

INTERNATIONAL SMALL CAP DIVERSIFIED VALUE FUND

HWTIX

MARCH 31, 2022

MANAGER REVIEW & ECONOMIC OUTLOOK

MARKET COMMENTARY

The MSCI World ex-USA Small Cap Index declined -7.2% in the first quarter of 2022. Value continued to outperform during the first quarter. The MSCI World ex-USA Small Value Index declined -2.9% while the MSCI World ex-USA Small Growth Index declined -11.5%.

Inflation data globally continues to accelerate. Eurozone CPI hit 7.5%, while the United Kingdom rose to 6.3%. Russia's invasion of Ukraine fueled inflation worries further. Sanctions and trade disruption create supply shocks, putting inflationary pressures on significant Russian exports like oil, natural gas, and metals—each experienced meaningful price increases in the period. Brent crude oil increased by 37%, finishing the quarter at \$104/barrel, while European natural gas futures rose +61%. Our view has been that the lack of investment in new energy projects/production would create an imbalance once demand recovered to pre-pandemic levels; the resulting supply shortage would put upward pressure on energy prices. While this continues to be our view, Russia's invasion of Ukraine has exacerbated the situation. Russia is the world's 11th largest economy, representing just 2% of global GDP. It is the world's largest exporter of natural gas; however, and the third-largest exporter of crude oil. Russia provides more than 40% of Europe's natural gas and more than 25% of its oil.

Europe is particularly impacted by rising energy costs, and a prolonged conflict in Ukraine increases the risk of sustained inflation, resulting in a more hawkish tone by the ECB. Meanwhile, the Bank of England raised its key interest rate for a third time since December despite acknowledging a gloomier economic outlook. The Bank of Canada also raised its overnight interest rate by 25 points in March and is expected to raise it by another 50 basis points at its next policy meeting in April. Japan, on the other hand, continues to keep its short-term interest rate below zero. Higher interest rates are generally bad for equities because it increases the cost of capital and makes fixed income investments a more appealing alternative. It is typically less bad for value than growth for two primary reasons. First, financials represent the lone sector that benefits from rising rates (higher earnings), and financials comprise significantly larger portions of value portfolios/indexes. Second, value equities are shorter duration securities than growth equities. In a discounted cash flow analysis, the terminal value estimate represents the lion's

share of a conventional growth stock's value, whereas a conventional value stock will generate meaningful cash flows sooner. We believe the large valuation spreads and macroeconomic backdrop should continue to benefit value relative to growth, which should be a conducive environment for our investment approach.

ATTRIBUTION – 1Q22

The Hotchkis & Wiley International Small Cap Diversified Value Fund outperformed the MSCI World ex-USA Small Cap Index in the first quarter of 2022 by a considerable margin. The overweight and stock selection in energy was a positive contributor to performance. Positive stock selection in technology, consumer discretionary, and consumer staples also helped. Stock selection in materials and utilities detracted from performance, along with the underweight exposure to real estate.

Portfolio managers' opinions and data included in this commentary are as of March 31, 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 March 31, 2022

	QTR	YTD	1 Yr	Since 6/30/20
Int'l Small Cap Diversified Value Fund – I Shares	-3.22	-3.22	3.01	25.22
MSCI World ex-USA Small Cap	-7.23	-7.23	-1.69	17.90
MSCI World ex-USA Small Cap Value	-2.92	-2.92	2.15	22.08

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 4.27% for I Shares; 0.99% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 31, 2022. 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. Investing in smaller and/or newer companies involves greater risks than those associated with investing in larger companies. 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. Attribution is an analysis of the portfolio's return relative to a selected benchmark, is calculated using daily holdings information and does not reflect the payment of transaction costs, fees and expenses of the Fund.

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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 Small Cap Index is a free float-adjusted weighted index capturing small cap stocks. The MSCI World ex-USA Small Cap Value and MSCI World ex-USA Small Cap Growth Indices are free float-adjusted weighted indexes capturing small cap stocks, exhibiting overall value or growth style characteristics, respectively. The MSCI indices represents stocks across 22 of 23 Developed Markets (DM) countries, excluding the United States and include reinvestment of dividends, net foreign withholding taxes. The indices does not reflect the payment of transaction costs, fees and expenses associated with an investment in the Fund. It is not possible to invest directly in an index.

Basis point is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument. Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g., depreciation) and interest expense to pretax income.

Mutual fund investing involves risk. Principal loss is possible.
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