MID-CAP VALUE FUND

HWMIX
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MANAGER REVIEW & ECONOMIC OUTLOOK

MARCH 31, 2022

MARKET COMMENTARY

The Russell Midcap Index declined -5.7% in the first quarter of 2022. The Russell Midcap Value Index declined a more modest -1.8% while the Russell Midcap Growth Index declined -12.6%. Despite value's recent outperformance, the valuation spread between growth and value remains wide because the spread at the period's outset was extreme. The Russell Midcap Value Index trades at 15x forward P/E (consensus FY1) compared to the Russell Midcap Growth Index at 31x. This equates to a gap of 16x, which is much wider than the historical median of 7x dating back to the beginning of 2000.

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 continued to fuel worries over inflation. Sanctions and trade disruption created supply shocks, putting inflationary pressures on significant Russian exports like oil, natural gas, and metals—each experienced meaningful price increases in the period. 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, energy remains a significant sector overweight in the portfolio notwithstanding the strong recent performance.

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. Our portfolio continues to trade at a discount relative to the index on both a forward and normal P/E basis. We believe the large valuation spreads and 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 Mid-Cap Value Fund outperformed the Russell Midcap 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 +55% as a group compared to the Russell Midcap Value's energy return of +41%. Positive stock selection in industrials, communication services, and technology also helped. The underweight and stock selection in consumer staples detracted from relative performance, along with the underweight position in materials. The largest positive contributors to relative performance in the quarter were Kosmos Energy, APA Corp., Fluor, NexTier Oilfield Solutions, and Marathon Oil; the largest detractors were Royal Mail, First Citizens, Goodyear Tire, Adient, and Whirlpool.

LARGEST NEW PURCHASES – 1Q22

AMERCO (UHAL), the parent company of U-Haul, is the dominant DIY (do-it-yourself) moving company, with almost 22k locations in the US and Canada. Their superior operating results come from one-way moves where a truck is rented at one location and dropped off at another. This model is extremely difficult to replicate and is highly costly – giving UHAL the first mover advantage. Their larger network and reservation system allows the company to properly price one-way moves given the location advantage, truck utilization, and cost to return the trucks. As a result of these advantages, UHAL offers a better price, value, and cost when compared to competitors; in fact, UHAL is 10x larger than the next competitor. We initially exited our position near the end of 2021. Price performance had appreciated 60% in FY2021, and more than 100% since Q4 2020. Since the beginning of 2022, UHAL has fallen almost 15% in just a few weeks – offering a worthwhile buying opportunity for a high-quality business that was formerly one of the top performers in our portfolios.

(continued)

Hotchkis & Wiley

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Brink's is the largest cash management and secure logistics company in the world. The company is the #1 or #2 cash in transit operator in its major markets. Approximately 1/3 of normal revenue is from North America, about 1/4 from Latin America, another 1/4 from the EU, and the remainder is spread around the rest of the world. Their valuation is attractive assuming their guidance is accurate – and could be even more attractive if their new products expand the addressable market as we believe may be possible.

Murphy Oil (MUR) is an oil and gas company that primarily operates in the US and Canada. We continue to see much promise in the energy industry as supply has not kept up with demand. MUR trades at a low multiple to normal earnings, which does not account for the potential of their exploration operations in Brazil. Finally, if commodity prices increase, normal EPS could have an even more substantial upside.

PERFORMANCE (%) as of March 31, 2022

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 1/2/97
Mid-Cap Value Fund – I Shares	9.71	9.71	21.46	14.27	8.36	10.54	11.61
Russell Midcap Value	-1.82	-1.82	11.45	13.69	9.99	12.01	10.56

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 1.04% for I Shares. 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.

Investing in small and medium-sized companies involves greater risks than those associated with investing in large company stocks. 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 Midcap 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.

Russell Investment Group is the source and owner of the Russell Index data contained herein (and all trademarks related thereto), which may not be redistributed. The information herein is not approved by Russell. H&W and Russell sectors are based on the Global Industry Classification Standard by MSCI and S&P.

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 Midcap® Index, an unmanaged index, measures the performance of the 800 smallest companies in the Russell 1000® Index. The Russell Midcap® Value Index measures the performance of those Russell Midcap® companies with lower price-to-book value ratios and lower forecasted growth values. The Russell Midcap® Growth Index measures the performance of those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values. 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. 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: Kosmos Energy Ltd. 5.4%, Fluor Corp. 4.3%, APA Corp. 4.2%, Popular Inc. 4.1%, Capricorn Energy PLC 3.8%, Citizens Fin'l Group Inc. 3.1%, American Int'l Group Inc. 2.9%, Adient PLC 2.8%, First Citizens Bancshares 2.6%, and Vistra Energy 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.**