LARGE CAP VALUE FUND

HWLIX
HWLAX
HWLCX
HWLZX

MANAGER REVIEW & ECONOMIC OUTLOOK

MARCH 31, 2023

MARKET COMMENTARY

The S&P 500 Index returned +7.5% in the first quarter of 2023, a welcomed rebound from last year's -18.1% decline. Inflation fears appear to have lessened as the Consumer Price Index decelerated to 6% year-over-year, a far cry from its mid-2022 peak of more than 9%. The Federal Open Market Committee increased the Fed Funds rate twice during the quarter, both 25 basis point hikes. The important benchmark rate now stands at 5.0% (upper bound), the first time it has reached this level in more than 15 years. The market implied probability of another small rate hike at the next meeting is about 50/50.

After outperforming growth by 22% in 2022 (by declining less), value underperformed growth in the first quarter of 2023 by 13% (+1% vs. +14%). The technology sector was up about 20% in the quarter. Technology comprises a much larger portion of the Russell 1000 Growth Index than the Russell 1000 Value Index (42% vs. 8%). Conversely, the financial and energy sectors declined -4% and -6%, respectively. These sectors comprise a much larger portion of the Russell 1000 Value than the Russell 1000 Growth (28% vs. 8%). As a result, value spreads widened considerably over the course of the quarter. Going back nearly 30 years, the growth index has traded at a 6.5 multiple point premium to the value index. At the beginning of the quarter, the growth index had a P/E ratio that was about 10 multiple points higher than the value index—at the end of the quarter, it was 13 multiple points higher. Historically, value spreads have eventually reverted toward average/normal levels. Should this transpire as it has in the past, value is poised to do well relative to growth.

The Russell 1000 Growth trades at an elevated valuation relative to its historical median using any common valuation metric. The Russell 1000 Value trades reasonably in line with its historical median. The portfolio, however, trades at a considerable discount to its own history. The portfolio's price-to-normal earnings ratio is 8.0x, which is the 18th percentile, i.e., it has been more attractively valued just 18% of the time. While we have identified attractive valuation opportunities in a variety of market segments, the portfolio's overweight exposure to financials and energy is a meaningful contributor to its valuation discount.

We remain partial to financials, with banks representing the largest absolute and relative weight. The banking industry has been in the crosshairs of skeptics since the early March failure of Silicon Valley Bank ("SVB"). SVB failed due to a combination of unique characteristics and mismanagement. It had an unusually concentrated depositor base composed of large corporate depositors; 97% of its deposits exceeded the $250,000 FDIC insurance limit, and thus were uninsured. This makes it more susceptible to a bank run because it takes significantly fewer customers withdrawing their money compared to a bank with a more diversified customer base. Further, SVB invested in long duration securities much more heavily than it should have, creating a risky asset/liability mismatch. Several other regional banks have similar problems, albeit nothing to the extreme of SVB. Nonetheless, well-capitalized, well-managed banks sold off in sympathy, and now trade at exceptionally attractive valuations for the risks at hand. The portfolio's bank exposure trades at close to 6x normal earnings and 0.8x book value, uncommonly attractive levels. We have thoroughly assessed widespread bank concerns about declining deposits, an impending recession, and potential regulatory changes. We conclude that these valuations more than compensate us for those risks. Our portfolio of banks is also well diversified across 8 different companies each with a different business mix and therefore different risks.

Technology is the portfolio's second-largest sector weight and overweight relative to the index (financials is the largest overweight, energy is third). In tech, we do own some high quality businesses, and we are willing to pay higher valuation multiples accordingly. The portfolio's aggregate technology positions trade at less than 12x normal earnings, which we view as a bargain considering the quality of the businesses. Common traits among our tech holdings are excellent balance sheets, sticky customers that generate recurring/predictable cash flow, and promising prospects for growth. We view these businesses as less cyclical than generally understood and prefer this exposure to other non-cyclical parts of the market that are currently trading at rich valuations and grow modestly, e.g., consumer staples, utilities. This exposure is much different than the exposure to energy and financials, thus acting as an effective offset/complement.

ATTRIBUTION – 1Q23

The Hotchkis & Wiley Large Cap Value Fund outperformed the Russell 1000 Value Index in the first quarter of 2023. The outperformance came despite growth's considerable outperformance over value, which is typically not a conducive environment for our value-focused approach. Positive stock selection in Industrials, Health Care, Communication Services, and Consumer Discretionary helped relative performance in the quarter. The overweight exposure to the strong-performing Information Technology sector was also a positive contributor. The portfolio's exposure to Energy and Financials detracted from performance, as these were among the worst-performing sectors in Q1. The largest positive contributors to relative performance in the quarter were General Electric, Warner Bros. Discovery, FedEx, Microsoft, and GE Healthcare Technologies; the largest detractors were AIG, APA Corp., Ovintiv, Citizens Financial, and Wells Fargo.

LARGEST NEW PURCHASES – 1Q23

No new purchases.

Portfolio managers' opinions and data included in this commentary are as of March 31, 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.**

Hotchkis & Wiley

LARGE CAP VALUE FUND

HWLIX
HWLAX
HWLCX
HWLZX

MANAGER REVIEW & ECONOMIC OUTLOOK

MARCH 31, 2023

PERFORMANCE (%) as of March 31, 2023

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 6/24/87
Large Cap Value Fund – I Shares	2.63	2.63	-5.46	25.38	7.38	9.77	8.93
Russell 1000 Value	1.01	1.01	-5.91	17.93	7.50	9.13	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 0.97% for I Shares; 0.95% 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 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.

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.

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 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 3/31/23 as a % of the Fund's net assets: F5 Inc. 3.8%, American Int'l Group Inc. 3.8%, Citigroup Inc. 3.8%, Wells Fargo & Co. 3.7%, Microsoft Corp. 3.5%, General Motors Co. 3.2%, APA Corp. 3.0%, FedEx Corp. 2.9%, Elevance Health Inc. 2.9%, and Goldman Sachs Group Inc. 2.7%.

Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g., depreciation) and interest expense to pretax income. **Basis point** is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument. **Price-to-earnings** is the current market price per share divided by normalized earnings per share. Earnings per share is a company's net profit divided by the # of common shares it has outstanding. **Consumer Price Index** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

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