INTERNATIONAL VALUE

MARKET COMMENTARY

The MSCI World ex-USA Index returned +3.0% in the second quarter of 2023. There was very little divergence between the performance of value and growth in the quarter, with each style returning around +3.0%.

After a strong start to 2023, the performance of broad equity indices overseas failed to keep up with their US counterparts in the second quarter, due largely to strong enthusiasm in select US technology stocks. Shares of eurozone companies advanced despite signs of slowing growth in many parts of the region. The advance was led by the technology, industrials, consumer discretionary and financials sectors. UK equities were mixed in the quarter. Weakness in UK listed commodities and consumer staples companies was offset by relative strength in financials and industrials. And Japan outperformed the broader Asia Pacific region as the Nikkei reached its highest level in over thirty years on an improving outlook for corporate earnings.

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 International 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 International Value portfolio (gross and net of management fees) outperformed the MSCI World ex-USA Index in the second quarter of 2023. Stock selection in financials resulted in the bulk of the performance advantage. Stock selection in healthcare, consumer discretionary, and materials also contributed positively. Conversely, the overweight position and stock selection in energy detracted. Stock selection in industrials, technology, and communication services also weighed on relative performance in the quarter. The largest positive contributors to relative performance in the quarter were UniCredit SpA, Tokio Marine, Societe Generale, Accor, and ING Groep; the largest detractors were Kosmos Energy, Ericsson, Vodafone, Heineken, and Qantas Airways.

LARGEST NEW PURCHASES – 2Q23

Fuso Chemical is a Japanese chemicals producer, with 90%+ market share in ultra-pure silica used as an abrasive particle in semiconductor polishing applications. We believe they earn very good returns in this business. Fuso's stock is down because near-term earnings will likely be pressured by a semiconductor cycle trough. As demand from the semiconductor industry recovers and Fuso's utilization rates normalize, we expect Fuso's earnings and trading multiple to improve. Fuso's shares trade at ~12x our estimate of normal earnings, which we believe is quite attractive for a business of this quality.

JDE Peet's has the number two market position in the large and growing coffee category. The company operates worldwide, and many of its brands are prominent in their respective geographies. The coffee category is relatively strong with 3-4% growth per year and a history of some recession resistance. We believe earnings will grow faster than the market expects, driven by 3-5% top-line expansion as well as some margin improvement. JDE Peet's went public in 2020 and the stock has fallen below its IPO price, trading at an attractive level relative to its normal earnings power.

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Net of fee composite performance as of 6/30/23: 21.87%, 4.64% and 6.56% 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.**

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 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.

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 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.

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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.