

INTERNATIONAL VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWNIX



PERFORMANCE (%) as of December 31, 2023

	QTR	YTD	1 Yr	3 Yr	5 Yr	Since 12/31/15
International Value Fund – I Shares	9.01	22.92	22.92	11.16	9.98	7.00
MSCI World ex-USA	10.51	17.94	17.94	4.42	8.45	6.42
MSCI World ex-USA Value	8.57	18.48	18.48	8.19	7.48	5.91

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.

MARKET COMMENTARY

The MSCI World ex-USA Index returned 10.5% in the fourth quarter of 2023. The index touched a 7-month low at the end of October before rebounding modestly to close out the quarter on a positive note. All 11 GICs sectors generated positive returns in the quarter, led by strong returns for the technology, materials, and real estate sectors. The strong fourth quarter extended the MSCI World ex-USA return to +17.9%. This represents a full recovery from its decline in the prior calendar year. The index's two-year return is a modest +0.5% annualized.

Globally, the deceleration in inflation figures led to a plunge in bond yields, with many central banks signaling more dovish policies ahead. In the United Kingdom, inflation finally dipped below 4% YoY in November, prompting speculation that the Bank of England might implement interest rate cuts in 2024 due to the larger-than-expected drop. Despite this, concerns about a looming recession persisted, evident in sentiment surveys across the UK and Eurozone. Meanwhile, the Bank of Japan maintained its policy at the year's final meeting, keeping a close eye on wage growth before considering an exit from negative interest rates. However, Japan's inflation indicators declined, with November's core CPI dropping to +2.7% year-over-year, though it remained a significant positive contributor to international market returns with a gain of 17.83% in the year. The international markets received an additional boost from the depreciation of the US dollar, which experienced its first loss since 2020 against a basket of international currencies, slipping -1.33% in 2023.

Value stocks slightly outperformed growth stocks overseas in 2023 (+18.5% for the MSCI World ex-USA Value Index vs +17.5% for the MSCI World ex-USA Growth Index). All eleven GICS sectors were positive for the year, led by technology (+41.3%), industrials (+27.3%), and consumer discretionary (+22.6%). Consumer staples (+5.5%), healthcare (+9.9%), and real estate (+9.9%) were

relative laggards. Despite the relative outperformance by value stocks overseas, the valuation gap between the MSCI World ex-USA Growth and MSCI World ex-USA Value widened slightly during the year, expanding from 9.5x at the close of 2022 to 10.5x by the end of 2023¹. Much of the outperformance of growth stocks in recent years has been driven by multiple expansion, which cannot continue indefinitely.

Historical evidence reinforces the notion that during transformative economic landscapes our investment style can embark on a significant and lasting period of outperformance. Our portfolio trades at a large discount to both the broader market and the value index, and also at a lower P/E multiple than its own historic average. We hold steady in our commitment to the principles of value investing and remain prudent in our search for new ideas in an ever-changing environment. With a resilient team, a healthy firm, and an optimistic outlook, we believe our clients will be duly rewarded for our dedication and efforts. As we eagerly anticipate the new year, our enthusiasm remains undiminished, ready to navigate evolving markets and capture opportunities on behalf of our clients.

ATTRIBUTION ANALYSIS – 4Q23 & 2023

The Hotchkis & Wiley International Value Fund underperformed the MSCI World ex-USA Index but outperformed the MSCI World ex-USA Value Index in the fourth quarter of 2023. Relative to the broad benchmark, stock selection and the overweight in energy resulted in the bulk of the performance lag. The underweights in materials, utilities, and real estate also detracted from relative performance. Conversely, stock selection and the underweight in healthcare contributed positively to relative performance. Stock selection in consumer staples and consumer discretionary also worked well, as did the overweight in technology.

(continued)

¹ Source: Bloomberg. Based on FY2 price-to-earnings ratio.

Portfolio managers' opinions and data included in this commentary are as of December 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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The Fund outperformed the benchmark over calendar year 2023. Stock selection in financials was a key contributor to outperformance for the year. Stock selection and the underweight in healthcare also worked well, as did stock selection in consumer staples and consumer discretionary. Conversely, stock selection in technology and communication services detracted from relative performance in 2023. The overweight in energy and stock selection in industrials also detracted over the course of the year.

