is the largest UK bank by market share with 20-25% of the UK domestic deposit and lending market. The UK banking market is well structured with the four largest banks controlling 60%-75% of the market depending on the product. After a long and drawn-out restructuring program, we think the bank is positioned to grow in value regardless of the rate environment. That said, we believe Lloyd's will be a significant beneficiary of rising rates. Meanwhile, the bank's conservative lending standards, as evidenced by the average loan-to-value on its mortgage book in the low 40s, should protect the balance sheet during difficult economic periods.

(continued)

Hotchkis & Wiley

Ovintiv is an E&P with a diversified set of cash flowing assets, the value of which we feel is being deeply underpriced by the market today. Following a period of aggressive deleveraging, the company is not increasing its returns to shareholders, an activity that we believe is highly accretive at the current share price.

PERFORMANCE (%) as of September 30, 2022

	QTR	YTD	1 Yr	3 Yr	5 Yr	Since 12/31/12
Global Value Fund – I Shares	-9.49	-23.58	-19.72	1.80	0.70	6.15
MSCI World	-6.19	-25.42	-19.63	4.56	5.30	8.05
MSCI World Value	-7.25	-18.53	-12.67	1.76	2.21	5.93

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.

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.

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 9/30/22 as a % of the Fund's net assets: General Electric Co. 5.0%, F5 Inc. 4.2%, American Int'l Group Inc. 3.6%, Microsoft Corp. 3.6%, Oracle Corp. 3.2%, Citigroup Inc. 3.0%, Euronet Worldwide Inc. 2.9%, Alphabet Inc. 2.8%, CVS Health Corp. 2.6%, and Wells Fargo & Co. 2.5%.

Net present value is the difference between the present value of cash inflows and the present value of cash outflows over a period of time. Real gross domestic product 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. 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.