VALUE OPPORTUNITIES FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

DECEMBER 31, 2022

MARKET COMMENTARY

The Russell 3000 Index increased 7.2% in the fourth quarter of 2022. The Russell 3000 Value Index outperformed for the quarter, returning +12.2% vs. +2.3% for the Russell 3000 Growth Index.

In calendar year 2022, the economy and capital markets experienced numerous milestones that had not been observed for quite some time. The S&P 500 declined -18.1%. Since the Great Depression, only three years have been worse: 1974 (oil crisis), 2002 (tech bubble burst), and 2008 (financial crisis). Value stocks declined but held up much better than growth stocks. The Russell 3000 Value declined -8.0% compared to the Russell 3000 Growth's -29.0% decline. The 21-percentage point difference represented value's largest advantage since 2000. Considering the still wide valuation gap and value's significant outperformance in periods of elevated/rising inflation and interest rates, we are optimistic that value's outperformance can persist.

Inflation peaked midyear at 9.1%, the highest reading in more than 40 years[1]. To combat rising prices, the Federal Open Market Committee increased the Fed Funds rate by more than 400 basis points over the course 2022, from 0.25% to 4.5% (upper bounds). This was the largest rate hike in any calendar year since 1973, and the current 4.5% level is its highest in more than 15 years. Other interest rates followed suit. 10-year treasury yields peaked above 4% for the first time in more than a decade; 30-year mortgage rates peaked above 7% for the first time in more than 2 decades. Yields on corporate credit also increased significantly. The treasury yield curve remains significantly inverted, which has been a harbinger of recessions historically. The tight labor market exhibited strong contrasting signals, however, with the unemployment rate reaching a 50-year low. Expectations for future corporate earnings are roughly flat, thus the stock market's decline was entirely due to a compression in valuation multiples as opposed to an actual or expected decline in earnings.

It is difficult to predict when and if a recession will occur given the complexity of the US economy. However, we do recognize certain warnings signs, e.g., continued Fed tightening and the yield curve. We have built a portfolio largely of under-leveraged companies trading at low valuations; we believe these characteristics are key to helping weather an economic downturn. When we compare the current economic backdrop relative to the economy entering the recession of 2008, we take solace in the fact that today there are fewer excesses in the system. Unlike 2008, balance sheets of both consumers and financial institutions are relatively strong. Further, equity valuations are reasonable, and in select market segments, unusually attractive. A strong argument could be made that a recession is already priced into equity markets, at least in certain market segments, which is different compared to the 2008 period. While several signs point to an economic slowdown, several others suggest that the severity would be manageable and/or much of the pain has already been felt.

The S&P 500 Energy sector returned +65% in 2022, the best-performing sector by substantial margin. The only other S&P 500 sector with a return above zero was Utilities, which was up about +2%. Crude oil is a depleting resource/commodity. Put simply, when oil is extracted from a well, that well now contains less oil, and what remains is increasingly difficult to extract. As a result, wells produce less oil as they age, the pace of which is called its *decline rate*. To maintain flat production, therefore, companies must invest considerable sums in new projects to replace these wells' declining production. To *increase* production, these investments need to be substantial. In recent years, however, energy companies have spent unusually little on new production, instead using cash flows to pay down debt and/or return to shareholders. Our view is that this lack of investment will create a situation where supply will not keep pace with global demand. This imbalance keeps the price of oil elevated and facilitates strong free cash flows for energy companies. Much of the cash flow is earmarked for share repurchases, which is accretive to earnings per share. Capital expenditures, i.e., new investments, have increased recently, but it takes a long time for such investments to result in actual production. Thus, this imbalance could persist for some time. Meanwhile, energy stocks' valuations remain compelling even after the impressive performance because they are coming from such a low base. Free cash flow yields are well into the teens, hence our continued overweight.

Information Technology represents the portfolio's largest weight, and largest overweight relative to the index (Financials is the portfolio's second largest weight, while Energy is the second largest overweight). The valuation multiples of the portfolio's technology positions are higher than those in financials and energy, but still attractive given the quality of the business, the strong balance sheets, and the appealing growth prospects. These businesses deserve valuation multiples well above the market average, yet often trade at modest discounts, thus significantly below their intrinsic values. Our thesis on Financials is straightforward—The sector trades at notable discounts to other parts of the market and relative to its own history, despite balance sheets that are well positioned to withstand a potential economic slowdown. Our positions are focused on companies with difficult-to-replicate franchises that should earn returns well above their cost of capital.

ATTRIBUTION – 4Q22 & 2022

The Hotchkis & Wiley Value Opportunities Fund outperformed the Russell 3000 Value Index in the fourth quarter of 2022. On a sector basis, the largest contributor to relative performance during the quarter came from security selection in Industrials. The overweight in Energy and security selection in Consumer Discretionary and Real Estate also contributed to relative performance. Conversely, the overweights in Information Technology and Communication Services detracted from relative performance during the quarter, as did security selection in Energy and Materials. The largest positive contributors to relative performance in the quarter were General Electric, Hess, Tesla Put Options, Oracle, and Murphy Oil; the largest detractors were F5 Inc., Stagwell, Microsoft, Wells Fargo, and Alphabet.

The Fund outperformed the benchmark over calendar year 2022. The overweight allocation to Energy led the outperformance. The underweight in Real Estate also contributed positively, as did security selection in Information Technology. The overweights in Information Technology and Communication Services detracted from relative performance for the year, as did the underweight in Health Care.

LARGEST NEW PURCHASES – 4Q22

Comcast is the largest consumer telecom service provider in the US, serving over 30MM customers and passing nearly 60MM homes and small businesses. Comcast owns the NBCU media conglomerate and Sky European Pay TV business. Fears of slowing subscriber growth have weighed on the company and industry overall. We believe Comcast's stock price does not reflect the growth it should produce as it continues to take share of the broadband market. In addition, the company continues to trade at a discount to our estimate of fair value and exhibits a strong record of returning cash to shareholders.

(continued)

[1]US Consumer Price Index Urban Consumer year-over-year, not seasonally adjusted

Hotchkis & Wiley

Medtronic is one of the largest and most diversified medical device companies in the world. The company has strong competitive positions in its key markets, leading to best-in-class margins and cash generation. Medtronic continues to gain share in key markets, improve execution, and shorten new product cycles. Management is committed to returning capital to shareholders, with a dividend payout target of at least 50%. At 14x our view of normal earnings combined with a fast-growing, high-quality business, we believe Medtronic is attractive, and initiated a position in the portfolio.

PERFORMANCE (%) as of December 31, 2022

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/02
Value Opportunities Fund – I Shares	13.30	-7.88	-7.88	9.28	7.84	11.26	11.71
Russell 3000 Value	12.18	-7.98	-7.98	5.88	6.50	10.16	8.84

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.

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® 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 S&P 500® Index is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. 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 12/31/22 as a % of the Fund's net assets: General Electric Co. 9.9%, F5 Inc. 8.2%, Microsoft Corp. 7.8%, Wells Fargo & Co. 4.1%, Stagwell Inc. 3.5%, Ericsson 3.3%, Rothschild & Co. 3.1%, Shell PLC 2.8%, Kosmos Energy Ltd. 2.7%, and Hess Corp. 2.7%.

Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g., depreciation) and interest expense to pretax income. Free cash flow represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets. Free cash flow yield measures how much free cash flow is available in relation to a company's market capitalization. Standard deviation is a measure of the amount of variation or dispersion of a set of values. Basis point is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument.