VALUE OPPORTUNITIES FUND

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MANAGER REVIEW & ECONOMIC OUTLOOK

SEPTEMBER 30, 2022

MARKET COMMENTARY

The Russell 3000 Index declined -4.5% in the third quarter of 2022. The Russell 3000 Value Index declined -5.6% while the Russell 3000 Growth Index declined -3.4%.

Investors continued to grapple with elevated inflation and the Fed's hawkish action and sentiment. The latest Consumer Price Index (CPI) reading was 8.3% year-over-year, which was slightly above consensus forecasts but below the 40-year high reached in June (9.1%). Energy prices declined, with WTI crude oil falling from $106/barrel to $79/barrel over the course of the quarter. The most recent Core CPI reading, which excludes food and energy, increased slightly from the beginning of the quarter (6.3% from 5.9%). To combat inflation, the Federal Open Market Committee continued to raise interest rates. It increased the Fed Funds Target Rate by 150 basis points via two hikes in the quarter. The target rate now stands at 3.25% (upper bound), a full 3 percentage points higher than where the year began (0.25%). Market implied expectations are for the rate to exceed 4% by year-end.

The economy demonstrated mixed signals. Second quarter real gross domestic product (reported in the third quarter) contracted -0.6% quarter-over-quarter. The ISM Manufacturing PMI declined to 50.9 from over 60 in late 2021 (a reading above 50 indicates expansion, below 50 contraction). The ISM Services PMI was 56.7, slightly higher than at the beginning of the quarter. Unemployment and initial jobless claims remain low. Reported corporate earnings were strong, with 78% of S&P 500 companies exceeding analyst expectations. Lower forward guidance was a common theme, however. Many management teams have been pointing to inflation, continued supply constraints, and the stronger dollar as near-term profitability headwinds.

At a price-to-earnings ratio[1] of 12.1x at the end of September, the Russell 3000 Value Index continues to trade at an attractive valuation relative to its own history, as well as to the Russell 1000 Index price-to-earnings ratio of 15.5x. While the broad market trades at a discount to its average historical valuation, it is not average across all sectors uniformly. We find few attractive opportunities in non-cyclical sectors like Consumer Staples and Utilities. Both trade at valuations considerably richer than is typical. While we are attracted to the relative stability of the underlying businesses, we are unwilling to invest at current valuations for sectors that are perpetually slow growing. We are attracted to select technology companies that trade at better valuations and grow faster. Many of these businesses also have great balance sheets and are less economically sensitive than generally believed.

We continue to find attractive opportunities in Energy. There has been massive underinvestment in new energy projects. These projects take a long time, i.e., years, to produce oil and gas, so even if investment ramps up, we appear poised for a supply shortage for some time. This should keep upward pressure on commodity prices and benefit energy companies' earnings and cash flow. Eventually this is likely to balance but this could be well into the future. In the meantime, the overearning and above normal cash flow puts energy companies in a position to return a lot of capital to shareholders. Retiring shares at attractive valuations is accretive to earnings per share and makes these companies even more attractively valued. We also remain partial to banks, which trade at significant discounts to the market and to their own history. Banks are also returning capital to shareholders and are one of very few industries than can benefit from rising interest rates. The substantial excess capital on their balance sheets should enable banks to withstand an economic downturn without requiring dilutive capital raises.

ATTRIBUTION – 3Q22

The Hotchkis & Wiley Value Opportunities Fund outperformed the Russell 3000 Value Index in the third quarter of 2022. On a sector basis, the largest contributor to relative performance during the quarter came from security selection in Communication Services. The overweight in Energy and security selection in Real Estate also contributed to relative performance. Conversely, security selection and an overweight in Information Technology detracted from relative performance during the quarter, as did the overweight in Communication Services. The largest positive contributors to relative performance in the quarter were Stagwell, Seritage Growth Properties, Range Resources, Murphy Oil, and AMERCO; the largest detractors were International Distributions Services (formerly Royal Mail), Ericsson, Kosmos Energy, Euronet Worldwide, and Warner Bros. Discovery.

LARGEST NEW PURCHASES – 3Q22

Accor SA is an asset light hotel management and franchise company that owns 33 hotel brands and is headquartered in Paris. Accor is the largest branded hotel company outside of the US with over 700k rooms in its system and 95% of rooms outside North America. After reporting mixed earnings, management reiterated their path to greater than €1B in earnings before interest, taxes, depreciation, and amortization (EBITDA) when revenue per available room recovers to 2019 levels, which they expect in the 2023/24 period. Additionally, management has a strong desire to return capital to shareholders with 50% free cash flow as a dividend and preference for share repurchases over acquisitions. The pandemic has hit the hotel industry hard, but Accor has a strong balance sheet and a robust liquidity position. Europe has been slower to recover than other geographies and we believe this has presented a buying opportunity at an attractive valuation.

APA Corp. is an international exploration and production company that explores for, develops, and produces natural gas, crude oil, and natural gas liquids (NGLs). The company's production operations are located primarily in the U.S., Egypt, and offshore in the North Sea. The company trades at an attractive valuation, and recent exploration success in Suriname and Egypt has allowed APA to de-emphasize spending on lower returning US unconventional acreage

(continued)

[1]Based on FY1 consensus earnings

Hotchkis & Wiley

in Alpine High and the oily Permian. APA's conventional Egypt and North Sea assets are less sensitive to oil prices which buffers the company's cash flows when oil prices are low and will allow the company to fund Suriname development to first oil production while maintaining a dividend at $50 West Texas Intermediate (WTI).

Olin Corp. is the largest global producer of chlor alkali chemicals and chlorine derivatives. Olin was incorporated in 1892 and is headquartered in Virginia. In a healthy GDP scenario, Olin's earnings should remain elevated, particularly with structural changes to chlorine pricing and recent cost-cutting efforts. Olin trades at a significant discount to our assessment of normal earnings, has a strong balance sheet, and the business is diversifying to our existing commodity exposure.

PERFORMANCE (%) as of September 30, 2022

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/02
Value Opportunities Fund – I Shares	-1.75	-18.69	-15.07	7.14	6.25	10.51	11.16
Russell 3000 Value	-5.56	-17.97	-11.79	4.37	5.11	9.08	8.32

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.

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The "Largest New Purchases" section includes the three largest new security positions during the quarter/year based on the security's quarter/year-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/year, all new 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® 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 9/30/22 as a % of the Fund's net assets: F5 Inc. 8.3%, Microsoft 7.6%, General Electric 7.1%, Stagwell 4.8%, AMERCO 3.8%, Hess Corp. 3.1%, General Motors 2.9%, Rothschild & Co. 2.8%, Wells Fargo 2.8%, and SLM Corp. 2.7%.

Earnings before interest, taxes, depreciation and amortization (EBITDA) measures a company's financial health and ability to generate cash. West Texas Intermediate (WTI) oil is another benchmark used by oil markets, representing oil produced in the US. Free cash flow represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets. Real gross domestic product (GDP) is the inflation adjusted value of the goods and services produced by labor and property located in the US. The Consumer Price Index is a measurement of US prices for household goods and services. Basis point is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument. Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g., depreciation) and interest expense to pretax income. Price-to-Earnings is the current market price per share divided by normalized earnings per share. Projected earnings are consensus analyst forecasts; actual P/E ratios may differ from projected P/E ratios. **A company's forecasted, or estimated, earnings made by analysts or by the company itself. Forward earnings differ from trailing earnings (which is the figure that is quoted more often) in that they are a projection and not a fact.**

Mutual fund investing involves risk. Principal loss is possible.
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