

VALUE OPPORTUNITIES FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWAIX | HWAAX | HWACX | HWAZX



PERFORMANCE (%) as of December 31, 2023

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/02
Value Opportunities Fund – I Shares	12.61	26.66	26.66	16.20	15.72	10.33	12.38
Russell 3000 Value	9.83	11.66	11.66	8.81	10.84	8.28	8.97

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 increased 12.1% in the fourth quarter of 2023. The Russell 3000 Growth Index outperformed for the quarter, returning +14.1% vs. +9.8% for the Russell 3000 Value Index. The strong fourth quarter extended the Russell 3000 calendar year 2023 return to +26.0%. This represents a full recovery from its decline in the prior calendar year. The index's two-year return is a modest +0.9% annualized.

The valuation gap between the Russell 3000 Growth and Russell 3000 Value widened significantly, expanding from 6.7x at the close of 2022 to 10.9x by the end of 2023¹. The large valuation gap is mostly due to the rich valuations of growth stocks which trade far above their historical average. The value index trades slightly above its historical average. The portfolio itself trades at a large discount to the value index. We build the portfolio with a focus on both valuation and business quality. For example, two of our large portfolio holdings which demonstrate both compelling valuation and durable business quality are F5 and Arrow Electronics.

F5 provides mission-critical software to corporate IT departments. F5's products help manage heavy and unpredictable application traffic while also implementing important security protocols. Once installed, removing or changing F5's products is difficult and costly, which results in high customer retention and recurring revenues. In addition to a predictable cash flow stream, F5 has a net cash balance sheet and attractive secular growth tailwinds in modern applications and multicloud networking. The stock trades at 12x normal earnings and 9x EV/normal EBIT; a valuation we believe is compelling for a business with the aforementioned risk profile. The company appears to be misclassified as a commoditized IT hardware provider (as opposed to software)—it falls in the communications equipment GICS industry and is generally covered by sell side analysts covering hardware. This misunderstanding creates opportunity.

The stock's valuation represents that of a lower quality hardware company, but its economic characteristics represent that of a higher quality software company with low capital intensity. While F5 does sell hardware, its gross margin is about 80%, which is double that of the hardware industry and in-line with the software industry. Recently reported earnings have been depressed by growth investments in R&D and marketing along with industry-wide IT spending delays that have impacted new sales, which should be temporary and will normalize in due course.

Based in Englewood, Co., Arrow Electronics is one of the world's largest distributors of electronic components including semiconductors to more than 200,000 equipment and contract manufacturers, resellers, and other commercial customers. The company also sells value-added IT services such as datacenter, cloud, security, and analytics solutions. Electronic components distribution is a two or three player market in many parts of the world; concerns around a prolonged downturn in semiconductors have weighed on shares, providing us with the opportunity to invest in a business with strong free cash flow generation, solid returns on invested capital, and a shareholder friendly management team at an attractive valuation of 7.4x normal earnings.

Long-term historical data shows that valuation is an important factor in achieving above-market returns. Our experienced research team is disciplined in its commitment to the principles of value investing; we focus on finding compelling investments that meet our valuation and business quality criteria. We look forward to applying our consistent approach as we navigate the markets in the coming year.

(continued)

¹Source: Bloomberg. Based on FY2 price-to-earnings ratio.

Portfolio managers' opinions and data included in this commentary are as of December 31, 2023 and are subject to change without notice. Any forecasts made cannot be guaranteed. **Diversification does not assure a profit nor protect against loss in a declining market. Past performance is no guarantee of future results.**

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ATTRIBUTION ANALYSIS – 4Q23 & 2023

The Hotchkis & Wiley Value Opportunities Fund outperformed the Russell 3000 Value Index in the fourth quarter of 2023. On a sector basis, the largest contributor to relative performance during the quarter came from security selection in financials. Security selection in industrials also worked well, as did security selection and the overweight in technology. Conversely, the overweight in energy detracted the most from relative performance during the quarter. Certain put positions in the opportunistic holdings basket also detracted, as did the underweight in real estate and security selection in materials in the period.

