

# INTERNATIONAL VALUE FUND

## MANAGER REVIEW & ECONOMIC OUTLOOK

HWNIX

MARCH 31, 2023

### MARKET COMMENTARY

The MSCI World ex-USA Index returned +8.0% in the first quarter of 2023. The MSCI World ex-USA Value Index increased +5.6%, while the MSCI World ex-USA Growth Index increased +10.5%.

Global equity markets have proven to be resilient despite signs of an economic slowdown and volatility within the banking industry. Performance was quite strong across most of the developed world in the first quarter of 2023, with many countries across Western Europe experiencing double-digit returns, led by Netherlands (+16.6%), Spain (+15.6%), Italy (+15.5%), and Germany (+15.2%). By comparison, the United Kingdom returned +6.7%, Japan returned +6.3%, Canada returned +4.5%, and Australia was up a more modest +2.5%.

The Organization for Economic Co-operation and Development ("OECD") composite leading indicator has ticked lower in recent months, and the OECD is now projecting that global economic growth as measured by real Gross Domestic Product will be 2.6% this year, down from 3.2% in 2022. The Eurozone area is expected to slow to 0.8%, while economic growth in Canada is expected to slow to 1.1%. The United Kingdom has endured despite pessimistic forecasts for a recession so far, but downside risks remain as economic growth is projected to fall into negative territory this year. And while the Swiss government brokered the takeover of Credit Suisse by UBS in March, tensions within the banking industry have eased for the time being. With a reasonable amount of uncertainty with respect to geopolitical tensions and the path of inflation and interest rates, we believe an active approach to finding durable businesses with strong balance sheets that can withstand an economic downturn is warranted.

### ATTRIBUTION – 1Q23

The Hotchkis & Wiley International Value Fund outperformed the MSCI World ex-USA Index in the first quarter of 2023. Stock selection in Financials resulted in the bulk of the performance advantage. Stock selection in Energy and Consumer Staples also contributed positively. Conversely, the overweight positions in Energy and Financials detracted, as did stock selection in Information Technology. The largest positive contributors to relative performance in the quarter were UniCredit SpA, Accor, Rothschild & Co., Kosmos Energy, and Heineken; the largest detractors were Tokio Marine Holdings, Cenovus Energy, Societe Generale, Magna International, and Schlumberger.

### LARGEST NEW PURCHASES – 1Q23

Akzo Nobel is the #3 global paints & coatings company and has leading positions in decorative paints in Europe and a variety of performance coatings businesses. Akzo's outgoing CEO Thierry Vanlacker spent five years improving Akzo's margins and return on invested capital by selling the company's intermediate chemicals business in 2018 and cutting various unprofitable business lines, changing key management personnel, and improving incentive structures. Despite progress through 2021, Akzo's recent results have been overwhelmed by sharp raw material inflation and a weak volume environment. After badly missing aggressive 2023 profit targets, investors have become skeptical of Akzo's longer-term prospects, resulting in underperformance relative to peers and setting up an attractive investment opportunity.

Parkland Corp. of Canada ("PKI") distributes petroleum products throughout North America and the Caribbean (both retail and commercial/ wholesale). It also operates convenience stores, quick service restaurants and a refinery outside of Vancouver. Today, PKI has one of the largest networks of retail fueling stations in Canada. Shares have been trading near pandemic lows in contrast to other downstream peers in North America trading at or near all-time highs. We believe this is due to recent mergers and acquisitions activity that has left the balance sheet slightly overleveraged and a bit of softness in recent quarterly results. Given prospects for better operating performance and improvements in capital allocation, the stock looks attractively valued.

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



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

	QTR	YTD	1 Yr	3 Yr	5 Yr	Since 12/31/15
International Value Fund – I Shares	8.66	8.66	5.76	23.32	3.08	5.93
MSCI World ex-USA	8.02	8.02	-2.74	13.49	3.80	5.82
MSCI World ex-USA Value	5.63	5.63	-1.85	15.32	2.18	4.87

*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 4.87% 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](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. 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.*

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.

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The "Largest New Purchases" section includes the three largest new security positions during the quarter based on the security's quarter-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, all 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 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 3/31/23 as a % of the Fund's net assets: Ericsson 4.2%, Heineken Hldg N.V. 3.7%, Airbus SE 3.5%, BNP Paribas SA 3.5%, Accor SA 3.4%, UniCredit S.p.A. 3.3%, Tokio Marine Hldgs Inc. 3.3%, Kosmos Energy Ltd. 3.1%, Samsung Electronics Co. 3.0%, and Rothschild & Co. 2.9%.

Mutual fund investing involves risk. Principal loss is possible.  
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