

INTERNATIONAL VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWNIX
JUNE 30, 2023

MARKET COMMENTARY

The MSCI World ex-USA Index returned +3.0% in the second quarter of 2023. There was very little divergence between the performance of value and growth in the quarter, with each style returning around +3.0%.

After a strong start to 2023, the performance of broad equity indices overseas failed to keep up with their US counterparts in the second quarter, due largely to strong enthusiasm in select US technology stocks. Shares of eurozone companies advanced despite signs of slowing growth in many parts of the region. The advance was led by the technology, industrials, consumer discretionary and financials sectors. UK equities were mixed in the quarter. Weakness in UK listed commodities and consumer staples companies was offset by relative strength in financials and industrials. And Japan outperformed the broader Asia Pacific region as the Nikkei reached its highest level in over thirty years on an improving outlook for corporate earnings.

Today, the growth index trades at a large premium to its own history using any common valuation metric and the value index trades reasonably in line with its own history. In other words, value spreads are reasonably wide. Further, the Fund trades at a considerable discount to its past. This is attainable because the portfolio is significantly different than the value index, with an active share above 90. Importantly, however, we do not blindly invest in companies/industries with the lowest price multiples. We invest in those that trade at the largest discounts to intrinsic value, and that intrinsic value is highly dependent on a company's risk profile—lower risk companies have higher intrinsic values all else equal and should command higher fair value multiples.

ATTRIBUTION – 2Q23

The Hotchkis & Wiley International Value Fund outperformed the MSCI World ex-USA Index in the second quarter of 2023. Stock selection in financials resulted in the bulk of the performance advantage. Stock selection in healthcare, consumer discretionary, and materials also contributed positively. Conversely, the overweight position and stock selection in energy detracted. Stock selection in industrials, technology, and communication services also weighed on relative performance in the quarter. The largest positive contributors to relative performance in the quarter were UniCredit SpA, Tokio Marine, Societe Generale, Accor, and ING Groep; the largest detractors were Kosmos Energy, Ericsson, Vodafone, Heineken, and Qantas Airways.

LARGEST NEW PURCHASES – 2Q23

Fuso Chemical is a Japanese chemicals producer, with 90%+ market share in ultra-pure silica used as an abrasive particle in semiconductor polishing applications. We believe they earn very good returns in this business. Fuso's stock is down because near-term earnings will likely be pressured by a semiconductor cycle trough. As demand from the semiconductor industry recovers and Fuso's utilization rates normalize, we expect Fuso's earnings and trading multiple to improve. Fuso's shares trade at ~12x our estimate of normal earnings, which we believe is quite attractive for a business of this quality.

JDE Peet's has the number two market position in the large and growing coffee category. The company operates worldwide, and many of its brands are prominent in their respective geographies. The coffee category is relatively strong with 3-4% growth per year and a history of some recession resistance. We believe earnings will grow faster than the market expects, driven by 3-5% top-line expansion as well as some margin improvement. JDE Peet's went public in 2020 and the stock has fallen below its IPO price, trading at an attractive level relative to its normal earnings power.

Portfolio managers' opinions and data included in this commentary are as of June 30, 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 June 30, 2023

	QTR	YTD	1 Yr	3 Yr	5 Yr	Since 12/31/15
International Value Fund – I Shares	4.71	13.78	21.88	19.53	4.53	6.38
MSCI World ex-USA	3.03	11.29	17.41	9.30	4.58	6.04
MSCI World ex-USA Value	3.12	8.92	15.49	12.07	3.24	5.13

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 5.08% for I Shares; 0.95% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2024. 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.

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 **Nikkei Index** measures the performance of 225 large, publicly owned companies in Japan from a wide array of industry sectors. 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 6/30/23 as a % of the Fund's net assets: Ericsson 4.5%, BNP Paribas SA 4.0%, Tokio Marine Hldgs Inc. 3.7%, Airbus SE 3.6%, Shell PLC 3.6%, UniCredit S.p.A. 3.5%, Accor SA 3.3%, Samsung Electronics Co. 3.2%, ING Groep N.V. 3.0%, and Medtronic PLC 2.9%. **Active share** is the extent to which the portfolio differs from the MSCI World ex-USA Value Index.

Mutual fund investing involves risk. Principal loss is possible.
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