

INTERNATIONAL VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWNIX
JUNE 30, 2021

MARKET COMMENTARY

The MSCI World ex-USA Index rose 5.7% in the second quarter and is up +9.9% since the beginning of the year. While the threat of new COVID variants persists, vaccination levels increased and new cases slowed in many developed regions. Consequently, governments continued to ease closures/restrictions, accelerating economic activity around the globe. Manufacturing and labor markets showed signs of improvement, highlighting the potential for tight supply conditions. Brent crude oil touched \$76/barrel, its highest level in more than two years. Corporate earnings continued to show strength, with 69% of MSCI World ex-USA companies outperforming consensus expectations.

The yield on most developed market government bonds fell during the quarter (Germany Bunds were a slight exception), particularly for long-dated bonds. Technology was the top-performing sector, followed by healthcare, consumer staples, and energy. Utilities was the only sector that declined in the quarter, though communication services, industrials, and financials also lagged.

The MSCI World ex-USA Growth Index outperformed the MSCI World ex-USA Value Index (+7.7% vs. +3.7%) in the second quarter. This does not mean that value's recent, limited stretch of outperformance has come to an end. Nearly all prolonged valued markets contain stints when growth outperforms value. In perhaps the strongest value rally ever, for example, the MSCI World ex-USA Value outperformed the MSCI World ex-USA Growth by 95 percentage points from March 2000 through December 2006. However, growth outperformed value in more than one-third of those months (28 out of 82 months).

We continue to observe value spreads that are considerably wider than average. So too is the spread between the portfolio and the value benchmark, which means the spread between the portfolio and either the core or growth index is extreme. We believe this bodes well going forward as value relationships normalize. We continue to focus on companies trading at large discounts to intrinsic value but that have strong balance sheets, quality businesses, and employ appropriate corporate governance—a combination that we believe should continue to benefit our clients.

ATTRIBUTION – 2Q21

The Hotchkis & Wiley International Value Fund underperformed the MSCI World ex-USA Index in the second quarter. The Fund's value focus hurt performance relative to the broad benchmark as international growth stocks outperformed international value stocks by a wide margin. The Fund modestly outperformed the MSCI World ex-USA Value Index. The underweight allocation and stock selection in both technology and healthcare hurt relative

performance in the quarter. Positive stock selection in industrials and consumer discretionary helped. The largest individual detractors to relative performance were Cairn Energy, Qantas Airways, Henkel, Tokio Marine, and Enstar Group; the largest positive contributors were Royal Mail, Babcock International, Heineken, Airbus, and Points International.

LARGEST NEW PURCHASES – 2Q21

Gruma is the world's largest tortilla and corn flour company. It competes in a small but growing category that benefits from favorable secular trends. The Company's brands are well-positioned: nearly all of Gruma's business has #1 or #2 market positions. Gruma is unusual among Mexican consumer staples companies in that 75% of its sales and profits are earned outside of Mexico in hard currency rather than pesos, with the U.S. representing more than half of EBITDA (earnings before interest, taxes, depreciation, and amortization). The balance sheet is healthy, cash flow generation strong, and we trust management to be good stewards of shareholder value.

Landis+Gyr is a leading provider of energy management products and services for electric, heat/cold, and gas utilities. Landis+Gyr sells standalone electric, gas, and heat/cold meters, as well as connected devices such as smart gas and electric meters, and software and services for the management and analysis of power grids. Its products and services are critical to building an automated and interactive electric grid that can cope with decentralized and renewable power generation, energy storage, and electric vehicle infrastructure. While the North American and European markets are mature, opportunities for second and third generation smart meter and grid solution installment are expected to continue in emerging markets in the near future. Landis+Gyr trades at an attractive multiple in our view of normal earnings.

Rothschild & Co operates Europe's leading boutique investment bank with a growing wealth management and merchant banking business. Its advisory business has strong market share in Europe, a focus on mid-sized M&A (mergers and acquisitions) transactions, and a well-balanced mix of businesses between M&A and restructuring. Rothschild has also built a strong Wealth Management business. Rothschild's Merchant Bank has grown rapidly since it was founded in 2009 and today manages US \$19 billion in private equity and debt investments. While these businesses are economically cyclical, each generates attractive returns on capital. Despite these attractive fundamentals, its stock trades at a single digit multiple of its normal earnings power.

Portfolio managers' opinions and data included in this commentary are as of June 30, 2021 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.**



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PERFORMANCE (%) as of June 30, 2021

	QTR	YTD	1 Yr	3 Yr	5 Yr	Since 12/31/15
International Value Fund – I Shares	4.30	15.69	55.37	4.33	8.19	6.95
MSCI World ex-USA	5.65	9.92	33.60	8.57	10.36	8.77
MSCI World ex-USA Value	3.71	12.35	35.85	4.22	8.07	6.37

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 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. 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.

Market Disruption: The global coronavirus pandemic has caused 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 has the potential to negatively impact the firm's investment strategies and investment opportunities.

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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 6/30/21 as a % of the Fund's net assets: Royal Mail PLC 4.5%, Credit Suisse Group AG 4.3%, CNH Industrial N.V. 3.7%, ING Groep N.V. 3.6%, Heineken Hldg 3.3%, Accor SA 3.3%, BAE Systems PLC 3.1%, Airbus SE 2.9%, BNP Paribas SA 2.9% and Tokio Marine Hldgs Inc. 2.9%. **Extraordinary performance is attributable in part due to unusually favorable market conditions and may not be repeated or consistently achieved in the future.**

Mutual fund investing involves risk. Principal loss is possible.
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