

INTERNATIONAL VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWNIX
JUNE 30, 2022

MARKET COMMENTARY

The MSCI World ex-USA Index declined -14.7% in the second quarter of 2022. The MSCI World ex-USA Value Index returned -12.4% while the MSCI World ex-USA Growth Index declined -17.3%. All eleven MSCI World ex-USA GICS sectors declined in the quarter.

Several economic developments in the quarter sparked fears of a recession. Economic growth around the world is stalling, the war in Ukraine showed little signs of abating, and inflation continues to be a global phenomenon on extended supply chain disruptions. Eurozone inflation hit 8.6%. France and Spain experienced new inflation records in June, while Germany remained elevated. Elsewhere, inflation in Australia and Canada continues to accelerate. The Reserve Bank of Australia raised interest rates by the most in 22 years, while the Bank of Canada hiked their key interest rate by the most since 1994. United Kingdom inflation rose to a 9.1% rate, the highest in 40 years. Higher rates are generally bad for equities. It becomes more costly to borrow, increasing the cost of capital, which is the rate used to discount future cash flows. Higher rates impair long-duration equities disproportionately because most of the intrinsic value is derived from a terminal value estimate far into the future. In general, growth stocks are longer duration securities than value stocks. Unsurprisingly, value has historically outperformed growth in periods of elevated inflation and interest rates.

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 trades at 9x forward P/E (consensus FY1) compared to the MSCI World ex-USA Growth at 17x. At both a forward and normal P/E of less than 9x, the portfolio trades at an even larger discount. We believe these large spreads and the macroeconomic backdrop should continue to benefit value relative to growth, which should be a conducive environment for our investment approach.

ATTRIBUTION – 2Q22

The Hotchkis & Wiley International Value Fund significantly outperformed the MSCI World ex-USA Index in the second quarter of 2022 and outperformed the MSCI World ex-USA Value Index. Relative to the primary benchmark, stock selection in consumer discretionary was the largest positive contributor to relative outperformance. Positive stock selection in financials and the overweight in energy also helped. Stock selection and the underweight in healthcare was the largest detractor from performance in the period. Stock selection in energy, the overweight in industrials, and the underweight in utilities detracted modestly. The largest positive contributors to relative performance in the quarter were Points.com, Cenovus Energy, BAE Systems, Suncor Energy, and ING Groep; the largest detractors were Credit Suisse, Royal Mail, Ericsson, Koninklijke Philips, and CNH Industrial.

LARGEST NEW PURCHASES – 2Q22

Siemens is a diversified industrial conglomerate with attractive assets in smart infrastructure, digital industries, and healthcare. Shares have lagged the market due to fears of a European recession, creating an opportunity for us to re-establish a position at an attractive valuation. Despite Siemens's excellent balance sheet and portfolio of high-quality businesses, SIE trades at a discount to the market and to its peers.

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



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PERFORMANCE (%) as of June 30, 2022

	QTR	YTD	1 Yr	3 Yr	5 Yr	Since 12/31/15
International Value Fund – I Shares	-9.13	-11.69	-9.82	4.03	1.17	4.18
MSCI World ex-USA	-14.66	-18.76	-16.76	1.70	2.66	4.39
MSCI World ex-USA Value	-12.36	-11.00	-10.28	1.13	1.26	3.62

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.

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. 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.

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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 6/30/22 as a % of the Fund's net assets: Tokio Marine Hldgs Inc. 3.9%, Ericsson 3.8%, BAE Systems PLC 3.7%, BNP Paribas SA 3.3%, ING Groep N.V. 3.3%, Accor SA 3.2%, Points.com Inc. 3.0%, Kosmos Energy Ltd. 3.0%, Royal Mail PLC 2.9%, and Airbus SE 2.8%.

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. **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
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