

# INTERNATIONAL SMALL CAP DIVERSIFIED VALUE FUND

HWTIX

JUNE 30, 2022

## MANAGER REVIEW & ECONOMIC OUTLOOK

### MARKET COMMENTARY

The MSCI World ex-USA Small Cap Index declined -17.9% in the second quarter of 2022. Value continued to outperform during the second quarter. The MSCI World ex-USA Small Value Index declined -15.6% while the MSCI World ex-USA Small Growth Index declined -20.4%.

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 to raise 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 outperformed growth in periods of elevated inflation and interest rates historically.

### ATTRIBUTION – 2Q22

The Hotchkis & Wiley International Small Cap Diversified Value Fund outperformed the MSCI World ex-USA Small Cap Index in the second quarter of 2022 by a considerable margin and outperformed the MSCI World ex-USA Small Cap Value Index by a smaller margin. Relative to the primary benchmark, stock selection in materials, industrials, and technology contributed positively to performance. The overweight and stock selection in financials also helped. Stock selection in energy detracted from performance, along with the underweight exposure to utilities.

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	Since 6/30/20
Int'l Small Cap Diversified Value Fund – I Shares	-12.35	-15.17	-14.28	13.99
MSCI World ex-USA Small Cap	-17.94	-23.87	-23.02	4.65
MSCI World ex-USA Small Cap Value	-15.64	-18.10	-17.41	9.38

*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](http://www.hwcm.com).*

The Fund's total annual operating gross expense ratio as of the most current prospectus is 4.23% for I Shares; 0.99% 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](http://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.

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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