GLOBAL VALUE FUND

HWGIX
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MANAGER REVIEW & ECONOMIC OUTLOOK

DECEMBER 31, 2022

MARKET COMMENTARY

The MSCI World Index increased 9.8% in the fourth quarter of 2022. The MSCI World Value Index increased 14.7% while the MSCI World Growth Index increased 4.7%.

In calendar year 2022, the global economy and capital markets experienced numerous milestones that had not been observed for quite some time. The MSCI World declined -18.1%, its worst annual performance since the Great Financial Crisis. Value stocks declined but held up much better than growth stocks. The MSCI World Value declined -6.5% compared to the MSCI World Growth's -29.2% decline. The more than 22 percentage point difference represented value's largest advantage since 2000. Considering the still wide valuation gap and value's significant outperformance in periods of elevated/rising inflation and interest rates, we are optimistic that value's outperformance can persist. Expectations for future corporate earnings are roughly flat, thus the stock market's decline in 2022 was entirely due to a compression in valuation multiples as opposed to an actual or expected decline in earnings.

Volatility was not confined to the equity markets. U.S. 10-year treasury yields peaked above 4% for the first time in more than a decade; 30-year mortgage rates peaked above 7% for the first time in more than 2 decades; and yields (and spreads) on corporate credit also increased significantly.

U.S. inflation peaked midyear at 9.1%, the highest reading in more than 40 years[1]. Inflationary pressures elsewhere appear to have peaked in recent months as well, although it may be too soon to take a victory lap. Central banks have increased interest rates aggressively and have signaled a willingness to do more. There are concerns that these actions could lead the global economy into a recession.

Forecasting economic growth and/or predicting recessions is not our expertise. We do, however, fully acknowledge current warnings signs, e.g., continued Fed tightening and an inverted yield curve. Two things providing solace in the event of an economic slowdown are modest financial leverage and attractive valuations. There are fewer excesses in the system compared to prior recessionary periods like 2008. Unlike then, balance sheets of both consumers and financial institutions are quite strong today. Further, equity valuations are reasonable, and in select market segments, unusually attractive. A strong argument could be made that a recession is already priced into equity markets, at least in certain market segments, which is different compared to recessionary periods like 2002. While several signs point to an economic slowdown, several others suggest that the severity would be manageable and/or much of the pain has already been felt.

The MSCI World Energy sector returned +48% in 2022, the best-performing sector by substantial margin. All other MSCI World sectors were negative for the year. Crude oil is a depleting resource/commodity. Put simply, when oil is extracted from a well, that well now contains less oil, and what remains is increasingly difficult to extract. As a result, wells produce less oil as they age, the pace of which is called its *decline rate*. To maintain flat production, therefore, companies must invest considerable sums in new projects to replace these wells' declining production. To *increase* production, these investments need to be substantial. In recent years, however, energy companies have spent unusually little on new production, instead using cash flows to pay down debt and/or return to shareholders. Our view has been, and continues to be, that this lack of investment will create a situation where supply, i.e., production, is unable to keep pace with global demand. This imbalance keeps the price of oil elevated and facilitates strong free cash flows for energy companies. Much of the cash flow is earmarked for share repurchases, which is accretive to earnings per share. Capital expenditures, i.e., new investments, have increased recently, but it takes a long time for such investments to result in actual production. Thus, this imbalance could persist for some time. Meanwhile, energy stocks' valuations remain compelling even after the impressive performance because they are coming from such a low base. Free cash flow yields are well into the teens, hence our continued overweight.

Financials represents the portfolio's largest weight. Our thesis on Financials is straightforward—it is the most attractively valued sector in the portfolio. The sector trades at notable discounts to other parts of the market and relative to its own history, despite balance sheets that are well positioned to withstand a potential economic slowdown. Our positions are focused on companies with difficult-to-replicate franchises that should earn returns well above their cost of capital. Information Technology represents the portfolio's second largest sector weight. The valuation multiples of the portfolio's technology positions are higher than those in financials and energy, but still attractive given the quality of the business, attractive balance sheets, and the appealing growth prospects. These businesses deserve valuation multiples well above the market average, yet often trade at modest discounts, thus significantly below their intrinsic values.

ATTRIBUTION – 4Q22 & 2022

The Hotchkis & Wiley Global Value Fund outperformed the MSCI World and MSCI World Value indices in the fourth quarter of 2022. Relative to the broad index, stock selection in Industrials, Information Technology, and Consumer Discretionary contributed positively to relative performance. The overweights to Financials, Energy, and Industrials also contributed positively. Conversely, stock selection and the underweight in Health Care detracted, along with the underweight in Materials. Stock selection in Communication Services also detracted modestly. The largest positive contributors to relative performance in the quarter were General Electric, AIG, Oracle, UniCredit SpA, and NOV; the largest detractors were Warner Bros. Discovery, F5 Inc., Popular, Alphabet, and CVS Health.

The Fund outperformed the MSCI World Index over calendar year 2022. The overweight position and positive stock selection in Energy led the outperformance. The overweight in Financials, along with stock selection in Information Technology also contributed positively. Conversely, the underweight position and stock selection in Consumer Staples detracted from relative performance, as did the underweights in Health Care, Materials, and Utilities.

[1]US Consumer Price Index Urban Consumer year-over-year, not seasonally adjusted

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PERFORMANCE (%) as of December 31, 2022

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/12
Global Value Fund – I Shares	15.60	-11.66	-11.66	3.62	3.07	7.54	7.54
MSCI World	9.77	-18.14	-18.14	4.94	6.14	8.85	8.85
MSCI World Value	14.74	-6.52	-6.52	4.06	4.12	7.24	7.24

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.

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 12/31/22 as a % of the Fund's net assets: General Electric Co. 5.0%, F5 Inc. 4.0%, Oracle Corp. 3.6%, American Int'l Group Inc. 3.6%, Microsoft Corp. 3.5%, Euronet Worldwide Inc. 3.2%, Ericsson 3.0%, Citigroup Inc. 2.9%, Popular Inc. 2.6%, and FedEx Corp. 2.6%.

Spread is the percentage point difference between yields of various classes of bonds compared to treasury bonds. Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g., depreciation) and interest expense to pretax income. Free cash flow represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets. Free cash flow yield measures how much free cash flow is available in relation to a company's market capitalization.