The Fund outperformed the benchmark by a wide margin over calendar year 2023. Security selection in financials and industrials contributed over half of the relative outperformance. The overweight in technology also contributed to relative outperformance, as did the underweight and security selection in healthcare. Security selection in energy also worked well. Miscellaneous put positions in the opportunistic holdings basket detracted from relative performance, as did security selection in technology, communication services, and real estate.

LARGEST INDIVIDUAL CONTRIBUTORS – 4Q23

Ericsson (ERIC) is the largest vendor of hardware and software needed to operate wireless networks outside China. 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 its key competitors. Ericsson's stock rallied in December following AT&T's announcement of a multi-year deal with Ericsson to deploy commercial scale Open Radio Access Network (Open RAN) in the US.

Stagwell (STWG) is an 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. Stagwell should grow faster than the market as it benefits from a strong mix of clients and capabilities as well as the scale created by the merger. Stagwell performed well as management announced that it believes the cyclical weakness that hurt growth has ended.

Siemens AG (SIE) is a global leader in electrical engineering. The company focuses on industry (automation, software and drives), healthcare, and infrastructure (transport, building technologies, power distribution). Siemens trades at a discount to the market and a significant discount to competitors due to its complexity and conglomerate discount. In Q4, the company reported strong earnings including record high profits in all industrial businesses as well as robust cash generation. Additionally, management increased the dividend and launched a new €6B share repurchase program.

LARGEST INDIVIDUAL DETRACTORS – 4Q23

APA Corp. (APA) is an independent E&P operating in the North Sea, onshore in Egypt, and in the Midland and Delaware basins in the Permian, as well as in Suriname through a JV with Total offshore. Recent exploration success in Suriname and Egypt has allowed APA to de-emphasize spending on lower returning assets in the US and North Sea. Given APA's production sharing contracts and relatively modest corporate production decline rate, the company can maintain its dividend and fund its growth capex plans at \$50 oil. Management targets shareholder return and debt paydown with its considerable free cash flow generation at current commodity price levels. Total, APA's partner in Suriname, funds a large majority of initial Suriname development capex leading to very attractive incremental reinvestment rates for APA in this region. Finally, APA's LNG contract with Cheniere is an option on non-US gas prices. APA underperformed during the quarter, as it traded down in sympathy with lower oil and gas prices.

Kosmos Energy Ltd. (KOS) is an independent exploration and production company focused offshore. In addition to its existing production, KOS has LNG assets that are set to begin production in 2024 and a platform to acquire and operate additional offshore resources. Kosmos enjoys a competitive advantage due to the expertise required to explore, discover, and operate assets offshore. Currently the stock is undervalued as the stock doesn't fully reflect the value of the company's existing production. Performance was impacted by guidance for FY 2023 which indicated temporarily lowered production figures and higher costs as they pulled forward 2024 capex spend into 2023. Additionally, they announced a delay in the start-up of their LNG development. This, paired with declining commodity prices, led to negative performance over the period.

Arrow Electronics Inc. (ARW). The aforementioned ARW declined as customers had stockpiled electronic components inventory following COVID shortages. ARW shares have underperformed as demand normalized and customers worked through excess inventory. Additionally, IT spending in major markets slowed on macro concerns, leading to softness in that segment of the business. The company trades relatively inexpensively at 7.4x normal earnings. In addition, ARW continues to execute its share buyback program which helps to drive shareholder returns while business conditions improve.

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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 (excludes Puts) 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.

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 Standard & Poor's.

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 12/31/23 as a % of the Fund's net assets: Ericsson 6.7%, F5 Inc. 5.0%, Siemens AG 4.2%, Arrow Electronics Inc. 3.9%, Elevance Health Inc. 3.7%, Medtronic PLC 3.7%, Shell PLC 3.7%, Stagwell Inc. 3.2%, Popular Inc. 3.0%, and Goldman Sachs Group Inc. 2.8%. **EV/normal EBIT** (enterprise value to earnings before interest and taxes)-valuation multiple used to determine a security's relative value; **R&D**-Research and development; **Capex**-capital expenditure; **E&P**-exploration and production; **Free cash flow**-represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets; **GICS**-Global Industry Classification Standard; **LNG**-Liquefied natural gas.

Mutual fund investing involves risk. Principal loss is possible.
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