SMALL CAP DIVERSIFIED VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWVIX | HWVAX | HWVZX

Hotchkis & Wiley

PERFORMANCE (%) as of March 31, 2024

	QTR	YTD	1 Yr	3 Yr	5 Yr	Since 6/30/14
Small Cap Diversified Value Fund – I Shares	0.96	0.96	17.12	6.02	10.33	8.60
Russell 2000 Value	2.90	2.90	18.75	2.22	8.17	6.79

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 0.87% for I Shares; 0.80% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2024. 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 2000 Index increased 5.2% in the first quarter of 2024. Small value stocks underperformed small growth stocks in the quarter (+2.9% vs. +7.6%). Performance was mixed across the Russell 2000 GICs sectors in the quarter, with the information technology, energy, industrials, and consumer discretionary sectors performing best. Communication services, utilities, real estate, and financials declined slightly in the quarter.

Despite a positive return in the first quarter, small cap stocks underperformed large cap stocks by a wide margin. The Russell 1000 Index returned +10.3%, nearly doubling the Russell 2000 Index return of +5.2%, largely due to strong performance from a few mega cap, tech-oriented companies. The recent performance disparity has helped form a compelling opportunity for small-cap investors. Since 2005, the average forward P/E ratio (using FY2 consensus earnings) of the large cap index has been 15.0x compared to the small cap index average at 14.6x. At the end of the first quarter, however, the large cap index traded at 19.0x, or 27% above its historical average. The small cap index traded at 13.8x, or 6% below its historical average. We believe a reversion toward more normal valuation relationships is more likely than not, which would be conducive for small caps. The only other period when small caps traded at such a significant discount to large caps was during the tech bubble, after which small caps outperformed considerably. Further, the small growth index trades at a slight premium to its historical average, while the small value index trades at a meaningful discount. Putting it all together, small cap value appears to be an attractively valued asset class, both in absolute and relative terms.

Much of the market movement in Q1 hinged on expectations for interest rate cuts by the Federal Reserve. Economic data in the U.S. has been resilient, leading to speculation that interest rate cuts would be fewer/smaller and/or pushed further into 2024. This weighed disproportionately on smaller companies, which use more variable rate debt and on average, have more financial leverage. There are, however, a large number of small cap companies with good balance sheets, including many that have more cash than debt. We have several mechanisms embedded within our investment process that steer us away from highly leveraged companies, most notably our fundamental risk ratings. The market appears to have shunned small caps indiscriminately, leading to attractive risk-adjusted valuation opportunities for discerning active investors.

Financials remain our portfolio's largest holding, both in absolute and relative terms. We are well diversified across the banks, capital markets, and insurance companies. Banks are currently trading at especially large discounts to the broad market, despite solid current earnings and strong capital ratios. While economic and regulatory risks persist, we believe the high single-digit price-to-earnings ratios and discounts to book value present attractive upside potential. Conversely, we continue to see fewer compelling valuation opportunities in small-cap real estate and healthcare companies.

Overall, we continue to view the valuations for quality small cap companies as compelling. Passive small cap investing exposes an investor to many companies that are unprofitable and/or exhibit a high degree of financial leverage. We generally avoid such exposures, and believe the current portfolio exhibits an appropriate balance of attractive valuation/upside potential with acceptable risks.

ATTRIBUTION ANALYSIS – 1Q24

The Hotchkis & Wiley Small Cap Diversified Value Fund underperformed the Russell 2000 Value Index in the first quarter of 2024. The weighted average return for Russell 2000 Value stocks that began the quarter with a market cap of more than $1 billion was +3.6%, but stocks that began the quarter with a market cap of less than $1 billion declined slightly. This was a major performance headwind in the quarter, as the portfolio's average exposure to the smaller cohort was 30% compared to 19% for the index. The lack of exposure to biotech, which is more than 5% of the index and returned more than +16% in the quarter, also hurt. Stock selection in the consumer discretionary sector was also a detractor. Conversely, the underweight in real estate contributed positively during the quarter, as did stock selection in financials, information technology, and utilities.

Portfolio managers' opinions and data included in this commentary are as of March 31, 2024 and are subject to change without notice. Any forecasts made 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.**

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 smaller and/or newer companies involves greater risks than those associated with investing in larger companies. 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. Attribution is an analysis of the portfolio's return relative to a selected benchmark, is calculated using daily holdings 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.

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The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The **Russell 2000® Value Index** measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The **Russell 2000® Growth Index** measures the performance of those Russell 2000® Index companies with higher price-to-book ratios and higher forecasted growth values. 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.