

INTERNATIONAL SMALL CAP DIVERSIFIED VALUE FUND

HWTIX

SEPTEMBER 30, 2022

MANAGER REVIEW & ECONOMIC OUTLOOK

MARKET COMMENTARY

The MSCI World ex-USA Small Cap Index declined -9.5% in the third quarter of 2022. Value underperformed growth during the quarter. The MSCI World ex-USA Small Value Index declined -10.1%, while the MSCI World ex-USA Small Growth Index declined -8.8%.

Inflation remains stubbornly high across most European economies, thanks largely to higher fuel costs. Eurozone inflation hit 9.1% for the month of August (the latest available data), and several European countries are now at double-digit inflation. Meanwhile, coordinated monetary tightening by central banks across the world is resulting in slowing economic growth and the higher likelihood of a global recession. Central banks are caught in a tough position. Gas prices have more than doubled over the past year, and the recent disruption to the Nord Stream 1 pipeline, Russia's largest gas pipeline to Europe, is likely to exacerbate the inflation situation.

While the broad market trades at a discount to its average historical valuation, it is not average across all sectors uniformly. We find fewer attractive opportunities in non-cyclical sectors like Consumer Staples and Utilities than in other market segments. Both trade at valuations considerably richer than is typical. While we are attracted to the relative stability of the underlying businesses, we are unwilling to invest at current valuations for sectors that are perpetually slow growing. We continue to find attractive opportunities in Energy. There has been massive underinvestment in new energy projects. These projects take a long time, i.e., years, to produce oil and gas, so even if investment ramps up, we appear poised for a supply shortage for some time. This should keep upward pressure on commodity prices and benefit energy companies' earnings and cash flow. Eventually this is likely to balance but this could be well into the future. In the meantime, the overearning and above normal cash flow puts energy companies in a position to return a lot of capital to shareholders. Retiring shares at attractive valuations is accretive to earnings per share and makes these companies even more attractively valued. We also remain partial to banks, which trade at significant discounts to the market and to their own history. Banks are also returning capital to shareholders and are one of very few industries that can benefit from rising interest rates. The substantial excess capital on their balance sheets should enable banks to withstand an economic downturn without requiring dilutive capital raises.

ATTRIBUTION – 3Q22

The Hotchkis & Wiley International Small Cap Diversified Value Fund outperformed both the MSCI World ex-USA Small Cap Index and MSCI World ex-USA Small Cap Value Index in the third quarter of 2022. Relative to the primary benchmark, stock selection and the underweight in Real Estate contributed positively to performance. Stock selection in Information Technology also helped during the quarter, as did the overweight positions in Energy and Financials. Stock selection in Materials, Utilities, and Consumer Staples detracted from performance.

Portfolio managers' opinions and data included in this commentary are as of September 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 September 30, 2022

	QTR	YTD	1 Yr	Since 6/30/20
Int'l Small Cap Diversified Value Fund – I Shares	-9.23	-23.00	-22.97	7.60
MSCI World ex-USA Small Cap	-9.46	-31.07	-30.80	-0.37
MSCI World ex-USA Small Cap Value	-10.09	-26.37	-25.84	3.30

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 4.23% 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. 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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