LARGE CAP VALUE FUND

HWLIX
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MANAGER REVIEW & ECONOMIC OUTLOOK

MARCH 31, 2022

MARKET COMMENTARY

The S&P 500 Index declined -4.6% in the first quarter of 2022. The Consumer Price Index reached 7.9% year-over-year, its highest level in 40 years, raising the threat of tightening monetary policy. Russia's invasion of Ukraine fueled inflation worries further. Sanctions and trade disruption create supply shocks, putting inflationary pressures on significant Russian exports like oil, natural gas, and metals—each experienced meaningful price increases in the period. The number of job openings continues to hover around its highest level in at least 20 years, increasing the risk of further wage inflation. To combat these inflationary threats, the Federal Open Market Committee increased the Fed Funds rate by 0.25% and signaled more aggressive rate increases in the coming year.

Higher interest rates are generally bad for equities because it increases the cost of capital and makes fixed income investments a more appealing alternative. It is typically less bad for value than growth for two primary reasons. First, financials represent the lone sector that benefits from rising rates (higher earnings), and financials comprise significantly larger portions of value portfolios/indexes. Second, value equities are shorter duration securities than growth equities. In a discounted cash flow analysis, the terminal value estimate represents the lion's share of a conventional growth stock's value, whereas a conventional value stock will generate meaningful cash flows sooner. In the quarter, the Russell 1000 Value Index declined -0.7% compared to the Russell 1000 Growth Index decline of -9.0%.

Nine of the eleven S&P 500 GICS (Global Industry Classification Standard) sectors declined in the quarter. Utilities was one exception, returning +5%. Energy was the other, returning an impressive +39%. WTI crude oil increased by 33%, finishing the quarter at $100/barrel; natural gas rose +51%, finishing the quarter at $5.64/MMBtu. Our view has been that the lack of investment in new energy projects/production would create an imbalance once demand recovered to pre-pandemic levels; the resulting supply shortage would put upward pressure on energy prices. While this continues to be our view, Russia's invasion of Ukraine has exacerbated the situation. Russia is the world's 11th largest economy, representing just 2% of global GDP. It is the world's largest exporter of natural gas; however, and the third largest exporter of crude oil. Russia provides more than 40% of Europe's natural gas and more than 25% of its oil. The rise in energy prices has increased energy companies' cash flows significantly. Many have used the cash to pay down debt, de-risking the sector extensively. Share repurchases have been another popular use of capital, which is accretive to shareholders because valuations remain compelling. Mergers and acquisitions activity has also increased, which can also be positive for shareholders in the right situation, e.g., paying a good price, removing redundant costs. Each company is in a different situation but there are numerous opportunities for management teams to benefit shareholders. Consequently, it remains the portfolio's largest sector overweight notwithstanding the strong recent performance.

Despite value's outperformance, the valuation spread between growth and value remains wide because the spread at the period's outset was extreme. The Russell 1000 Value trades at 16x forward P/E (consensus FY1) compared to the Russell 1000 Growth at 28x. This equates to a gap of 12x, which is much wider than the historical median of 5x. The gap has been wider than current levels only 11% of the time dating back to the mid-1990s. At 12x forward P/E and less than 11x normal P/E, the portfolio trades at an even larger discount. We believe these large spreads and the macroeconomic backdrop should continue to benefit value relative to growth, which should be a conducive environment for our investment approach.

ATTRIBUTION – 1Q22

The Hotchkis & Wiley Large Cap Value Fund outperformed the Russell 1000 Value Index in the first quarter of 2022 by a considerable margin. The overweight and stock selection in energy was the largest positive contributor, by far. The portfolio's energy positions returned +47% as a group compared to the Russell 1000 Value's energy return of +39%. Positive stock selection in healthcare, communication services, and technology also helped. The overweight and stock selection in consumer discretionary detracted from relative performance. Stock selection in consumer staples was also a modest detractor. The largest positive contributors to relative performance in the quarter were Marathon Oil, APA Corp., Hess Corp., NOV Inc., and Shell; the largest detractors were General Motors, F5 Inc., Magna International, Citigroup, and Bank of New York Mellon.

LARGEST NEW PURCHASES – 1Q22

None

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PERFORMANCE (%) as of March 31, 2022

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 6/24/87
Large Cap Value Fund – I Shares	2.79	2.79	11.91	14.17	10.75	12.20	9.38
Russell 1000 Value	-0.74	-0.74	11.67	13.02	10.29	11.70	n/a

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 0.98% for I Shares; 0.95% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 31, 2022. 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 securities. 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. Specific securities identified are the largest contributors (or detractors) on a relative basis to the Russell 1000 Value Index. Securities' absolute performance may reflect different results. The Fund may not continue to hold the securities mentioned and the Advisor has no obligation to disclose purchases or sales of these securities. Attribution is an analysis of the portfolio's return relative to a selected benchmark, is calculated using daily holding information and does not reflect the payment of transaction costs, fees and expenses of the Fund.

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 Russell 1000® Value Index measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000® Growth Index measures the performance of those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The S&P 500® Index is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The Consumer Price Index is a measurement of U.S. prices for household goods and services. The indices do not reflect the payment of transaction costs, fees and expenses associated with an investment in the Fund. The Fund's value disciplines may prevent or restrict investment in major stocks in the benchmark indices. It is not possible to invest directly in an index. Top ten holdings as of 3/31/22 as a % of the Fund's net assets: General Electric Co. 4.9%, Citigroup Inc. 4.4%, American Int'l Group Inc. 4.0%, Wells Fargo & Co. 3.8%, Marathon Oil Corp. 3.7%, Anthem Inc. 3.5%, F5 Inc. 3.5%, Oracle Corp. 3.2%, General Motors Co. 3.0%, and APA Corp. 2.4%.

Spread is the difference between valuations of value and growth stocks. Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g., depreciation) and interest expense to pretax income. Normal Price/Earnings is the current market price per share divided by normalized earnings per share. Forward Price/Earnings (fiscal year) is the projected P/E ratios of the companies invested in the portfolio, which ratios represent current market price per share divided by a company's estimated future earnings-per-share. Projected earnings are consensus analyst forecasts; actual P/E ratios may differ from projected P/E ratios. **A company's forecasted, or estimated, earnings made by analysts or by the company itself. Forward earnings differ from trailing earnings (which is the figure that is quoted more often) in that they are a projection and not a fact.**