VALUE OPPORTUNITIES

MARKET COMMENTARY

The Russell 3000 Index increased 7.2% in the first quarter of 2023. The Russell 3000 Value Index underperformed for the quarter, returning +0.9% vs. +13.9% for the Russell 3000 Growth Index.

After outperforming growth by 21% in 2022 (by declining less), value underperformed growth in the first quarter of 2023 by 13% (+0.9% vs. +13.9%). The Russell 3000 technology sector was up 23.2% in the quarter. Technology comprises a much larger portion of the Russell 3000 Growth than the Russell 3000 Value (40% vs. 8%). Conversely, the energy and financial sectors declined -5.0% and -3.1%, respectively. These sectors comprise a much larger portion of the Russell 3000 Value than the Russell 3000 Growth (28% vs. 8%).

Technology is the portfolio's largest sector weight and overweight relative to the index. In tech, we do own some attractive businesses, and we are willing to pay higher valuation multiples accordingly. Common traits among our tech holdings are excellent balance sheets, sticky customers that generate recurring/predictable cash flow, and promising prospects for growth. We view these businesses as less cyclical than generally understood and prefer this exposure to other non-cyclical parts of the market that trade at rich valuations and grow modestly, e.g., consumer staples, utilities. This exposure is much different than the exposure to energy and financials, thus acting as an effective offset/complement.

We also remain partial to financials, with banks representing the largest absolute weight. The banking industry has been in the crosshairs of skeptics since the early March failure of Silicon Valley Bank ("SVB"). SVB failed due to a combination of unique characteristics and mismanagement. It had an unusually concentrated depositor base composed of large corporate depositors; 97% of its deposits exceeded the $250,000 FDIC insurance limit, and thus were uninsured. This makes it more susceptible to a bank run because it takes significantly fewer customers withdrawing their money compared to a bank with a more diversified customer base. Further, SVB invested in long duration securities much more heavily than it should have, creating a risky asset/liability mismatch. Several other regional banks have similar problems, albeit nothing to the extreme of SVB. Nonetheless, well-capitalized, well-managed banks sold off in sympathy, and now trade at attractive valuations for the risks at hand. The portfolio's bank exposure trades at close to 6x normal earnings and 0.8x book value, uncommonly attractive levels. We have thoroughly assessed widespread bank concerns about declining deposits, an impending recession, and potential regulatory changes. We conclude that these valuations more than compensate us for those risks. Our portfolio of banks is also well diversified across 8 different companies each with a different business mix and therefore different risks.

ATTRIBUTION – 1Q23

The Hotchkis & Wiley Value Opportunities portfolio (gross and net of management fees) outperformed the Russell 3000 Value Index in the first quarter of 2023. On a sector basis, the largest contributors to relative performance during the quarter came from the overweight in Information Technology and security selection in Industrials. Security selection and the underweight in Health Care also contributed to relative performance. In contrast to technology's strong performance, security selection in Information Technology and Real Estate detracted from relative performance during the quarter, as did the overweight in Energy. The largest positive contributors to relative performance in the quarter were General Electric, Microsoft, Rothschild & Co., GE Healthcare Technologies, and Stagwell; the largest detractors were SLM Corp., Seritage Growth Properties, Popular, Murphy Oil, and APA Corp.

LARGEST NEW PURCHASES – 1Q23

American International Group ("AIG") is in the later stages of a restructuring that is already delivering significantly improved financial performance. Of note, AIG has meaningfully improved underwriting profitability in its core commercial property-casualty business and is in the process of spinning off its life & retirement insurance subsidiary. The company has further opportunities to improve operating and capital efficiency. We expect the new AIG to deliver stronger returns with lower volatility.

CVS Health operates in three divisions: Pharmacy Services through its PBM, Caremark (46% of revenue / 31% of EBIT), Retail/LTC through CVS stores and pharmacies (30% of revenue / 33% of EBIT), and Healthcare Benefits through Aetna (24% of revenue / 36% of EBIT). Over the last five years, CVS/Aetna has grown Medicare Advantage members more than any other MCO aside from Anthem and grew faster than Anthem on a percentage basis. We believe CVS is well positioned to offset pressure from front-end retail, which accounts for only 7% of sales, through its gains in covered lives and PBM offerings, as Caremark holds the number one market share at 36%. This market share in pharmacy also gives it scale and cost advantages versus peers. The company recently acquired Oak Street Health, a health care services provider, overpaying at ~$10.6 billion and causing the stock price to fall from ~$90 to ~$75. Although the deal was expensive, we feel that the $25 billion they have lost in market cap since December is an overreaction to an acquisition that both expands the company's reach significantly and offers value in combination with Aetna. The CVS valuation is attractive on a consolidated and sum of the parts basis, without giving the Company credit for potential longer-term synergies or the ability to lower medical costs through its HealthHub offerings. However, although we do not include either synergies or the ability to lower medical costs in our valuation, the upside opportunity would be even greater were either of those outcomes to occur.

(continued)

VALUE OPPORTUNITIES

Elevance (formerly Anthem) is the second largest health insurer, and largest commercial insurer. Elevance is the Blue Cross Blue Shield licensee in 14 states and has Medicaid business in 23 states. It had 47 million enrollees at YE 2022. At 15x normal earnings, Elevance is undervalued due to skepticism about margins and growth. Elevance is priced at only a slight premium to the market, despite being a competitive business, growing at a faster rate than GDP while still returning most of its cash to shareholders.

Net of fee composite performance as of 3/31/23: -3.01%, 10.22% and 10.87% for 1-, 5-, and 10-year, 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 Value Opportunities 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 Value Opportunities strategy may prevent or limit investment in major stocks in the Russell 1000, Russell 3000 Value and Russell 3000 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 Russell 3000® Index tracks the performance of the 3,000 largest U.S.-traded stocks. The Russell 3000® Value Index includes stocks from the Russell 3000® Index with lower price-to-book ratios and lower expected growth rates. The Russell 3000® Growth Index includes companies that display signs of above average growth. The index is used to provide a gauge of the performance of growth stocks in the U.S. Russell Investment Group is the source and owner of the Russell Index data contained herein (and all trademarks related thereto), which may not be redistributed. The information herein is not approved by Russell. H&W and Russell sectors are based on GICS by MSCI and S&P.

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 may be exposed to more individual stock volatility than a more diversified strategy and may also invest in smaller and/or medium-sized companies, foreign securities, and debt securities.

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.