LARGE CAP VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

DECEMBER 31, 2022

MARKET COMMENTARY

In calendar year 2022, the economy and capital markets experienced numerous milestones that had not been observed for quite some time. The S&P 500 declined -18.1%. Since the Great Depression, only three years have been worse: 1974 (oil crisis), 2002 (tech bubble burst), and 2008 (financial crisis). Value stocks declined but held up much better than growth stocks. The Russell 1000 Value declined -7.5% compared to the Russell 1000 Growth's -29.1% decline. The more than 21 percentage point difference represented value's largest advantage since 2000. Despite the outperformance, the P/E gap between growth and value remains almost a full standard deviation wider than average[1]. Considering the still wide valuation gap and value's significant outperformance in periods of elevated/rising inflation and interest rates, we are optimistic that value's outperformance can persist.

Inflation peaked midyear at 9.1%, the highest reading in more than 40 years[2]. To combat rising prices, the Federal Open Market Committee increased the Fed Funds rate by more than 400 basis points over the course 2022, from 0.25% to 4.5% (upper bounds). This was the largest rate hike in any calendar year since 1973, and the current 4.5% level is its highest in more than 15 years. Other interest rates followed suit. 10-year treasury yields peaked above 4% for the first time in more than a decade; 30-year mortgage rates peaked above 7% for the first time in more than 2 decades. Yields on corporate credit also increased significantly. The treasury yield curve remains significantly inverted, which has been a harbinger of recessions historically. The tight labor market exhibited strong contrasting signals, however, with the unemployment rate reaching a 50-year low. Expectations for future corporate earnings are roughly flat, thus the stock market's decline was entirely due to a compression in valuation multiples as opposed to an actual or expected decline in earnings.

Forecasting economic growth and/or predicting recessions is not our expertise. We do, however, fully acknowledge current warnings signs, e.g., continued Fed tightening and the yield curve. Two things providing solace in the event of an economic slowdown are modest financial leverage and attractive valuations. There are fewer excesses in the system compared to prior recessionary periods like 2008. Unlike then, balance sheets of both consumers and financial institutions are quite strong today. Further, equity valuations are reasonable, and in select market segments, unusually attractive. A strong argument could be made that a recession is already priced into equity markets, at least in certain market segments, which is different compared to recessionary periods like 2002. While several signs point to an economic slowdown, several others suggest that the severity would be manageable and/or much of the pain has already been felt.

The S&P 500 Energy sector returned +65% in 2022, the best-performing sector by substantial margin. The only other S&P 500 sector with a return above zero was Utilities, which was up about +2%. Crude oil is a depleting resource/commodity. Put simply, when oil is extracted from a well, that well now contains less oil, and what remains is increasingly difficult to extract. As a result, wells produce less oil as they age, the pace of which is called its decline rate. To maintain flat production, therefore, companies must invest considerable sums in new projects to replace these wells' declining production. To increase production, these investments need to be substantial. In recent years, however, energy companies have spent unusually little on new production, instead using cash flows to pay down debt and/or return to shareholders. Our view has been, and continues to be, that this lack of investment will create a situation where supply, i.e., production, is unable to keep pace with global demand. This imbalance keeps the price of oil elevated and facilitates strong free cash flows for energy companies. Much of the cash flow is earmarked for share repurchases, which is accretive to earnings per share. Capital expenditures, i.e., new investments, have increased recently, but it takes a long time for such investments to result in actual production. Thus, this imbalance could persist for some time. Meanwhile, energy stocks' valuations remain compelling even after the impressive performance because they are coming from such a low base. Free cash flow yields are well into the teens, hence our continued overweight.

Financials represents the portfolio's largest weight, and second largest overweight relative to the index. Our thesis on Financials is straightforward—it is the most attractively valued sector in the portfolio. The sector trades at notable discounts to other parts of the market and relative to its own history, despite balance sheets that are well positioned to withstand a potential economic slowdown. Our positions are focused on companies with difficult-to-replicate franchises that should earn returns well above their cost of capital. Information Technology represents the portfolio's second largest weight, and largest overweight relative to the index (Energy is third for both). The valuation multiples of the portfolio's technology positions are higher than those in financials and energy, but still attractive given the quality of the business, the attractive balance sheets, and the appealing growth prospects. These businesses deserve valuation multiples well above the market average, yet often trade at modest discounts, thus significantly below their intrinsic values.

