

MARKET COMMENTARY

The Russell 2000 Index rose 4.3% in the quarter and is up +17.5% since the beginning of the year. While the threat of new COVID variants persists, vaccination levels increased and new cases slowed. Consequently, state and local governments continued to ease closures/restrictions spurring renewed economic activity. The restart of the physical economy and unprecedented fiscal stimulus appears to be sparking inflation. Whether inflation is “transitory” or the beginning of an extended period of higher inflation remains an open question for many investors. Meanwhile, consumer prices rose 5% year over year, the fastest level in more than a decade. West Texas Intermediate (WTI) crude oil touched \$74/barrel, its highest level in more than two years. Corporate earnings continued to show strength, albeit from a depressed COVID base, with 68% of Russell 2000 companies outperforming consensus expectations.

Over the last nine months, the Russell 2000 Value Index has outperformed the Russell 2000 Growth Index by 27%. Based on prior value cycles, the prospects for continued economic expansion, modestly higher interest rates, and the spread in valuation ratios, it appears the value cycle is far from over. The typical value cycle has lasted for 33 months with a cumulative outperformance of 55%, according to data from the Ken French/Dartmouth library, which dates to 1926. On the economic front, the natural recovery from the Covid lows and the prospect of enormous fiscal stimulus bodes well for value stocks. In fact, small value stocks outperformed small growth following each of the past 13 recessions. We believe higher interest rates and higher inflation tend to benefit value stocks because the growth premium (i.e., multiple of earnings) one should pay for high growth stocks should contract, especially in relation to value stocks. Value spreads have narrowed but growth stock multiples are still near record highs. While the stage is set for the value investment style to outperform, we note that there will be periods of underperformance within a prolonged value rally. For example, in the 5+ year value rally post the tech bubble of 1999, growth carried the day in about 1 out of 3 months. A bad quarter is not in and of itself an indicator that the rally is over.

The Russell 2000 Value Index edged out the Russell 2000 Index by a narrow margin. Within the Russell 2000 Value, communication services was the Russell 2000's top performing sector in the quarter, which was due to AMC Entertainment's +455% return. Energy was next best, returning more than +20%. Utilities was the only sector that declined in the quarter, though industrials, financials, and consumer staples also lagged.

As measured by any common valuation metric, the spread between value and growth stocks is wide. So too is the spread between the portfolio and the value benchmark, which means the spread between the portfolio and either the core or growth index is extreme. We believe this bodes well going forward as value relationships normalize. We continue to focus on companies trading at large discounts to intrinsic value but that have strong balance sheets, quality businesses, and employ appropriate corporate governance—a combination that we believe should continue to benefit our clients.

ATTRIBUTION – 2Q21

The Hotchkis & Wiley Small Cap Value Fund outperformed the Russell 2000 Value Index in the second quarter. Energy was the largest contributor as both the overweight allocation and positive stock selection helped relative performance. Positive stock selection in financials and consumer discretionary also helped, along with the overweight position in communication services. Stock selection in industrials, healthcare, and real estate detracted from performance. The largest positive contributors to relative performance in the quarter were Range Resources, MDC Partners, Oasis Petroleum, EnPro Industries, and SLM Corp.; the largest detractors were Fluor, Triple-S Management, Frank's International, Bank of NT Butterfield & Son, and Avista. Not owning AMC Entertainment was the largest individual detractor to relative performance as the stock returned more than +450% and was a large benchmark weight.

Portfolio managers' opinions and data included in this commentary are as of June 30, 2021 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.**

SMALL CAP VALUE FUND

HWSIX
HWSAX
HWSCX
HWSZX

MANAGER REVIEW & ECONOMIC OUTLOOK

JUNE 30, 2021

PERFORMANCE (%) as of June 30, 2021

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 9/20/85
Small Cap Value Fund – I Shares	5.26	28.43	80.88	7.43	12.48	10.22	11.34
Russell 2000 Value	4.56	26.69	73.28	10.27	13.62	10.85	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 1.05% for I Shares. Expense ratios shown are 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 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. Equities, bonds, and other asset classes have different risk profiles, which should be considered when investing. All investments contain risk and may lose value. 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. 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.

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. Growth investing tends to work well during speculative, momentum-driven markets, while value investing tends to work well following recessionary periods. Past recessions and recoveries cannot predict future performance due to different factors and circumstances.

Market Disruption: The global coronavirus pandemic has caused disruption in the global economy, unprecedented business and travel disruption and extreme fluctuations in global capital and financial markets. H&W is unable to predict the consequences of the upheaval caused by coronavirus pandemic, which has the potential to negatively impact the firm's investment strategies and investment opportunities.

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 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. Top ten holdings as of 6/30/21 as a % of the Fund's net assets: Range Resources Corp. 4.5%, Popular Inc. 4.5%, Seritage Growth Properties 4.3%, The ODP Corp. 3.8%, Enstar Group Ltd. 3.7%, Fluor Corp. 3.7%, MDC Partners Inc. 3.4%, Euronet Worldwide Inc. 3.4%, Bank of NT Butterfield & Son 3.2%, and AMERCO 3.1%. **Extraordinary performance is attributable in part due to unusually favorable market conditions and may not be repeated or consistently achieved in the future.**

Mutual fund investing involves risk. Principal loss is possible.
NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE
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