

INTERNATIONAL VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWNIX

MARCH 31, 2022

MARKET COMMENTARY

The MSCI World ex-USA Index declined -4.8% in the first quarter of 2022. The MSCI World ex-USA Value Index returned +1.6% while the MSCI World ex-USA Growth Index declined -11.0%. 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 ex-USA Value Index trades at 10x forward P/E (consensus FY1) compared to the MSCI ex-USA World Growth Index at 20x.

Inflation data globally continues to accelerate. Eurozone CPI hit 7.5%, while the United Kingdom rose to 6.3%. Russia's invasion of Ukraine fueled inflation worries further. Sanctions and trade disruption created supply shocks, putting inflationary pressures on significant Russian exports like oil, natural gas, and metals—each experienced meaningful price increases in the period. Brent crude oil increased by 37%, finishing the quarter at \$104/barrel, while European natural gas futures rose +61%. Our view has been that the lack of investment in new energy projects/production would create an imbalance once demand recovered to pre-pandemic levels; the resulting supply shortage would put upward pressure on energy prices. While this continues to be our view, Russia's invasion of Ukraine has exacerbated the situation. Russia is the world's 11th largest economy, representing just 2% of global GDP. It is the world's largest exporter of natural gas; however, and the third-largest exporter of crude oil. Russia provides more than 40% of Europe's natural gas and more than 25% of its oil.

Europe is particularly impacted by rising energy costs, and a prolonged conflict in Ukraine increases the odds of a sustained inflation overshoot, resulting in a more hawkish tone by the ECB. Meanwhile, the Bank of England raised its key interest rate for a third time since December despite acknowledging a gloomier economic outlook stemming from the conflict in Ukraine. The Bank of Canada also raised its overnight interest rate by 25 points in March and is projected to raise it by another 50 basis points at its next policy meeting in April. Higher interest rates are generally bad for equities because it increases the cost of capital and makes fixed income investments a more appealing alternative. It is typically less bad for value than growth for two primary reasons. First, financials represent the lone sector that benefits from rising rates (higher earnings), and financials comprise significantly larger portions of value portfolios/indexes. Second, value equities are shorter duration securities than growth equities. In a discounted cash flow analysis, the terminal value estimate represents the lion's share of a conventional growth

stock's value, whereas a conventional value stock will generate meaningful cash flows sooner. We believe the large valuation spreads and macroeconomic backdrop should continue to benefit value relative to growth, which should be a conducive environment for our investment approach.

ATTRIBUTION – 1Q22

The Hotchkis & Wiley International Value Fund outperformed the MSCI World ex-USA Index in the first quarter of 2022 by a considerable margin. The overweight and stock selection in energy was the largest positive contributor, by far. The portfolio's energy positions returned +36% as a group compared to the MSCI World ex-USA's energy return of +21%. Positive stock selection in consumer discretionary and industrials also helped. Stock selection in financials and consumer staples detracted from performance in the period. The largest positive contributors to relative performance in the quarter were Kosmos Energy, BAE Systems, Schlumberger, Suncor Energy, and Cenovus Energy; the largest detractors were Royal Mail, ING Groep, UniCredit, Credit Suisse, and Societe Generale.

LARGEST NEW PURCHASES – 1Q22

Samsung 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 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 normal earnings power and has a net cash balance sheet

Portfolio managers' opinions and data included in this commentary are as of March 31, 2022 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.**



INTERNATIONAL VALUE FUND

HWNIX

MANAGER REVIEW & ECONOMIC OUTLOOK

MARCH 31, 2022

PERFORMANCE (%) as of March 31, 2022

	QTR	YTD	1 Yr	3 Yr	5 Yr	Since 12/31/15
International Value Fund – I Shares	-2.82	-2.82	3.51	8.14	4.24	5.96
MSCI World ex-USA	-4.81	-4.81	3.04	8.55	7.14	7.25
MSCI World ex-USA Value	1.55	1.55	6.18	6.29	4.86	5.99

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 5.13% for I Shares; 0.95% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 31, 2022. 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.

Equities, bonds, and other asset classes have different risk profiles, which should be considered when investing. 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 ex-USA 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.

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. MSCI makes no

express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. See www.hwcm.com for full disclaimer.

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 ex-USA Index is a free float-adjusted weighted index capturing large and mid cap stocks. The MSCI World ex-USA Value and MSCI World ex-USA Growth Indices are free float-adjusted weighted indices capturing large and mid cap stocks, exhibiting overall value or growth style characteristics, respectively. The MSCI indices represent stocks across 22 of 23 Developed Markets (DM) countries, excluding the United States 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 3/31/22 as a % of the Fund's net assets: Ericsson 4.2%, Accor SA 4.1%, Tokio Marine Hldgs Inc. 3.7%, CNH Industrial N.V. 3.4%, Credit Suisse Group AG 3.3%, Kosmos Energy Ltd. 3.2%, Airbus SE 3.1%, BAE Systems PLC 3.1%, BNP Paribas SA 3.1%, and Suncor Energy Inc. 2.9%.

Spread is the difference between valuations of value and growth stocks. **Cash flow** measures the cash generating capability of a company by adding non-cash charges (e.g., depreciation) and interest expense to pretax income. **Basis point** is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument. **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.**

Mutual fund investing involves risk. Principal loss is possible.
NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE
The Hotchkis & Wiley Funds are distributed by Quasar Distributors, LLC

WWW.HWCM.COM