ATTRIBUTION – 4Q22 & 2022

The Hotchkis & Wiley Large Cap Value Fund outperformed the Russell 1000 Value Index in the fourth quarter of 2022 by a considerable margin. Stock selection was positive or neutral in 10 of the 11 GICS sectors in the period, causing about 80% of the period's outperformance. Stock selection was especially positive in Industrials, Information Technology, Financials, and Energy. The overweight exposure to Energy and underweight exposure to Real Estate also helped. The portfolio's overweight position in Information Technology, and underweight positions in Consumer Staples and Materials were slight detractors. Stock selection in Communication Services also hurt modestly. The largest positive contributors to relative performance in the quarter were General Electric, AIG, Oracle, APA Corp., and CNH Industrial; the largest detractors were Warner Bros. Discovery, F5 Inc., Microsoft, Wells Fargo, and Vodafone.

The Fund also outperformed the benchmark over the full calendar year. The portfolio's average weight in Energy over the course of the year was 14.6% compared to 7.6% for the index, i.e., nearly 7 percentage points overweight. This sector returned more than +60% in the year while most others declined. Accordingly, the portfolio's overweight position in Energy was the largest positive contributor over the year, by far. The underweight exposure to Real Estate, which was among the worst performing sectors in the year, also helped. Stock selection in Financials and Information Technology were meaningfully positive as well. The overweight position in Information Technology and underweight position in Health Care detracted from performance, along with stock selection in Communication Services and Consumer Discretionary. The largest positive contributors to relative performance in 2022 were Marathon Oil, APA Corp., Hess Corp., NOV Inc., and AIG; the largest detractors were Warner Bros. Discovery, F5 Inc., General Motors, Ericsson, and Citigroup.

LARGEST NEW PURCHASES – 4Q22

Fidelity National Information Services provides credit and debit card processing, electronic banking services, check risk management, check cashing, and merchant card processing services to financial institutions and merchants. We believe the core banking business is quite sticky, while the merchant business is reasonably scaled and well-positioned in the enterprise/e-commerce segments. The company is trading at an attractive valuation and pays a reasonable dividend that we expect to rise in the future.

(continued)

[1]Based on price/FY1 consensus estimates dating back to the mid-1990s (longest available)
[2]US Consumer Price Index Urban Consumer year-over-year, not seasonally adjusted

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Paramount Global was formed through the December 2019 merger of CBS and Viacom. The company is going through an industry-wide transition from the traditional TV model to a model where traditional TV coexists with streaming. With growing evidence that Paramount's streaming service appears to be achieving strong subscriber results, we expect the company's margins to improve as the streaming business drives revenue growth that scales into its cost base.

US Bancorp is the 5th largest bank in the US by assets with a strong market position in the Mid-West and Western US. US Bancorp has a long history of producing among the highest returns on assets and equity in the banking sector. We feel USB's franchise is very attractive and will be further improved by its recent acquisition of Union Bank from MUFG as the merger offers the potential for substantial cost synergies and will materially increase its market share in its core western US markets. At current prices USB trades at a high single digit multiple of normal and current earnings per share and offers a 4.5% dividend yield.

PERFORMANCE (%) as of December 31, 2022

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 6/24/87
Large Cap Value Fund – I Shares	16.73	-5.31	-5.31	6.75	6.14	10.88	8.92
Russell 1000 Value	12.42	-7.54	-7.54	5.96	6.67	10.29	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.

The "Largest New Purchases" section includes the three largest new security positions during the quarter based on the security's quarter-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, all 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 12/31/22 as a % of the Fund's net assets: General Electric 6.0%, Citigroup 4.8%, Wells Fargo 3.9%, AIG 3.7%, Microsoft 3.5%, Oracle Corp. 3.4%, F5 Inc. 3.4%, General Motors 2.9%, FedEx Corp. 2.8%, and Goldman Sachs Group 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. Free cash flow represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets. Free cash flow yield measures how much free cash flow is available in relation to a company's market capitalization. Standard deviation is a measure of the amount of variation or dispersion of a set of values. 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. Dividend yield is a stock's dividend payments to shareholders expressed as a % of the stock's current price.