VALUE OPPORTUNITIES FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

MARCH 31, 2023

MARKET COMMENTARY

The Russell 3000 Index increased 7.2% in the first quarter of 2023. The Russell 3000 Value Index underperformed for the quarter, returning +0.9% vs. +13.9% for the Russell 3000 Growth Index.

After outperforming growth by 21% in 2022 (by declining less), value underperformed growth in the first quarter of 2023 by 13% (+0.9% vs. +13.9%). The Russell 3000 technology sector was up 23.2% in the quarter. Technology comprises a much larger portion of the Russell 3000 Growth than the Russell 3000 Value (40% vs. 8%). Conversely, the energy and financial sectors declined -5.0% and -3.1%, respectively. These sectors comprise a much larger portion of the Russell 3000 Value than the Russell 3000 Growth (28% vs. 8%).

Technology is the portfolio's largest sector weight and overweight relative to the index. In tech, we do own some attractive businesses, and we are willing to pay higher valuation multiples accordingly. Common traits among our tech holdings are excellent balance sheets, sticky customers that has generated recurring/predictable cash flow, and promising prospects for growth. We view these businesses as less cyclical than generally understood and prefer this exposure to other non-cyclical parts of the market that are currently trading at rich valuations and grow modestly, e.g., consumer staples, utilities. This exposure is much different than the exposure to energy and financials, thus acting as an effective offset/complement.

We also remain partial to financials, with banks representing the largest absolute weight. The banking industry has been in the crosshairs of skeptics since the early March failure of Silicon Valley Bank ("SVB"). SVB failed due to a combination of unique characteristics and mismanagement. It had an unusually concentrated depositor base composed of large corporate depositors; 97% of its deposits exceeded the $250,000 FDIC insurance limit, and thus were uninsured. This makes it more susceptible to a bank run because it takes significantly fewer customers withdrawing their money compared to a bank with a more diversified customer base. Further, SVB invested in long duration securities much more heavily than it should have, creating a risky asset/liability mismatch. Several other regional banks have similar problems, albeit nothing to the extreme of SVB. Nonetheless, well-capitalized, well-managed banks sold off in sympathy, and now trade at attractive valuations for the risks at hand. The portfolio's bank exposure trades at close to 6x normal earnings and 0.8x book value, uncommonly attractive levels. We have thoroughly assessed widespread bank concerns about declining deposits, an impending recession, and potential regulatory changes. We conclude that these valuations more than compensate us for those risks. Our portfolio of banks is also well diversified across 8 different companies each with a different business mix and therefore different risks.

ATTRIBUTION – 1Q23

The Hotchkis & Wiley Value Opportunities Fund outperformed the Russell 3000 Value Index in the first quarter of 2023. On a sector basis, the largest contributors to relative performance during the quarter came from the overweight in Information Technology and security selection in Industrials. Security selection and the underweight in Health Care also contributed to relative performance. In contrast to Information Technology's strong performance, security selection in Information Technology and Real Estate detracted from relative performance during the quarter, as did the overweight in Energy. The largest positive contributors to relative performance in the quarter were General Electric, Microsoft, Rothschild & Co., GE Healthcare Technologies, and Stagwell; the largest detractors were SLM Corp., Seritage Growth Properties, Popular, Murphy Oil, and APA Corp.

LARGEST NEW PURCHASES – 1Q23

American International Group ("AIG") is in the later stages of a restructuring that is already delivering significantly improved financial performance. Of note, AIG has meaningfully improved underwriting profitability in its core commercial property-casualty business and is in the process of spinning off its life & retirement insurance subsidiary. The company has further opportunities to improve operating and capital efficiency. We expect the new AIG to deliver stronger returns with lower volatility.

CVS Health operates in three divisions: Pharmacy Services through its pharmacy benefit managers, Caremark (46% of revenue / 31% of earnings before interest and taxes "EBIT"), Retail/LTC through CVS stores and pharmacies (30% of revenue / 33% of EBIT), and Healthcare Benefits through Aetna (24% of revenue / 36% of EBIT). Over the last five years, CVS/Aetna has grown Medicare Advantage members more than any other managed care organization aside from Anthem and grew faster than Anthem on a percentage basis. We believe CVS is well positioned to offset pressure from front-end retail, which accounts for only 7% of sales, through its gains in covered lives and PBM offerings, as Caremark holds the number one market share at 36%. This market share in pharmacy also gives it scale and cost advantages versus peers. The company recently acquired Oak Street Health, a health care services provider, overpaying at ~$10.6 billion and causing the stock price to fall from ~$90 to ~$75. Although the deal was expensive, we feel that the $25 billion they have lost in market cap since December is an overreaction to an acquisition that both expands the company's reach significantly and offers value in combination with Aetna. The CVS valuation is attractive on a consolidated and sum of the parts basis, without giving the Company credit for potential longer-term synergies or the ability to lower medical costs through its HealthHub offerings. However, although we do not include either synergies or the ability to lower medical costs in our valuation, the upside opportunity would be even greater were either of those outcomes to occur.

(continued)

Elevance (formerly Anthem) is the second largest health insurer, and largest commercial insurer. Elevance is the Blue Cross Blue Shield licensee in 14 states and has Medicaid business in 23 states. It had 47 million enrollees at YE 2022. At 15x normal earnings, Elevance is undervalued due to skepticism about margins and growth. Elevance is priced at only a slight premium to the market, despite being a competitive business, growing at a faster rate than GDP while still returning most of its cash to shareholders.

PERFORMANCE (%) as of March 31, 2023

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/02
Value Opportunities Fund – I Shares	7.91	7.91	-3.15	28.09	9.96	10.69	11.98
Russell 3000 Value	0.91	0.91	-6.35	18.12	7.30	8.99	8.78

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 0.94% 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.

The fund is non-diversified and may invest in foreign securities, junk bonds, derivatives, or small/mid cap 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. Specific securities identified are the largest contributors (or detractors) on a relative basis to the Russell 3000 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.

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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 3000® Index** tracks the performance of the 3,000 largest U.S.-traded stocks. The **Russell 3000® Value Index** includes stocks from the Russell 3000® Index with lower price-to-book ratios and lower expected growth rates. The **Russell 3000® Growth Index** includes companies that display signs of above average growth. The index is used to provide a gauge of the performance of growth stocks in the U.S. 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 10 holdings** as of 3/31/23 as a % of the Fund's net assets: F5 Inc. 8.9%, Ericsson 5.2%, Microsoft Corp. 4.8%, Shell PLC 4.2%, General Electric Co. 4.1%, Stagwell Inc. 4.1%, Elevance Health Inc. 3.7%, Popular Inc. 3.0%, American Int'l Group Inc. 2.8%, and U-Haul Holding Co. 2.8%.

EBIT (earnings before interest and taxes) is a company's net income before income tax expense and interest expenses are deducted. **Cash flow** measures the cash generating capability of a company by adding non-cash charges (e.g., depreciation) and interest expense to pretax income.

Mutual fund investing involves risk. Principal loss is possible.
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