

MARKET COMMENTARY

The Russell 3000 Index increased 8.4% in the second quarter of 2023. The Russell 3000 Value Index underperformed for the quarter, returning +4.0% vs. +12.5% for the Russell 3000 Growth Index.

Performance deviations between value and growth have been significant in recent periods. Large growth outperformed large value in the quarter by 8.7% (+12.8% vs. +4.1%), extending its year-to-date edge to +23.9% (+29.0% vs. +5.1%). Over the past year and a half, however, large value remains ahead of large growth due to its substantial outperformance last year. At the beginning of calendar year 2022, growth traded at a near-record premium to value¹. Value's outperformance in 2022 brought this premium down by year end, but it remained about 1 standard deviation above average. With growth's dramatic outperformance thus far in 2023, its valuation premium has again spiked, and now sits more than 2 standard deviations wider than normal. We do not believe this gap is sustainable. We expect a reversion toward a historical valuation relationship. This would be favorable to value relative to growth going forward if it occurred. We view the overall equity market as rather richly valued, though this is driven by growth stocks, not value.

As it stands today, the growth index trades at a large premium to its own history using any common valuation metric and the value index trades reasonably in line with its own history. The portfolio, however, trades at a considerable discount to its past. This is attainable because the portfolio is significantly different than the value index, with an active share above 90. Importantly, however, we do not blindly invest in companies/industries with the lowest price multiples. We invest in those that trade at the largest discounts to intrinsic value, and that intrinsic value is highly dependent on a company's risk profile—lower risk companies have higher intrinsic values all else equal and should command higher fair value multiples. The portfolio's large exposure in technology holdings epitomizes this construct. We own companies with attractive growth rates, stable customer bases, and healthy returns of capital to shareholders. These should also trade at premium valuations, and after strong performance year-to-date, several do. We trimmed some technology exposure accordingly but maintain meaningful exposure to these excellent businesses.

ATTRIBUTION – 2Q23

The Hotchkis & Wiley Value Opportunities Fund underperformed the Russell 3000 Value Index in the second quarter of 2023. On a sector basis, the largest contributor to relative performance came from security selection in financials. The overweight in technology and underweight in utilities also contributed positively to relative performance. In contrast, security selection in communication services and industrials detracted from relative performance

during the quarter, as did the overweight in energy. The largest positive contributors to relative performance in the quarter were Microsoft, SLM Corp., First Republic Bank, First Citizens Bancshares, and AIG; the largest detractors were Ericsson, Kosmos Energy, Elevance Health, Berry Petroleum, and Warner Bros. Discovery.

LARGEST NEW PURCHASES – 2Q23

Evercore is a premier investment banking franchise at an attractive value. Over the years, Evercore has built a strong franchise that has consistently gained market share from its peers. The company has a net cash balance sheet, and the business model generates extremely high incremental returns and should be able to return 100% of net income to shareholders over time. Evercore remains an attractive value as a quality franchise trading at a discount to many of its boutique peers despite its ability to deliver stronger growth and having a more attractive business mix.

Korn Ferry is a consulting firm that offers talent acquisition, leadership development, organizational strategy, and other services to help private, public, middle market, and emerging growth companies drive superior business performance. With a 40+ year track record focused on executive-level recruitment, Korn Ferry has become a premier brand in the industry. The company has also been upgrading its talent base and improved its search processes to enhance recruitment effectiveness, resulting in increasing market share. Searches are performed globally in a wide variety of industries such as technology, industrial, government, healthcare, and many more. Globalization of businesses and the shortage of talent in developed markets due to demographic trends along with emerging markets are key growth drivers of executive search.

NOV Inc. is a leading diversified provider of oilfield capital equipment, consumables, and services. Most of these businesses, from drilling rig blow-out-preventers to subsea flexible pipe, earn attractive margins and consume limited amounts of capital compared to other areas of the oilfield. The company maintains a top 2 or 3 market position in most of its business lines and should earn attractive returns in a normalized oil price environment. As oilfield activity rebounds, the majority of the company's product lines should experience significant increases in volume and pricing.

¹ Based on consensus forward PE (FY2)

VALUE OPPORTUNITIES FUND

HWAIX
HWAAX
HWACX
HWAZX

MANAGER REVIEW & ECONOMIC OUTLOOK

JUNE 30, 2023

PERFORMANCE (%) as of June 30, 2023

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/02
Value Opportunities Fund – I Shares	3.78	12.00	24.67	23.27	9.61	10.62	12.03
Russell 3000 Value	4.03	4.98	11.22	14.38	7.79	9.09	8.87

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 0.96% 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.

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 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 6/30/23 as a % of the Fund's net assets: Ericsson 8.2%, F5 Inc. 8.1%, Microsoft Corp. 5.4%, Shell PLC 4.8%, Elevance Health Inc. 4.6%, Stagwell Inc. 3.9%, Popular Inc. 3.0%, U-Haul Holding Co. 2.9%, General Electric Co. 2.7%, and Wells Fargo & Co. 2.6%. **Active share** is the extent to which the portfolio differs from the Russell 3000 Value Index. **Standard deviation** is a measure of the amount of variation or dispersion of a set of values.

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