

GLOBAL VALUE

MARKET COMMENTARY

The MSCI World Index increased +6.8% in the second quarter of 2023, led by the MSCI World Growth Index which returned +10.4%. Once again, technology stocks were the star, finishing up 16% in the quarter. Excitement over advances in Generative AI partly explains technology's outperformance. The MSCI World Value Index increased just +3.0% given the underweight to technology.

Performance deviations between value and growth have been stark in recent periods. The growth index extended its year-to-date edge to +23.1% (+27.1% vs. +4.0%). Over the past year and a half, however, large value remains ahead of large growth due to its substantial outperformance last year. 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. In other words, value spreads are reasonably wide. Further, the Global Value portfolio 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.

ATTRIBUTION – 2Q23

The Hotchkis & Wiley Global Value portfolio (gross and net of management fees) underperformed the MSCI World Index in the second quarter of 2023, but outperformed the MSCI World Value Index, net of management fees. Relative to the broad index, stock selection in technology was the largest detractor from relative performance. Stock selection in energy and industrials also detracted. Conversely, stock selection in financials was the leading positive contributor to performance. The underweight positions in consumer staples, materials, and utilities also contributed positively. The largest positive contributors to relative performance in the quarter were UniCredit SpA, Tokio Marine, AIG, Accor, and Oracle; the largest detractors were Ericsson, Kosmos Energy, CVS Health, Elevance Health, 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. EVR 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.

ManpowerGroup is a global staffing company. The company has scale and a solid market position that has enabled a mid-teens ROE for many years. It also has a strong management team with a history of returning significant capital to shareholders. A soft near-term outlook has caused the shares to sell off, allowing us to purchase at less than 7x our estimate of normal earnings.

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Net of fee composite performance as of 6/30/23: 18.32%, 5.55%, and 7.71% for 1-, 5-, and 10-years, respectively. Net performance results are presented after management fees and all trading expenses but before custodial fees. **Past performance is no guarantee of future results.**

All investments contain risk and may lose value. The commentary is for information purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product.

Portfolio characteristics and attribution are based on a representative Global Value portfolio. Attribution is an analysis of the portfolio's return relative to the index, is calculated using daily holdings information and does not reflect management fees and other transaction costs and expenses; interaction effect is combined with stock selection. Returns can differ from certain client portfolio(s) due to data differences, cash flows, trading, and other activity. Specific securities identified are the largest contributors (or detractors) to the portfolio's performance relative to the index. Other securities may have been the best and worst performers on an absolute basis.

The value discipline used in managing accounts in the Global Value strategy may prevent or limit investment in major stocks in the MSCI World, MSCI World Value and MSCI World Growth and returns may not be correlated to the indexes. Composite performance is available at www.hwcm.com, located on the strategy's Performance tab along with important disclosures included in the strategy's [GIPS Report](#); quarterly characteristics and portfolio holdings are located on the Portfolio and Literature tabs. For a list showing every holding's contribution to the overall account's performance and portfolio activity for a given time period, contact H&W at hotchkisandwiley@hwcm.com. Portfolio information is subject to the firm's portfolio holdings disclosure policy.

The securities reflected herein are intended for illustrative purposes only and not a recommendation to buy or sell specific securities. Securities identified do not represent all of the securities purchased or sold for advisory clients and are not indicative of current or future holdings or trading activity. H&W has no obligation to disclose purchases or sales of the securities. There is no assurance that the securities discussed will remain in the portfolio or that securities sold have not been repurchased. The securities discussed do not represent the entire portfolio, may only represent a small portion of the portfolio and should not assume the securities discussed were or will be profitable or that recommendations made in the future will be profitable or will equal the performance of the securities discussed. H&W's opinions regarding these securities are subject to change at any time, for any reason, without notice. Certain client portfolio(s) may or may not hold the securities discussed due to each account's guideline restrictions and other relevant considerations.

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.

The MSCI World Index is a free float-adjusted weighted index capturing large and mid cap stocks. The MSCI World Value and MSCI World Growth Indices are free float-adjusted weighted indexes capturing large and mid cap stocks, exhibiting overall value or growth style characteristics, respectively. The MSCI indices represent stocks across 23 Developed Markets (DM) countries and include reinvestment of dividends, net foreign withholding taxes. GICS was developed by and is the exclusive property and a service mark of MSCI and S&P and is licensed for use by H&W. All rights reserved. Neither S&P nor MSCI is liable for any errors or delays in this report, or for any actions taken in reliance on any information contained herein. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. See www.hwcm.com for full disclaimer.

Equity securities may have greater risks and price volatility than U.S. Treasuries and bonds, where the price of these securities may decline due to various company, industry and market factors. The strategy invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods.

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.

Certain information contained in this material represents or based upon forward-looking statements. Due to various risks and uncertainties, actual events/results or performance of the strategy may differ materially from those reflected or contemplated in such forward-looking statements.

Portfolio managers' opinions and data included in this commentary are as of June 30, 2023, and subject to change without notice. Information based on forecasts, proprietary or third-party estimates cannot be guaranteed and are subject to change. Information obtained from independent sources is considered reliable, but H&W cannot guarantee its accuracy or completeness.