

# INTERNATIONAL SMALL CAP DIVERSIFIED VALUE FUND

HWTIX

JUNE 30, 2023

## MANAGER REVIEW & ECONOMIC OUTLOOK

### MARKET COMMENTARY

The MSCI World ex-USA Small Cap Index rose +0.5% in the second quarter of 2023. The MSCI World ex-USA Small Cap Value Index rose +0.7%, while the MSCI World ex-USA Small Cap Growth Index increased +0.3%.

After a strong start to 2023, the performance of small cap stocks overseas failed to keep up with their US counterparts in the second quarter, due largely to strength in shares of US-listed healthcare, industrials, and technology stocks. Shares of eurozone companies advanced despite signs of slowing growth in many parts of the region. The advance was led by the financials, utilities, and technology sectors. A similar story unfolded in the United Kingdom, where weakness in UK listed communication service, consumer staples, and commodities companies was offset by relative strength in financials and technology. Performance in the Asia-Pacific region was mixed. Japan, the largest benchmark component in the region rose modestly on improving sentiment in corporate earnings prospects.

In terms of size and style, international small caps trade at a discount to their large cap and growth counterparts. Our fund generally trades at a discount to the value index, and our penchant for stocks under \$1B in market cap leads us to exhibit a smaller and more value leaning bias relative to our benchmark. We will continue to focus on adding value via broad stock selection, disproportionately from the smaller and least efficient part of the market. We view this as our ongoing competitive advantage irrespective of market direction or temperament.

### ATTRIBUTION – 2Q23

The Hotchkis & Wiley International Small Cap Diversified Value Fund outperformed the MSCI World ex-USA Small Cap Index in the second quarter of 2023. The overweight allocation and stock selection in financials produced the majority of the performance advantage. Stock selection in materials also worked well. Stock selection in technology was the largest detractor, followed by stock selection and the overweight in energy.

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.**



# INTERNATIONAL SMALL CAP DIVERSIFIED VALUE FUND

HWTIX

JUNE 30, 2023

## MANAGER REVIEW & ECONOMIC OUTLOOK

### PERFORMANCE (%) as of June 30, 2023

	QTR	YTD	1 Yr	Since 6/30/20
Int'l Small Cap Diversified Value Fund – I Shares	1.87	8.75	17.07	15.01
MSCI World ex-USA Small Cap	0.49	5.50	10.05	6.42
MSCI World ex-USA Small Cap Value	0.71	5.30	10.58	9.78

*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 4.59% 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.

*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.*

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.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard & Poor's Financial Services, LLC ("S&P") and is licensed for use by Hotchkis & Wiley ("H&W"). All rights reserved. Neither S&P nor MSCI is liable for any errors or delays in this report, or for any actions taken in reliance on any information contained herein.

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. See [www.hwcm.com](http://www.hwcm.com) for full disclaimer.

**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.

Mutual fund investing involves risk. Principal loss is possible.  
NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE  
The Hotchkis & Wiley Funds are distributed by Quasar Distributors, LLC

[WWW.HWCM.COM](http://WWW.HWCM.COM)