LARGE CAP VALUE FUND

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MANAGER REVIEW & ECONOMIC OUTLOOK

SEPTEMBER 30, 2022

MARKET COMMENTARY

The S&P 500 Index declined -4.9% in the third quarter and is now down -23.9% year-to-date. Growth outperformed value during the quarter, with the Russell 1000 Growth Index declining -3.6% vs. a decline of -5.6% for the Russell 1000 Value Index.

Investors continued to grapple with elevated inflation and the Fed's hawkish action and sentiment. The latest Consumer Price Index (CPI) reading was 8.3% year-over-year, which was slightly above consensus forecasts but below the 40-year high reached in June (9.1%). Energy prices declined, with WTI crude oil falling from $106/barrel to $79/barrel over the course of the quarter. The most recent Core CPI reading, which excludes food and energy, increased slightly from the beginning of the quarter (6.3% from 5.9%). To combat inflation, the Federal Open Market Committee continued to raise interest rates. It increased the Fed Funds Target Rate by 150 basis points via two hikes in the quarter. The target rate now stands at 3.25% (upper bound), a full 3 percentage points higher than where the year began (0.25%). Market implied expectations are for the rate to exceed 4% by year-end.

The economy demonstrated mixed signals. Second quarter real gross domestic product (reported in the third quarter) contracted -0.6% quarter-over-quarter. The ISM Manufacturing PMI declined to 50.9 from over 60 in late 2021 (a reading above 50 indicates expansion, below 50 contraction). The ISM Services PMI was 56.7, slightly higher than at the beginning of the quarter. Unemployment and initial jobless claims remain low. Reported corporate earnings were strong, with 78% of S&P 500 companies exceeding analyst expectations. Lower forward guidance was a common theme, however. Many management teams have been pointing to inflation, continued supply constraints, and the stronger dollar as near-term profitability headwinds.

At the beginning of 2022, the S&P 500's price-to-earnings ratio[1] was 22.7x; at the end of September, it stood at 16.0x. The median P/E ratio since 1990 is 16.7x, so it went from considerably above average to slightly below average over the course of the year's first 9 months. Thus, the index's -23.9% year-to-date return is entirely due to valuation compression, as opposed to a decline in expected earnings. Valuation multiples compressed for both the growth and value indexes, though the gap between the two remains 1 standard deviation wider than the historical median. The Russell 1000 Value Index trades at a discount to its historical median (12.7x vs. 14.8x) while the Russell 1000 Growth Index continues to trade at a premium to its historical median (22.0x vs. 19.7x). We believe the reversion toward more typical valuation relationship is probable, which would likely benefit value relative to growth going forward.

While the broad market trades at a historically average valuation, it is not average across all sectors uniformly. We find few attractive opportunities in non-cyclical sectors like Consumer Staples and Utilities. 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 are attracted to select technology companies that trade at better valuations and grow faster. Many of these businesses also have great balance sheets and are less economically sensitive than generally believed.

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 a lot of capital to shareholders and are one of very few industries than 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 Large Cap Value Fund underperformed the Russell 1000 Value Index in the third quarter of 2022. Large value stocks lagged large growth stocks, which is generally not a conducive environment for our approach. Stock selection in Energy, Industrials, and Communication Services detracted from performance in the quarter. The overweight allocation to Energy and the lack of exposure to Real Estate helped relative performance. The largest positive contributors to relative performance in the quarter were General Motors, Wells Fargo, Cummins, HCA, and Murphy Oil; the largest detractors were FedEx, Vodafone, GSK PLC (formerly GlaxoSmithKline), Comcast, and Euronet Worldwide.

LARGEST NEW PURCHASES – 3Q22

Cigna is a healthcare company that primarily provides pharmacy benefit management and health insurance services. The business's PBM services were greatly expanded by its 2018 merger with Express Scripts (ESRX) and are mostly sold to health insurance plans and employers. In health insurance and other benefits, Cigna mostly serves employers through self-funding arrangements, but it also operates in government programs such as Medicare Advantage. The company operates mostly in the US with 15 million medical members covered as of the end of 2020. We believe the company is attractively valued given earnings have increased from $10/share in 2017 before the ESRX deal to $23/share in 2022.

(continued)

[1]Based on FY1 consensus earnings

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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Corebridge Financial recently spun out from AIG and operates as a life and annuity company. The company offers retirement solutions and insurance products and is one of the biggest manufacturers of annuities sold in the retail and group retirement channels. We think the business will benefit from the separation from AIG, mainly through increased focus and improved efficiency, and are looking for steadily growing earnings and cash flows over time.

Ovintiv is an E&P with a diversified set of cash flowing assets, the value of which we feel is being deeply underpriced by the market today. Following a period of aggressive deleveraging, the company is not increasing its returns to shareholders, an activity that we believe is highly accretive at the current share price.

PERFORMANCE (%) as of September 30, 2022

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 6/24/87
Large Cap Value Fund – I Shares	-7.50	-18.88	-14.63	4.24	4.18	9.51	8.51
Russell 1000 Value	-5.62	-17.75	-11.36	4.36	5.29	9.17	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.

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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.

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 9/30/22 as a % of the Fund's net assets: General Electric Co. 5.3%, Citigroup Inc. 4.7%, Wells Fargo & Co. 3.8%, American Int'l Group Inc. 3.7%, F5 Inc. 3.5%, Oracle Corp. 3.2%, Microsoft Corp. 3.2%, General Motors Co. 3.1%, Elevance Health Inc. 2.9%, and Goldman Sachs Group Inc. 2.8%.

Real gross domestic product (GDP) is the inflation adjusted value of the goods and services produced by labor and property located in the US. The Consumer Price Index is a measurement of US prices for household goods and services. Basis point is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument. Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g., depreciation) and interest expense to pretax income. Price-to-Earnings is the current market price per share divided by normalized 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.**

Mutual fund investing involves risk. Principal loss is possible.
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