

# GLOBAL VALUE FUND

## MANAGER REVIEW & ECONOMIC OUTLOOK

HWGIX | HWGAX



### PERFORMANCE (%) as of December 31, 2023

|                              | QTR   | YTD   | 1 Yr  | 3 Yr  | 5 Yr  | 10 Yr | Since 12/31/12 |
|------------------------------|-------|-------|-------|-------|-------|-------|----------------|
| Global Value Fund – I Shares | 12.51 | 27.89 | 27.89 | 12.69 | 12.12 | 6.91  | 9.25           |
| MSCI World                   | 11.42 | 23.79 | 23.79 | 7.27  | 12.80 | 8.60  | 10.13          |
| MSCI World Value             | 9.30  | 11.51 | 11.51 | 8.33  | 8.87  | 5.89  | 7.62           |

*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](http://www.hwcm.com).*

The Fund's total annual operating gross expense ratio as of the most current prospectus is 1.25% for I Shares; 0.95% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2024. 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.

### MARKET COMMENTARY

The MSCI World Index increased 11.4% in the fourth quarter of 2023. The MSCI World Growth Index increased 13.4% while the MSCI World Value Index increased 9.3%. The strong fourth quarter extended the MSCI World calendar year 2023 return to +23.8%. This represents a full recovery from its decline in the prior calendar year. The index's two-year return is a modest +0.7% annualized.

Global stocks ended the fourth quarterly sharply higher as economic growth remained resilient and recessionary fears eased as investors cheered reduced inflation readings. The U.S. federal government narrowly avoided a shutdown in November, which would have left government employees furloughed and put U.S. debt at risk of a ratings downgrade by Moody's. The U.S. Federal Reserve left interest rates unchanged in December and took a more dovish stance, signaling up to three rate cuts in 2024. The European Central Bank also signaled it was done with raising interest rates. As a result, key benchmark rates across the globe fell sharply in Q4 and ended the year roughly where they began.

The MSCI World Index increased 23.8% for the year, with growth sharply outperforming value (+37.0% for the MSCI World Growth Index vs +11.5% for the MSCI World Value Index). All eleven GICS sectors were positive for the year, led by technology (+58.2%), communication services (+46.1%), and consumer discretionary (+36.7%). Utilities (+1.0%), consumer staples (+2.6%), and energy (+3.5%) were relative laggards. The strong performance of growth stocks helped to drive the valuation gap between the MSCI World Growth and MSCI World Value wider during the year, expanding from 8.9x at the close of 2022 to 11.8x by the end of 2023<sup>1</sup>. Much of the outperformance of growth stocks in recent years has been driven by multiple expansion, which cannot continue indefinitely.

Historical evidence reinforces the notion that during transformative economic landscapes our investment style can embark on a significant and lasting period of outperformance. Our portfolio trades at a large discount to both the broader market and the value index, and also at a lower P/E multiple than its own historic average. We hold steady in our commitment to the principles of value investing and remain prudent in our search for new ideas in an ever-changing environment. With a resilient team, a healthy firm, and an optimistic outlook, we believe our clients will be duly rewarded for our dedication and efforts. As we eagerly anticipate the new year, our enthusiasm remains undiminished, ready to navigate evolving markets and capture opportunities on behalf of our clients.

### ATTRIBUTION ANALYSIS – 4Q23 & 2023

The Hotchkis & Wiley Global Value Fund outperformed the MSCI World and MSCI World Value indices in the fourth quarter of 2023. Relative to the broad index, stock selection in financials, healthcare, and technology contributed positively to relative performance. The underweight in consumer staples also contributed positively. Conversely, the overweight and stock selection in energy detracted during the quarter. Stock selection in communication services also detracted, as did the underweight in technology.

The Fund outperformed the MSCI World Index in calendar year 2023. Stock selection in financials and industrials contributed the most to relative outperformance. The underweight and stock selection in consumer staples also contributed positively, as did the underweight positions in healthcare, utilities, materials, and real estate. Conversely, stock selection and the underweight in technology detracted from relative performance. Stock selection and the overweight in energy also detracted, as did stock selection in communication services and consumer discretionary.

(continued)

<sup>1</sup> Source: Bloomberg. Based on FY2 price-to-earnings ratio.

