LARGE CAP VALUE FUND

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MANAGER REVIEW & ECONOMIC OUTLOOK

JUNE 30, 2021

MARKET COMMENTARY

The S&P 500 Index rose 8.6%, closing the second quarter of 2021 at an all-time high. It is up +15.2% since the beginning of the year. While the threat of new COVID variants persists, vaccination levels increased and new cases slowed. Consequently, state and local governments continued to ease closures/restrictions spurring renewed economic activity. Manufacturing rose and labor markets improved, highlighting the potential for tight supply conditions. Consumer prices rose 5% year over year, the fastest level in more than a decade. In response, Fed Chairman Powell reiterated his view that inflationary pressures would be transitory. West Texas Intermediate (WTI) crude oil touched $74/barrel, its highest level in more than two years. Corporate earnings continued to show strength, with 86% of S&P 500 companies outperforming consensus expectations.

The Russell 1000 Growth Index outperformed the Russell 1000 Value Index (+11.9% vs. +5.2%) in the second quarter. Even so, the value index has outperformed by more than 10 percentage points over the past 9 months (+36.1% vs. +25.9%). According to data from the Ken French/Dartmouth library, which dates to 1926, the average value-led market[1] has lasted for 33 months and outperformed growth by an average of 55 percentage points. The duration and magnitude of the current rally is far short of that. Nearly all prolonged value-led markets, however, contain stints when growth outperforms value. In perhaps the strongest value rally ever, for example, value outperformed growth by 147 percentage points from March 2000 through December 2006. However, growth outperformed value in nearly one-third of those months (24 out of 82 months). Like that value run, we came from extreme valuation spreads in mid/late 2020 and continue to observe spreads that are considerably wider than average. This gives us confidence that value's advantage this time can persist in a powerful way, for a prolonged period, or both.

Interest rates fell during the quarter, particularly for long-dated bonds (the yield curve flattened). The 10-year treasury note declined from 1.74% to 1.47% over the quarter. Real estate was the top-performing sector in the S&P 500 as REITs often trade inversely to interest rates, though at 2.5% it entered the quarter as the index's smallest sector. Technology, energy, and communication services were next best, each returning more than +10%. The 8 largest individual contributors for the S&P 500 were all technology-driven companies, though technically 3 of them reside in other sectors (Google and Facebook = communication services; Amazon.com = consumer discretionary; the others were Microsoft, Apple, Nvidia, PayPal, and Adobe). Utilities was the only sector that declined in the quarter, though consumer staples, industrials, and materials also lagged.

As measured by any common valuation metric, the spread between value and growth stocks is wide. So too is the spread between the portfolio and the value benchmark, which means the spread between the portfolio and either the core or growth index is extreme. Over the last dozen years, the portfolio's average price-to-normal earnings discount[2] to the Russell 1000 Value has been 50% but today stands at 73%. It has been wider only 13% of the time. We believe this bodes well going forward as value relationships normalize. We continue to focus on companies trading at large discounts to intrinsic value but that have strong balance sheets, quality businesses, and employ appropriate corporate governance—a combination that we believe should continue to benefit our clients.

ATTRIBUTION – 2Q21

The Hotchkis & Wiley Large Cap Value Fund slightly outperformed the Russell 1000 Value Index in the second quarter. Energy was the largest contributor as both the overweight allocation and positive stock selection helped relative performance. Positive stock selection in healthcare and materials, along with the overweight position in financials and underweight position in utilities also helped. Stock selection in communications services and financials, along with the lack of exposure to real estate detracted from performance. The largest positive contributors to relative performance in the quarter were Marathon Oil, Wells Fargo, Hess Corp., APA Corp., and Goldman Sachs. The largest detractors were Discovery, F5 Networks, Citigroup, Cummins, and Vodafone.

LARGEST NEW PURCHASES – 2Q21

Credit Suisse Group presents an attractive valuation following large lapses in its risk management (e.g., exposure to Archegos). We expect that fixing its risk management process is well within its ability and doing so will have manageable cost and time commitments. While the potential for punitive regulatory actions and/or litigation exists, this is more than reflected in the current share price. While recent events are a blemish, the underlying franchise value remains intact; Credit Suisse is a high-quality business that should generate attractive returns on capital over time.

(continued)

[1]A value-led market is defined as one that outperforms growth by at least 10 percentage points.
[2]Calculated as [(Index PE / Portfolio PE)-1], or the portfolio's price return required to make equivalent valuations.

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CVS Health operates fast growing insurance and pharmacy benefit management businesses. These well-positioned businesses should deliver strong earnings growth. Yet the value of these assets has been overshadowed by concerns regarding CVS' front-end retail business. While the headwinds facing retail are real, this business is ultimately a very small piece of CVS Health's value. We believe that CVS Health's sum-of-the-parts valuation is attractive.

Euronet Worldwide is a provider of electronic payment services, with about 60% of its operating profit coming from a network of ATMs located primarily in Europe (though the company is based in Kansas). The ATMs are in strategic locations that benefit from traveling consumers. Concerns about COVID's impact on travel has resulted in an attractively valued stock. As travel resumes, its ATM business should recover. Meanwhile, its money transfer and epay businesses (~40% of operating profit) have grown steadily, helping offset the temporary setback from its ATM business. Euronet is a well-managed quality business with a good balance sheet.

PERFORMANCE (%) as of June 30, 2021

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 6/24/87
Large Cap Value Fund – I Shares	5.28	24.61	64.20	11.26	13.84	12.14	9.40
Russell 1000 Value	5.21	17.05	43.68	12.42	11.87	11.61	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 0.95% for I Shares. Expense ratios shown are gross of any fee waivers or expense reimbursements. I Shares sold to a limited group of investors. 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. Sectors based on the Global Industry Classification Standard ("GICS"), 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.

The "Largest New Purchases" section includes the three largest new security positions during the quarter/year based on the security's quarter/year-end weight adjusted for its relative return contribution; does not include any security received as a result of a corporate action. If fewer than three new security positions during the quarter/year, all new security positions are included.

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. Growth investing tends to work well during speculative, momentum-driven markets, while value investing tends to work well following recessionary periods. Past recessions and recoveries cannot predict future performance due to different factors and circumstances.

Market Disruption: The global coronavirus pandemic has caused disruption in the global economy, unprecedented business and travel disruption and extreme fluctuations in global capital and financial markets. H&W is unable to predict the consequences of the upheaval 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 6/30/21 as a % of the Fund's net assets: Wells Fargo & Co. 5.1%, American Int'l Group Inc. 4.8%, Citigroup Inc. 4.6%, General Electric Co. 4.5%, Anthem Inc. 3.7%, General Motors Co. 3.2%, Marathon Oil Corp. 2.7%, Magna International Inc. 2.5%, Microsoft Corp. 2.4%, and Goldman Sachs Group Inc. 2.3%. Price-to-normal earnings is the current market price per share divided by normalized earnings per share. **Extraordinary performance is attributable in part due to unusually favorable market conditions and may not be repeated or consistently achieved in the future.**

Mutual fund investing involves risk. Principal loss is possible.
NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE
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