LARGEST INDIVIDUAL CONTRIBUTORS – 4Q23

Ericsson (ERIC) is a vendor of hardware and software needed to operate wireless networks. This business is effectively an oligopoly, and we believe margins should be better than they have been historically. Ericsson's stock rallied in December following AT&T's announcement of a multi-year deal with Ericsson to deploy commercial scale Open Radio Access Network (Open RAN) in the US.

Siemens AG (SIE) is a global leader in electrical engineering. The company focuses on industry (automation, software and drives), healthcare, and infrastructure (transport, building technologies, power distribution). Siemens trades at a discount to the market and a significant discount to competitors due to its complexity and conglomerate discount. In Q4, the company reported strong earnings including record high profits in all industrial businesses as well as robust cash generation. Additionally, management increased the dividend and launched a new €6B share repurchase program.

Samsung (005930 KS) is a diversified technology company with leading positions in semiconductors, display panels, mobile phones, consumer electronics, and appliances. Samsung's semiconductors business is its most valuable segment, representing 70% of normal EBIT, with Samsung's semiconductor memory business making up the majority of its value, specifically its DRAM business. As the largest company in the three-player DRAM oligopoly with 43% market share, Samsung is well positioned as DRAM demand is expected to grow high-single-digits over time, driven by growth in AI, cloud computing, and internet connected devices. Samsung performed strongly during the quarter, as the markets have begun to price in a recovery in DRAM pricing in 2024 off of prior cyclically depressed levels.

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. All investments contain risk and may lose value. Equities, bonds, and other asset classes have different risk profiles, which should be considered when investing.

LARGEST INDIVIDUAL DETRACTORS – 4Q23

Kosmos Energy Ltd. (KOS) is a misunderstood E&P company focused on the discovery and production of offshore oil and gas resources. The current valuation does not reflect the value of the company's existing production, let alone the company's LNG development that is scheduled to come on-stream early next year. This, coupled with higher energy prices, should prove to be positive for their future earnings and free cash flow. Performance was impacted by guidance for FY 2023 which indicated temporarily lowered production figures and higher costs as they pulled forward 2024 capex spend into 2023. Additionally, they announced a delay in the start-up of their LNG development. This, paired with declining commodity prices, led to negative performance over the period.

Cenovus Energy Inc. (CVE) is a Canadian integrated oil company headquartered in Calgary, operating steam-assisted gravity drain (SAGD), conventional and unconventional oil, NGL & natural gas production and refining and marketing. The company recently merged with competitor Husky and has demonstrated great operational prowess improving the upstream assets it acquired; we believe similar improvements in downstream performance may be forthcoming. Cenovus underperformed during the quarter, as it traded down in sympathy with lower oil and gas prices.

Baytex Energy Corp. (BTE) is an independent Canadian E&P engaging in the acquisition, development, and production of crude oil and natural gas. BTE primarily operates in the United States with 62% of their production occurring in the Eagle Ford. Given that Canadian E&P stocks tend to trade at a discount to US E&P stocks, we believe that BTE is undervalued for a company with much of their production in the US. Additionally, BTE gives us exposure to an energy market that had been underearning versus normal levels of profitability and is currently generating significant FCF in what could be a perennially undersupplied market. Recent performance for Baytex was related to the decline in energy prices.

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. 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. Certain information presented based on proprietary or third-party estimates are subject to change and cannot be guaranteed. Information obtained from independent sources is considered reliable, but H&W cannot guarantee its accuracy or completeness.

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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 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.

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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.

Top ten holdings as of 12/31/23 as a % of the Fund's net assets: Ericsson 5.0%, Shell PLC 3.5%, Siemens AG 3.5%, Airbus SE 3.4%, Samsung Electronics Co. 3.3%, Accor SA 3.1%, Randstad N.V. 3.1%, ING Groep N.V. 3.0%, Magna International Inc. 3.0%, and Tokio Marine Hldgs Inc. 3.0%; **Price-to-earnings (P/E)**-ratio for valuing a company that measures its current share price relative to its earnings per share; **Capex**-capital expenditure; **E&P**-exploration and production; **Free cash flow**-represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets; **GICS**-Global Industry Classification Standard; **LNG**-Liquefied natural gas.

Mutual fund investing involves risk. Principal loss is possible.
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