MID-CAP VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWMIX | HWMAX | HWMCX | HWMZX

Hotchkis & Wiley

PERFORMANCE (%) as of December 31, 2023

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 1/2/97
Mid-Cap Value Fund – I Shares	9.25	19.86	19.86	19.25	13.98	7.11	11.24
Russell Midcap Value	12.11	12.71	12.71	8.36	11.16	8.26	9.88

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 1.00% 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.

MARKET COMMENTARY

The Russell Midcap Index increased +12.8% in the fourth quarter of 2023. The Russell Midcap Growth Index outperformed for the quarter, returning +14.6% vs. +12.1% for the Russell Midcap Value Index.

The valuation gap between the Russell Midcap Growth and Russell Midcap Value widened during the year, expanding from 6.9x at the close of 2022 to 10.5x by the end of 2023[1]. This divergence can be largely attributed to the value index's inclusion of banks, which are trading at exceptionally appealing levels compared to many other industries. Financials and banks maintain their dominance as the portfolio's largest weights relative to the benchmark. Despite being overlooked for years, banks faced heightened concerns early in the year due to a mini banking crisis, intensifying worries about regulatory uncertainties, particularly in relation to balance sheet issues arising from treasury bond holdings amid rising interest rates. Despite these challenges, we assert that the impact on the share prices of profitable banking enterprises has been disproportionate to the underlying strength of their balance sheets and robust profitability. While acknowledging the apprehensions surrounding treasury holdings, we emphasize that banks we hold persist in trading at single-digit multiples of normal earnings, a compelling proposition in the current market environment.

Mid cap stocks trailed behind their larger counterparts throughout much of 2023 before rebounding in the year's final months. The Russell 1000 Index ultimately outperformed the Russell Midcap Index by 930 basis points as large cap technology companies outperformed. In our extensive experience, when mid and small cap value asset class endures prolonged underperformance it is typical for most investors to under-allocate to these particular segments. Investors should not overlook mid cap stocks, as they offer a compelling balance between growth potential and stability. Mid cap companies are often more adaptable and responsive to market changes, less sensitive to interest rates and economic fluctuations than small cap companies. Undervalued mid cap companies may also be attractive merger or acquisition candidates, and less susceptibility to extreme market swings make them a valuable and often overlooked asset class, deserving attention for those seeking a well-rounded investment strategy.

In addition, as interest rates continue on a path of normalization, we expect investor sentiment will experience positive adjustments, primarily in relation to the cost of capital for smaller companies. This shift in sentiment holds significant implications for companies, especially those of smaller scale. As the cost of capital becomes more favorable, businesses can anticipate a more conducive financial environment for growth and investment.

Moreover, the escalating costs associated with indebtedness highlight the strategic advantages that may accrue to companies exhibiting specific attributes. Those with low levels of debt, a robust capacity to generate free cash flow, and a proven track record of prudently and effectively allocating capital are positioned to navigate the evolving economic landscape with resilience. In essence, such companies are well-poised to capitalize on the changing interest rate dynamics and derive benefits from a more favorable cost of capital environment.

Historical evidence reinforces the notion that during transformative economic landscapes, mid cap value stocks can embark on a significant and lasting period of outperformance. We hold steady in our commitment to the principles of value investing and remain prudent in our search for new ideas in an ever-changing environment. With a resilient team, a healthy firm, and an optimistic outlook, we believe our clients will be duly rewarded for our dedication and efforts. As we eagerly anticipate the new year, our enthusiasm remains undiminished, ready to navigate evolving markets and capture opportunities on behalf of our clients.

(continued)

[1] Source: Bloomberg. Based on FY2 price-to-earnings ratio.

ATTRIBUTION ANALYSIS – 4Q23 & 2023

The Hotchkis & Wiley Mid-Cap Value Fund underperformed the Russell Midcap Value Index in the fourth quarter of 2023. Stock selection and the overweight in energy detracted the most from relative performance in the quarter. Stock selection in consumer discretionary also detracted in the quarter, as did the underweight in real estate. Stock selection and the overweight in financials contributed positively to relative performance. Stock selection in utilities, technology, and healthcare also worked well in the quarter, as did the underweight in consumer staples.

The Fund outperformed the benchmark by a wide margin over calendar year 2023. Stock selection and the overweight in financials contributed significantly to outperformance. Stock selection in utilities, healthcare, and communication services also contributed positively, as did the underweight in consumer staples. Stock selection and the overweight in energy detracted for the year, as did stock selection in consumer discretionary and overweight in industrials.