Portfolio managers' opinions and data included in this commentary are as of December 31, 2023 and are subject to change without notice. Any forecasts made 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.**

### LARGEST INDIVIDUAL CONTRIBUTORS – 4Q23

Ericsson (ERIC) is a vendor of hardware and software needed to operate wireless networks. This business is effectively an oligopoly, and we believe margins should be better than they have been historically. Ericsson's stock rallied in December following AT&T's announcement of a multi-year deal with Ericsson to deploy commercial scale Open Radio Access Network (Open RAN) in the US.

Siemens AG (SIE) is a global leader in electrical engineering. The company focuses on industry (automation, software and drives), healthcare, and infrastructure (transport, building technologies, power distribution). Siemens trades at a discount to the market and a significant discount to competitors due to its complexity and conglomerate discount. In Q4, the company reported strong earnings including record high profits in all industrial businesses as well as robust cash generation. Additionally, management increased the dividend and launched a new €6B share repurchase program.

Popular (BPOP) is the largest bank in Puerto Rico with a dominant market share of loans and deposits in the territory. Popular is a very well positioned and profitable bank with substantial excess capital. Bank stocks rallied in the quarter as the market began to anticipate interest rate cuts, which could be supportive to bank net interest margins. The bank also announced a quarterly dividend increase of nearly 13% during the quarter.

### LARGEST INDIVIDUAL DETRACTORS – 4Q23

Kosmos Energy Ltd. (KOS) is a misunderstood E&P company focused on the discovery and production of offshore oil and gas resources. The current valuation does not reflect the value of the company's existing production, let alone the company's LNG development that is scheduled to come on-stream early next year. This, coupled with higher energy prices, should prove to be positive for their future earnings and free cash flow. Performance

was impacted by guidance for FY 2023 which indicated temporarily lowered production figures and higher costs as they pulled forward 2024 capex spend into 2023. Additionally, they announced a delay in the start-up of their LNG development. This, paired with declining commodity prices, led to negative performance over the period.

APA Corp. (APA) is an independent E&P operating in the North Sea, onshore in Egypt, and in the Midland and Delaware basins in the Permian, as well as in Suriname through a JV with Total offshore. APA's asset portfolio offers an attractive mix of relatively defensive cash flows (thanks to production sharing contracts and relatively modest corporate production decline rate) but with the potential for attractive incremental reinvestment returns (Suriname). APA underperformed during the quarter, as it traded down in sympathy with lower oil and gas prices.

FedEx (FDX) delivers millions of parcels per day to more than 99% of the world's GDP including 220 countries and every address in the US and operates the largest less-than-truckload freight network in North America. FedEx has faced multiple headwinds in recent years: a mix shift toward less profitable B2C packages is pressuring Ground, a challenging integration of TNT is pressuring Express, and a deteriorating global macro environment is leading to volume declines across all segments. These headwinds are meaningful but should be temporary. ROIC and FCF should further improve under new management who are committed to reducing capex intensity and increasing shareholder returns. FedEx underperformed during the quarter, as the company cut its FY2024 sales outlook on a weaker than expected demand environment.

*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](http://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. Equities, bonds, and other asset classes have different risk profiles, which should be considered when investing.*

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. 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. Certain information presented based on proprietary or third-party estimates are subject to change and cannot be guaranteed. Information obtained from independent sources is considered reliable, but H&W cannot guarantee its accuracy or completeness.

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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.

**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.

**Top 10 holdings** as of 12/31/23 as a % of the Fund's net assets: Ericsson 4.9%, F5 Inc. 4.0%, Elevance Health Inc. 3.7%, CVS Health Corp. 3.0%, Siemens AG 2.6%, Fidelity Nat'l Information Svcs Inc. 2.6%, American Int'l Group Inc. 2.5%, Medtronic PLC 2.5%, GE Healthcare Technologies Inc. 2.3%, and General Motors Co. 2.3%; **Price-to-earnings (P/E)**-ratio for valuing a company that measures its current share price relative to its earnings per share; **GDP**-Gross Domestic Product; **Capex**-capital expenditure; **E&P**-exploration and production; **Free cash flow**-represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets; **GICS**-Global Industry Classification Standard; **LNG**-Liquefied natural gas.

Mutual fund investing involves risk. Principal loss is possible.  
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