INTERNATIONAL VALUE

MARKET COMMENTARY

The MSCI World ex-USA Index rose 5.7% in the second quarter and is up +9.9% since the beginning of the year. While the threat of new COVID variants persists, vaccination levels increased and new cases slowed in many developed regions. Consequently, governments continued to ease closures/restrictions, accelerating economic activity around the globe. Manufacturing and labor markets showed signs of improvement, highlighting the potential for tight supply conditions. Brent crude oil touched $76/barrel, its highest level in more than two years. Corporate earnings continued to show strength, with 69% of MSCI World ex-USA companies outperforming consensus expectations.

The yield on most developed market government bonds fell during the quarter (Germany Bunds were a slight exception), particularly for long-dated bonds. Technology was the top-performing sector, followed by healthcare, consumer staples, and energy. Utilities was the only sector that declined in the quarter, though communication services, industrials, and financials also lagged.

The MSCI World ex-USA Growth Index outperformed the MSCI World ex-USA Value Index (+7.7% vs. +3.7%) in the second quarter. This does not mean that value's recent, limited stretch of outperformance has come to an end. Nearly all prolonged value-led markets contain stints when growth outperforms value. In perhaps the strongest value rally ever, for example, the MSCI World ex-USA Value outperformed the MSCI World ex-USA Growth by 95 percentage points from March 2000 through December 2006. However, growth outperformed value in more than one-third of those months (28 out of 82 months).

We continue to observe value spreads that are considerably wider than average. So too is the spread between the portfolio and the value benchmark, which means the spread between the portfolio and either the core or growth index is extreme. We believe this bodes well going forward as value relationships normalize. We continue to focus on companies trading at large discounts to intrinsic value but that have strong balance sheets, quality businesses, and employ appropriate corporate governance—a combination that we believe should continue to benefit our clients.

ATTRIBUTION – 2Q21

The Hotchkis & Wiley International Value portfolio (gross and net of management fees) underperformed the MSCI World ex-USA Index in the second portfolio underperformed the MSCI World ex-USA Index in the second quarter. The portfolio's value focus hurt performance relative to the broad benchmark as international growth stocks outperformed international value stocks by a wide margin. The portfolio modestly outperformed the MSCI World ex-USA Value Index. The underweight allocation and stock selection in both technology and healthcare hurt relative performance in the quarter. Positive stock selection in industrials and consumer discretionary helped. The largest individual detractors to relative performance were Cairn Energy, Qantas Airways, Henkel, Tokio Marine, and Enstar Group; the largest positive contributors were Royal Mail, Babcock International, Heineken, Airbus, and Points International.

LARGEST NEW PURCHASES – 2Q21

Gruma is the world's largest tortilla and corn flour company. It competes in a small but growing category that benefits from favorable secular trends. The Company's brands are well-positioned: nearly all of Gruma's business has #1 or #2 market positions. Gruma is unusual among Mexican consumer staples companies in that 75% of its sales and profits are earned outside of Mexico in hard currency rather than pesos, with the U.S. representing more than half of EBITDA. The balance sheet is healthy, cash flow generation strong, and we trust management to be good stewards of shareholder value.

Landis+Gyr is a leading provider of energy management products and services for electric, heat/cold, and gas utilities. Landis+Gyr sells standalone electric, gas, and heat/cold meters, as well as connected devices such as smart gas and electric meters, and software and services for the management and analysis of power grids. Its products and services are critical to building an automated and interactive electric grid that can cope with decentralized and renewable power generation, energy storage, and electric vehicle infrastructure. While the North American and European markets are mature, opportunities for second and third generation smart meter and grid solution installment are expected to continue in emerging markets in the near future. Landis+Gyr trades at an attractive multiple in our view of normal earnings.

Rothschild & Co operates Europe's leading boutique investment bank with a growing wealth management and merchant banking business. Its advisory business has strong market share in Europe, a focus on mid-sized M&A transactions, and a well-balanced mix of businesses between M&A and restructuring. Rothchild has also built a strong Wealth Management business. Rothschild's Merchant Bank has grown rapidly since it was founded in 2009 and today manages €16 billion in private equity and debt investments. While these businesses are economically cyclical, each generates attractive returns on capital. Despite these attractive fundamentals, its stock trades at a single digit multiple of its normal earnings power.

INTERNATIONAL VALUE

Composite performance is available at www.hwcm.com, located on the strategy's Performance tab. Returns discussed can differ from actual portfolio returns due to data differences, cash flows, trading, and other activity. Portfolio characteristics and attribution based on representative International Value portfolio. Certain client portfolio(s) may or may not hold the securities discussed due to each account's guideline restrictions, cash flow, tax and other relevant considerations. Performance 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. For the portfolio's total performance attribution, interaction effect is combined with stock selection. The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard & Poor's Financial Services, LLC ("S&P") and is licensed for use by Hotchkis & Wiley ("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. 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 "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. 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. The largest new purchases are as of the publication date, but may be sold and no longer held in the International Value strategy at any time, for any reason, without notice, subsequent to the publication date. The securities reflected herein are intended to be for illustrative purposes only and are not intended to be, and should not be construed as, investment recommendations or investment advice. Past performance of these securities, or any other investments, is not an indicator of future results. H&W's opinions regarding these securities are subject to change at any time, for any reason, without notice. No assurance is made that any securities identified, or all investment decisions by H&W were or will be profitable.

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. Quarterly characteristics and portfolio holdings are available at www.hwcm.com, located on the strategy's 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. 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 / *Index definitions* for full disclaimer.

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. Growth investing tends to work well during speculative, momentum-driven markets, while value investing tends to work well following recessionary periods. Past recessions and recoveries cannot predict future performance due to different factors and circumstances.

Market Disruption: The global coronavirus pandemic has caused disruption in the global economy, unprecedented business and travel disruption and extreme fluctuations in global capital and financial markets. H&W is unable to predict the consequences of the upheaval 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. Portfolio managers' opinions and data included in this commentary are as of June 30, 2021 and are subject to change without notice. Any forecasts made cannot be guaranteed. Information obtained from independent sources is considered reliable, but H&W cannot guarantee its accuracy or completeness. Certain information presented is based on proprietary or third-party estimates, which are subject to change and cannot be guaranteed. 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 as well as emerging market securities which involve greater volatility and political, economic and currency risks and differences in accounting methods.

Past performance is no guarantee of future results.