VALUE OPPORTUNITIES FUND

3Q23 MANAGER REVIEW & ECONOMIC OUTLOOK

HWAIX | HWAAX | HWACX | HWAZX

PERFORMANCE (%) as of September 30, 2023

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/02
Value Opportunities Fund – I Shares	0.42	12.47	27.43	21.62	8.46	10.23	11.90
Russell 3000 Value	-3.15	1.67	14.05	11.19	5.98	8.29	8.59

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.

MARKET COMMENTARY

The Russell 3000 Index declined -3.3% in the third quarter of 2023. The Russell 3000 Value Index declined slightly less than the Russell 3000 Growth Index for the quarter (-3.2% vs. -3.3%). Nine of the eleven Russell 3000 GICS sectors declined in the quarter. Energy was the top performing sector, returning +13.0% for the quarter. The worst performing sector was utilities, with a decline of -9.4%.

Inflation is still above the Fed's target rate which prompted a "higher for longer" interest rate policy. This shift pushed long-term rates to levels not seen since 2007 and dampened enthusiasm for high multiple growth stocks. While macroeconomic data appears to support a soft-landing recession scenario, the premium for defensive sectors remains elevated. Trying to time economic cycles and the consequent impact on equity prices is rarely a successful strategy due to the complex interactions of economic forces and investor behavior. We do take comfort in data that shows the longer one's investment horizon, the more valuation plays a role in predicting long-term returns. Given the intense focus of many investors on an economic slowdown and the potential for a recession, we see opportunities for long-term returns in stocks of companies that are economically sensitive with strong balance sheets and trade for a low multiple of normal earnings.

We continue to see value in energy stocks that trade at a low multiple of normal earnings and should maintain profitability in an inflationary environment. The supply/demand outlook for oil suggests oil prices are likely to remain elevated for longer than typical. Oil supply cuts by OPEC+ and capital discipline by US oil producers are resulting in shrinking oil inventories. The EIA Crude Oil Inventory Report released on September 27th noted inventories in Cushing, Oklahoma, the country's largest onshore oil storage facility, are now at the lowest level since July 2022. BloombergNEF (BNEF) now expects the global oil market will face a shortfall of 1.1 million barrels per day in Q4 2023. BNEF notes that global oil consumption remains robust and will average a record high of 101.6 million barrels per day in 2023. Unsurprisingly, higher oil prices and interest rates are leading to concerns of a recession, which has an outsized impact on shares of cyclical companies.

Technology continues to be the portfolio's largest sector weight and overweight relative to the index. We believe our technology exposure is complementary to traditional value exposure to two of the portfolio's other large exposures - energy and financials. While a little more expensive according to our price-to-normalized earnings framework, we believe the businesses we own exhibit excellent balance sheets, predictable cash flow, and strong prospects for earnings growth, thus we are willing to pay higher valuation multiples accordingly. Alternatively, we see elevated risk in many real estate-related companies. Eventually, leveraged real estate companies will need to refinance their debt and if interest rates remain elevated, the additional interest expense will likely result in dividend cuts or in some instances, financial distress.

Since the Federal Reserve began raising interest rates in March 2022, the H&W Value Opportunities Fund outperformed the Russell 3000 Value Index by nearly 450 basis points annualized (+3.2% vs. -1.3%, net of fees). With interest rates at 15-year highs and the Conference Board Leading Economic Index falling for a 17th straight month in August, it is important to focus on companies with attractive fundamental attributes. We are committed to focusing on businesses with durable balance sheets, sustainable return on equity, stable free cash flow, and trade at an attractive price relative to normal earnings power. Our historical advantage of successfully investing in companies with these traits comes from the breadth and depth of our in-house research. We believe our experience and expertise have resulted in a portfolio that can withstand an economic slowdown should one arise.

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ATTRIBUTION ANALYSIS

The Hotchkis & Wiley Value Opportunities Fund outperformed the Russell 3000 Value Index in the third quarter of 2023. On a sector basis, the largest contributor to relative performance came from the overweight and security selection in energy. Security selection in industrials also contributed positively to relative performance, as did the underweights in utilities and real estate. In contrast, security selection and the underweight in financials detracted from relative performance during the quarter. Security selection in communication services and consumer discretionary also detracted modestly.

