

# INTERNATIONAL SMALL CAP DIVERSIFIED VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWTIX



## PERFORMANCE (%) as of June 30, 2024

	QTR	YTD	1 Yr	3 Yr	Since 6/30/20
Int'l Small Cap Diversified Value Fund – I Shares	0.33	4.14	15.63	5.08	15.16
MSCI World ex-USA Small Cap	-1.56	0.98	7.80	-2.98	6.76
MSCI World ex-USA Small Cap Value	-1.82	1.02	10.04	0.16	9.85

*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 3.95% for I Shares; 0.99% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2025. 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 declined -1.6% in the second quarter of 2024. There was notable performance dispersion among GICS sectors during the quarter. Utilities led with a return of +4.9%, followed by financials (+2.7%), and energy (+2.7%). In contrast, the consumer discretionary sector experienced a decline of -5.4%, real estate fell by -4.6%, and consumer staples declined by -3.2%.

Global central bank meetings in June highlighted growing divergence in monetary policy among major economies. Alongside the Bank of England's decision to maintain key benchmark rates, the Reserve Bank of Australia also opted to stand pat, citing ongoing challenges in reaching inflation targets. Conversely, the European Central Bank and Bank of Canada each delivered 25 basis point rate cuts in June as inflationary pressures in their respective economies eased.

Valuation divergences across various segments of the equity market have created opportunities for investors focused on long-term fundamentals and valuation. As of the end of June, the MSCI World ex-USA Small Cap Growth Index traded at a significant premium to the MSCI World ex-USA Small Cap Value Index on a forward price-to-earnings basis (16.7x vs. 10.2x). By comparison, our portfolio trades with a forward P/E

ratio of 7.1x. The portfolio's valuation discount has been accomplished in a diversified fashion and without assuming unwarranted risks. We are optimistic about the portfolio's risk/return prospects, particularly when compared to investments in excessively valued passive alternatives, to which we would urge caution.

## ATTRIBUTION ANALYSIS – 2Q24

The Hotchkis & Wiley International Small Cap Diversified Value Fund outperformed the MSCI World ex-USA Small Cap Index in the second quarter of 2024. The overweight allocation and positive stock selection in financials helped relative performance in the quarter. Positive stock selection in technology, consumer discretionary and consumer staples also helped, along with the underweight exposure to REITs. Stock selection in utilities and materials detracted in the quarter.

Portfolio managers' opinions and data included in this commentary are as of June 30, 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.**

# INTERNATIONAL SMALL CAP DIVERSIFIED VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWTIX



*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. 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.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. S&P and is licensed for use by 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.

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.

**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.

**Forward price-to-earnings (P/E) ratio** divides the current share price of a company by the estimated future ("forward") earnings per share of that company.

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)