INTERNATIONAL VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWNIX
JUNE 30, 2020

MARKET COMMENTARY

The MSCI World ex-USA Index returned +15.3% in the second quarter of 2020, recovering most of its first quarter decline; the index is -11.5% since the beginning of the year. During the quarter, economic activity began to rebound globally. Prices of risk assets, including equities, also benefited from aggressive central bank and government intervention. Volatility remained elevated, however, as the recovery remains uneven and uncertain, with the virus' continued presence complicating reopening efforts.

The MSCI World ex-USA Growth Index outperformed the MSCI World ex-USA Value Index by more than 5 percentage points in the quarter (+17.9% vs. +12.4%). This extended growth's year-to-date advantage to more than 16 percentage points (-3.1% vs. -20.0%) and its three-year edge to more than 31 percentage points (+18.9% vs. -12.7%). The wide valuation gap between international growth and global value is approaching levels only previously observed during the late 1990's tech/growth bubble.

Our estimate of a company's intrinsic value is based on its earnings power over the long term, i.e. over a period of many years. If a company's earnings temporarily contract in any period—as will happen to many of our businesses due to the global pandemic and related recession—it should only modestly reduce our estimate of intrinsic value. The exception is when a company lacks the financial wherewithal to survive the contraction—something we work hard to avoid. We believe that the share price declines for many of our cyclical businesses have meaningfully outpaced the declines in intrinsic value. Meanwhile, companies that are largely insulated from COVID-19's reach, and those that benefit from it in the short term, have seen their stock prices rise considerably. Many of these companies traded at elevated valuations even before this period. We recognize the seriousness of the pandemic, including its extensive impact on the economy and capital markets; however, we view the market's response as myopic. While COVID-19 has taken a painful toll, both human and economic, we will get through it. When we do, we are confident that more rational economics will prevail, and valuations will revert toward more normal relationships—our clients are well positioned to potentially benefit from such a scenario.

The irrational gap between international growth and value indices represent an uncommon opportunity, but in our view, the true opportunity in today's market goes well beyond this simple relative incongruity. The opportunities within value are extraordinary. The portfolio trades at 5.9x normal earnings which represents a significant discount to the MSCI World ex-USA Index, which trades at 13.3x normal earnings.

ATTRIBUTION – 2Q20

The Hotchkis & Wiley International Value Fund underperformed the MSCI World ex-USA Index in the second quarter of 2020. The fund's value bias hurt relative to the broad benchmark as growth outperformed value considerably; the fund did outperform the MSCI World ex-USA Value Index meaningfully. Relative to the broad index, the overweight position and stock selection in financials detracted from performance. The overweight position in energy and stock selection in technology also hurt. Positive stock selection in energy and consumer discretionary, along with the underweight exposure to real estate helped relative performance. The largest individual detractors to relative performance were BAE Systems, Tokio Marine Holdings, Frank's International, Embraer, and Enstar Group; the largest positive contributors were Siemens, Royal Mail, Magna International, Cenovus Energy, and BNP Paribas.

LARGEST NEW PURCHASES – 2Q20

Quantas. The global passenger aviation industry is suffering an unprecedented business disaster. Qantas is suffering from the impact of the COVID-19 crisis but appears significantly better positioned to cope than other airlines: Australia's mild COVID-19 crisis should lead to an earlier recovery of domestic travel demand. Unlike other non-US airlines that rely on lucrative international routes that will take years to recover, Qantas's international business represents a relatively small portion of its earnings. Qantas's should take meaningful market share through the crisis, dampening the decline in market demand, as its only domestic competitor entered bankruptcy and faces an uncertain future. It is also one of the few airlines to remain investment grade.

RTL Group owns free-to-air TV broadcasters in duopoly TV ad markets including Germany, the Netherlands, France, and Spain. In Germany, its most important ad market, it has been taking material audience share as its largest competitor struggles with fundamental changes to its strategy. Longer-term, there is opportunity to capture more of the ad market as customers upgrade their TVs to ones that enable dynamic ad insertion, which would allow broadcasters like RTL to serve regional ads on its networks. Additionally, the company has also been investing in new digital services that should contribute to growth as these businesses launch and reach critical scale.

Hotchkis & Wiley

PERFORMANCE (%) as of June 30, 2020

	QTR	YTD	1 Yr	3 Yr	Since 12/31/15
International Value Fund – I Shares	15.00	-27.30	-19.66	-8.89	-1.57
MSCI World ex-USA	15.34	-11.49	-5.42	0.84	3.92
MSCI World ex-USA Value	12.35	-19.96	-15.14	-4.42	0.75

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 6.10% for I Shares; 0.95% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 31, 2021. Expense ratios shown are 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.

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. Growth investing tends to work well during speculative, momentum-driven markets, while value investing tends to work well following recessionary periods. Past recessions and recoveries cannot predict future performance due to different factors and circumstances, including differences in US and international financial markets.

Market Disruption: The recent global coronavirus pandemic has caused and continues to cause disruption in the global economy, unprecedented business and travel disruption and extreme fluctuations in global capital and financial markets. H&W is unable to predict the consequences of the upheaval caused by coronavirus pandemic, which, depending on the severity and the length of the outbreak, has the potential to negatively impact the firm's investment strategies and reduce available 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. 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 / *Index definitions* for full disclaimer.

Price-to-Normal Earnings is the current market price per share divided by normalized earnings per share. Top ten holdings as of 6/30/20 as a % of the Fund's net assets: Siemens AG 5.2%, Tokio Marine Holdings Inc. 4.2%, Airbus SE 3.7%, BAE Systems PLC 3.7%, CNH Industrial NV 3.5%, Royal Mail PLC 3.3%, Magna International Inc. 3.2%, BNP Paribas SA 3.2%, Enstar Group Ltd. 3.1% and Vodafone Group PLC 3.0%.

Mutual fund investing involves risk. Principal loss is possible.
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