

INTERNATIONAL VALUE

MARKET COMMENTARY

The MSCI World ex-USA Index returned +8.0% in the first quarter of 2023. The MSCI World ex-USA Value Index increased +5.6%, while the MSCI World ex-USA Growth Index increased +10.5%.

Global equity markets have demonstrated resilience despite signs of an economic slowdown and volatility within the banking industry. Performance was quite strong across most of the developed world in the first quarter of 2023, with many countries across Western Europe experiencing double-digit returns, led by Netherlands (+16.6%), Spain (+15.6%), Italy (+15.5%), and Germany (+15.2%). By comparison, the United Kingdom returned +6.7%, Japan returned 6.3%, Canada returned +4.5%, and Australia was up a more modest +2.5%.

The Organization for Economic Co-operation and Development (OECD) composite leading indicator has ticked lower in recent months, and the OECD is now projecting that global economic growth as measured by real GDP will be 2.6% this year, down from 3.2% in 2022. The Eurozone area is expected to slow to 0.8%, while economic growth in Canada is expected to slow to 1.1%. The United Kingdom has endured despite pessimistic forecasts for a recession so far, but downside risks remain as economic growth is projected to fall into negative territory this year. And while the Swiss government brokered the takeover of Credit Suisse by UBS in March, tensions within the banking industry have eased for the time being. With a reasonable amount of uncertainty with respect to geopolitical tensions and the path of inflation and interest rates, we believe an active approach to finding durable businesses with strong balance sheets that can withstand an economic downturn is warranted.

ATTRIBUTION – 1Q23

The Hotchkis & Wiley International Value portfolio (gross and net of management fees) outperformed the MSCI World ex-USA Index in the first quarter of 2023. Stock selection in Financials resulted in the bulk of the performance advantage. Stock selection in Energy and Consumer Staples also contributed positively. Conversely, the overweight positions in Energy and Financials detracted, as did stock selection in Information Technology. The largest positive contributors to relative performance in the quarter were UniCredit SpA, Accor, Rothschild & Co., Kosmos Energy, and Heineken; the largest detractors were Tokio Marine Holdings, Cenovus Energy, Societe Generale, Magna International, and Schlumberger.

LARGEST NEW PURCHASES – 1Q23

Akzo Nobel is the #3 global paints & coatings company and has leading positions in decorative paints in Europe and a variety of performance coatings businesses. Akzo's outgoing CEO Thierry Vanlacker spent five years improving Akzo's margins and ROIC by selling the company's intermediate chemicals business in 2018 and cutting various unprofitable business lines, changing key management personnel, and improving incentive structures. Despite progress through 2021, Akzo's recent results have been overwhelmed by sharp raw material inflation and a weak volume environment. After badly missing aggressive 2023 profit targets, investors have become skeptical of Akzo's longer-term prospects, resulting in underperformance relative to peers and setting up an attractive investment opportunity.

Parkland Corp. of Canada ("PKI") distributes petroleum products throughout North America and the Caribbean (both retail and commercial/ wholesale). It also operates convenience stores, QSR restaurants and a refinery outside of Vancouver. Today, PKI has one of the largest networks of retail fueling stations in Canada. Shares have been trading near pandemic lows in contrast to other downstream peers in North America trading at or near all-time highs. We believe this is due to recent M&A activity that has left the balance sheet slightly overleveraged and a bit of softness in recent quarterly results. Given prospects for better operating performance and improvements in capital allocation, the stock looks attractively valued.

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Net of fee composite performance as of 3/31/23: 5.96%, 3.19% and 6.11% for 1-, 5-year and Since Inception, 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.**

Portfolio managers' opinions and data included in this commentary are as of March 31, 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.

Portfolio characteristics and attribution are based on a representative International 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 International Value strategy may prevent or limit investment in major stocks in the MSCI World ex-USA, MSCI World ex-USA Value and MSCI World ex-USA 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.

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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.

The MSCI World ex-USA Index is a free float-adjusted weighted index capturing large and mid cap stocks. The MSCI World ex-USA Value and MSCI World ex-USA Growth Indices are free float-adjusted weighted indices capturing large and mid cap stocks, exhibiting overall value or growth style characteristics, respectively. The MSCI indices represent stocks across 22 of 23 Developed Markets (DM) countries, excluding the United States and include reinvestment of dividends, net foreign withholding taxes. The Global Industry Classification Standard 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.

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.