INTERNATIONAL VALUE

MARKET COMMENTARY

The MSCI World ex-USA Index returned -0.7% in the third quarter of 2021. The index reached an all-time high in early September before retreating to close out the quarter. Economic developments over the quarter were mixed. Real GDP grew +2.2% in Europe and +0.5% in Japan over the most recent quarter (seasonally adjusted quarter-over-quarter). Many businesses are contending with labor issues, which fuels already-tight supply conditions and increases inflationary pressures. Supply/demand imbalances have also started to emerge in the energy sector, leading to price increases. Inflation persisted above 3% in Europe (year-over-year), the highest levels in well over a decade. Central banks have generally continued with expansionary fiscal and monetary policies, though hawkish comments are appearing with increased frequency. Through July and August, the international energy sector had a negative return while the overall index was positive. This reversed in September. The energy sector rose more than +10% while the overall index declined. For the entire quarter, energy was the top performing sector for the index (+5.7%). Overall, corporate earnings continue to be strong with more than 70%% of MSCI World ex-USA companies surpassed consensus earnings expectations in the quarter.

International growth outperformed international value modestly. The MSCI World ex-USA Growth Index declined -0.3% while the MSCI World ex-USA Value Index declined -1.1%. In the recent past, COVID-19 developments appear to have dictated which investing style outperformed—positive developments have favored value, negative developments growth. The performance difference between value and growth largely moved in tandem with COVID's progression during the quarter. We continue to focus on fundamentals and valuation because that is what drives stock prices in the long run; however, we believe the demise of the pandemic through improved inoculation, herd immunity, or both, could provide a welcomed catalyst for a prolonged global value rally.

Some of the more powerful and long-lasting value rallies have persisted for 7 to 10 years, with value outperforming growth by well over 100 percentage points. The common trait among these most formidable value-led markets is that each came on the heels of a prolonged period of growth outperformance, and each began with wide valuation spreads. There are notable similarities between today's environment and the early stages of previous strong value rallies. Because the portfolio trades at a valuation discount to the index, we believe a value-led market would be highly conducive to our investment approach, even relative to the international value benchmark. We continue to focus on companies that trade at significant discounts to intrinsic value, but also possess quality businesses, strong balance sheets, and good corporate governance.

ATTRIBUTION – 3Q21

The Hotchkis & Wiley International Value portfolio (gross and net of management fees) outperformed the MSCI World ex-USA Index in the third quarter of 2021. The overweight and positive stock selection in financials was the largest contributor to relative performance. The lack of exposure to materials and utilities, the index's worst performing sectors, also helped. Stock selection in technology, industrials, and consumer staples detracted from performance. The largest positive contributors to relative performance in the quarter were Tokio Marine, Cairn Energy, Babcock International, ING Groep, and Qantas Airways; the largest detractors were Royal Mail, Heineken, Magna International, Credit Suisse, and Ericsson.

LARGEST NEW PURCHASES – 3Q21

None.

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. Index returns include reinvestment of dividends, net foreign withholding taxes. 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; interaction effect is combined with stock selection. 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. No assurance is made that any securities identified, or all investment decisions by H&W were or will be profitable.

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.

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, please 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 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, 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 September 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.

Past performance is no guarantee of future results.