LARGEST INDIVIDUAL CONTRIBUTORS

F5 (FFIV) sells application networking and security software and data center appliances; F5 has 50%+ market share in traditional ADCs (application delivery controllers), and cross-sells adjacent application security products (web-access firewall, anti-DDoS, anti-fraud) and various multicloud networking products. F5's products are critical to the functioning of applications, and difficult to remove once installed, which leads to highly sticky customer relationships and annual gross churn in the mid-to-low single digits. We think the company is misunderstood and gets incorrectly classified and valued as a legacy IT hardware vendor even though demand for F5's products grow faster than GDP and F5 has a structurally higher margin profile. F5's shares performed well during the quarter after beating consensus estimates in Q2 on better-than-expected cost outs and providing guidance for stabilization in customer demand, an improvement following three consecutive quarters of demand deterioration.

NOV, Inc. (NOV) headquartered in Houston, is a leading diversified provider of oilfield capital equipment, consumables and services, providing rig kits for onshore and offshore rigs, downhole tools, tubulars and tubular inspection, and manufacturing of both onshore and offshore production and completions equipment. NOV maintains a top two or three market position in most of its business lines and should earn attractive returns in a more normalized oil price environment. The downturn in energy prices reduced oilfield activity below sustainable levels, but as activity rebounds, the majority of NOV's product lines should experience significant increases in volumes and pricing, while longer-term the earnings power of Rig Aftermarket business should also improve given a very large installed base. NOV's shares outperformed during the quarter as earnings exceeded cyclically depressed expectations and the price of oil rallied.

Kosmos Energy Ltd. (KOS) is an independent E&P company focused on offshore discovery and production of petroleum systems, hydrocarbon basins, and other LNG assets. KOS currently enjoys a competitive advantage in the space due to the expertise required to explore and operate assets offshore. Additionally, current valuations do not fully reflect the value of the company's existing production. KOS saw positive performance over the quarter as their offshore projects are becoming operational. This, coupled with higher energy prices, should prove to be positive for their future earnings and free cash flow.

LARGEST INDIVIDUAL DETRACTORS

Stagwell (STGW) is a new ad agency holding company created by the 2021 merger of two complementary marketing businesses: a technology-focused Stagwell Partners and a creative-focused MDC Partners. After the merger, Stagwell is able to sell Technology projects to Creative relationships and vice-versa. Stagwell's digital businesses are also well positioned, with capabilities in markets with strong underlying growth. Finally, Stagwell's increased scale allows it to take on projects that are larger in geographic scope, functional requirements, or scale of work. Stagwell's developing business in polling and software tools are natural fits with MDC's clients, which could drive the creation of high-margin ancillary businesses. Stagwell reported weak results during the quarter due to continued macro headwinds and cutbacks in advertising spending from clients in the technology sector. Management cut organic growth guidance from high-single-digit to 0-2% with a material headwind from political spending in the non-political year. Management noted the acceleration in new business wins, and that Stagwell is well positioned for a recovery in 2024 from a full political season, recovery in spending from clients in the technology sector, and an end to the Hollywood strike.

Ericsson (ERIC) is the largest vendor of hardware and software needed to operate wireless networks outside China. Most of Ericsson's business supports wireless telecom network service providers: Ericsson's Mobile Infrastructure segment sells radios and other equipment needed to operate these networks while the Cloud Software & Services segment sells specialized software and professional services for these networks. Ericsson's Enterprise segment sells wireless hardware & software, including hardware products like the Cradlepoint suite of private-5G access points and software products like the Vonage API business. Ericsson's margins have been modestly below normal as management turns around its mismanaged Cloud Software & Services segment. Valuation is attractive even if Ericsson's competitors do not lose market share, but we believe there is a growing opportunity to benefit from problems facing key competitors Huawei and Nokia. Ericsson's stock was down on weaker than expected Q3 guidance. The weak current results are driven by inventory absorption, which reduced sales in high-margin markets and is expected to continue into Q3. Management expects margins to gradually recover towards late 2023 and to improve in 2024, driven by a recovery of the mobile network market.

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General Motors Company (GM), based in Detroit Michigan, is one of the world's largest manufacturers of passenger vehicles. We believe GM is well equipped for the transition in transportation markets, and its traditional business plus adjacencies far exceed the share price today. In addition, GM has a good balance sheet, strong FCF profile, and a management team committed to returning capital to shareholders. Q3 stock performance was negatively impacted by the labor contract negotiations with the United Auto Workers (UAW). Negative sentiment around the possibility of a strike impacted the stock throughout the quarter, and the UAW ultimately decided to strike on September 15.

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. 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. 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. 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 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.

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.

Top 10 holdings as of 9/30/23 as a % of the Fund's net assets: Ericsson 7.6%, F5 Inc. 5.1%, Microsoft Corp. 5.1%, Shell PLC 5.0%, Elevance Health Inc. 4.0%, NOV Inc. 3.1%, U-Haul Holding Co. 3.0%, Siemens AG 2.9%, Popular Inc. 2.8%, and APA Corp. 2.7%.