

INTERNATIONAL SMALL CAP DIVERSIFIED VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWTIX



PERFORMANCE (%) as of March 31, 2024

	QTR	YTD	1 Yr	3 Yr	Since 6/30/20
Int'l Small Cap Diversified Value Fund – I Shares	3.80	3.80	17.41	6.80	16.15
MSCI World ex-USA Small Cap	2.58	2.58	10.04	-0.93	7.68
MSCI World ex-USA Small Cap Value	2.89	2.89	12.88	2.22	11.08

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 4.59% for I Shares; 0.99% 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 Small Cap Index returned +2.6% in the first quarter of 2024. This lagged the US small cap market (+5.2%) but in local currencies the two equity markets would have performed similarly—most major currencies weakened relative to the US Dollar in the quarter¹. Such movements have little effect on the portfolio's relative performance, however, as we remain reasonably neutral from a geographical perspective—intentionally so.

Like the US, we continue to observe moderating inflation overseas. The Eurozone Consumer Price Index was +2.4% in March, a far cry from the >10% rate in late 2022. The latest inflation readings from the UK (+3.2%), Japan (+2.6%), Canada (+2.9%), and Australia (+3.4%) are slightly higher but have followed a similar disinflationary path. The pace with which inflation has decelerated appears to be slower than the market had expected. Accordingly, government bond yields increased in the quarter as expectations for central bank rate cuts have been moderated and delayed. The Bank of Japan actually increased its short-term benchmark rate, moving it to above zero for the first time in 17 years.

There was considerable performance dispersion between sectors in the quarter. The top performing sectors were financials (+9.0%), energy (+7.2%), and industrials (+4.4%). Real estate was the worst performing sector (-3.5%), followed by healthcare (-1.2%), and utilities (-1.0%). International small cap value and small cap growth performed similarly.

Financials remain our portfolio's largest holding, both in absolute and relative terms. We are well diversified across various regions in banks, and insurers, and other financial service companies. The banks we hold are currently trading at attractive discounts to the broad market and offer attractive dividend yields. While economic and regulatory risks persist, we believe the high single-digit price-to-earnings ratios and discounts to book value present attractive upside potential. We have nearly as much exposure to industrials as we do to financials. An assorted mix of attractively valued businesses with different businesses and different end markets comprise our industrials exposure. Conversely, we continue to see fewer compelling valuation opportunities in small-cap real estate, which represents our most significant underweight relative to the benchmark, by far.

Overall, we continue to view the valuations for quality foreign small cap companies as compelling. Passive small cap investing exposes an investor to many companies that are unprofitable and/or exhibit a high degree of financial leverage. We generally avoid such exposures, and believe the current portfolio exhibits an appropriate balance of attractive valuation/upside potential with acceptable risks.

ATTRIBUTION ANALYSIS – 1Q24

The Hotchkis & Wiley International Small Cap Diversified Value Fund outperformed the MSCI World ex-USA Small Cap Index in the first quarter of 2024. Stock selection in industrials was the top contributor to outperformance in the quarter. The overweight in financials also contributed positively, as did the underweight in real estate. Stock selection in financials, consumer discretionary, and energy detracted in the quarter.

¹The Bloomberg Dollar Spot Index, which is derived from average exchange rates between the US Dollar and a basket of major world currencies, rose 2.7% in 1Q 2024.

Portfolio managers' opinions and data included in this commentary are as of March 31, 2024 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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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. All investments contain risk and may lose value. Equities, bonds, and other asset classes have different risk profiles, which should be considered when investing.

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. 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. 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 Small Cap Index** is a free float-adjusted weighted index capturing small cap stocks. The index represents stocks across 22 of 23 Developed Markets (DM) countries, excluding the United States and include reinvestment of dividends, net foreign withholding taxes. The **Russell 2000® Index** measures the performance of the 2,000 smallest companies in the Russell 3000® Index. 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.

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.

Mutual fund investing involves risk. Principal loss is possible.
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