LARGEST INDIVIDUAL CONTRIBUTORS – 4Q23

Popular (BPOP), the largest bank in Puerto Rico, has a dominant market share of loans and deposits in the territory. Popular is a very well positioned and profitable bank with substantial excess capital. Trading at a low multiple of normal EPS, we feel that BPOP is an attractive value. Market participants are increasingly convinced of imminent rate cuts from the Federal Reserve which contributed to a rally in the sector. The bank also announced a quarterly dividend increase of nearly 13% during the quarter which drove further outperformance.

Ericsson (ERIC) is the largest vendor of hardware and software needed to operate wireless networks outside China. Ericsson's margins have been modestly below normal as management turns around its mismanaged Cloud Software & Services segment. Valuation is attractive even if Ericsson's competitors do not lose market share, but we believe there is a growing opportunity to benefit from problems facing its key competitors. Ericsson's stock rallied in December following AT&T's announcement of a multi-year deal with Ericsson to deploy commercial scale Open Radio Access Network (Open RAN) in the US.

Citizen's Financial (CFG) is one of the leading banks in the Northeast, with a top 3 deposit market share in MA, PA, RI, and NH. Since spinning out firm RBS over a decade ago CFG management has improved margins and profitability to levels consistent with its strong market position, yet continues to trade at a discounted valuation. The stock recovered from October's regional bank sell-off and outperformed due to cooling inflation and a favorable interest rate outlook from the Federal Reserve that would support the performance of the sector.

LARGEST INDIVIDUAL DETRACTORS – 4Q23

Kosmos Energy Ltd. (KOS) is an independent exploration and production company focused offshore. In addition to its existing production, KOS has LNG assets that are set to begin production in 2024 and a platform to acquire and operate additional offshore resources. We believe Kosmos enjoys a competitive advantage due to the expertise required to explore, discover, and operate assets offshore. Currently the stock is undervalued as the stock doesn't fully reflect the value of the company's existing production. Performance was impacted by guidance for FY 2023 which indicated temporarily lowered production figures and higher costs as they pulled forward 2024 capex spend into 2023. Additionally, they announced a delay in the start-up of their LNG development. This, paired with declining commodity prices, led to negative performance over the period.

APA Corp. (APA) is an independent E&P operating in the North Sea, onshore in Egypt, and in the Midland and Delaware basins in the Permian, as well as in Suriname through a JV with Total offshore. Recent exploration success in Suriname and Egypt has allowed APA to de-emphasize spending on lower returning assets in the US and North Sea. Given APA's production sharing contracts and relatively modest corporate production decline rate, the company can maintain its dividend and fund its growth capex plans at $50 oil. Management targets shareholder return and debt paydown with its considerable free cash flow generation at current commodity price levels. Total, APA's partner in Suriname, funds a large majority of initial Suriname development capex leading to very attractive incremental reinvestment rates for APA in this region. Finally, APA's LNG contract with Cheniere is an option on non-US gas prices. APA underperformed during the quarter, as it traded down in sympathy with lower oil and gas prices.

Baytex Energy Corp. (BTE) is an independent Canadian E&P engaging in the acquisition, development, and production of crude oil and natural gas. BTE primarily operates in the United States with 62% of their production occurring in the Eagle Ford. Given that Canadian E&P stocks tend to trade at a discount to US E&P stocks, we believe that BTE is undervalued for a company with much of their production in the US. Additionally, BTE gives us exposure to an energy market that had been underearning versus normal levels of profitability and is currently generating significant FCF in what could be a perennially undersupplied market. Recent performance for Baytex was related to the decline in energy prices.

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. All investments contain risk and may lose value. Equities, bonds, and other asset classes have different risk profiles, which should be considered when investing.

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. 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. Certain information presented based on proprietary or third-party estimates are subject to change and cannot be guaranteed. Information obtained from independent sources is considered reliable, but H&W cannot guarantee its accuracy or completeness.

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 Standard &Poor's.

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 **Russell 1000® Index**, an unmanaged index, measures the performance of the 1,000 largest companies in the Russell 3000® Index. 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.

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.

Top ten holdings as of 12/31/23 as a % of the Fund's net assets: Kosmos Energy Ltd. 4.6%, Popular Inc. 4.5%, Citizens Fin'l Group Inc. 4.4%, Ericsson 3.9%, APA Corp. 3.8%, Fluor Corp. 3.7%, Adient PLC 2.9%, F5 Inc. 2.8%, State Street Corp. 2.5%, and Olin Corp. 2.3%. **Capex**-capital expenditure; **E&P**-exploration and production; **Earnings per share (EPS)**-company's net profit divided by the number of common shares it has outstanding. **Free cash flow**-represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets; **LNG**-Liquefied natural gas.