GLOBAL VALUE FUND

HWGIX
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MANAGER REVIEW & ECONOMIC OUTLOOK

DECEMBER 31, 2019

MARKET COMMENTARY

For much of calendar year 2019, the United States engaged in a trade war with China, its largest global trading partner. Near the end of the year, the US House of Representatives impeached the President for just the third time in history. The uncertain path of Brexit was the major political story in Europe throughout the year, though the UK's Conservative party election victory removed a "worst case" economic scenario. Global equity markets largely shrugged off the tumultuous geopolitical landscape and the MSCI World Index returned an impressive +28%; only 4 calendar years since the index's 1983 inception have been better.

Multiple expansion explains essentially all of the market's performance as the MSCI World's forward P/E ratio (consensus estimates) increased from 14.3x to 18.2x during the year. The index now trades about 15% above its 20 year average P/E. Importantly, however, interest rates are considerably lower than they have been for most of that period. The 10-year US treasury yield is just 1.9% compared to its 20-year average of 3.4%; the 10-Year UK Gilt yield is 0.8% compared to its 20-year average of 3.3%; the 10-year German Bund yield is -0.2% compared to its 20-year average of 2.6%.

The technology sector led the way, by a large margin, returning +48%, though most sectors delivered strong performance. Energy was the exception, returning +12%. Over the past 3 years, energy was the index's worst-performing sector, returning +1% compared to the overall index return of +43%, cumulatively. The second-worst performing sector during this time was financials with a +30% return.

For the third year in a row, the MSCI World Growth Index outperformed the MSCI World Value Index (+33.7% vs. +21.7%). Global growth outperformed value in 9 of the last 10 calendar years with cumulative outperformance of more than 70% (+186% vs. +112%, or +11.1% vs. +7.8% annualized). Nearly all of this occurred in the last three years. The lopsided performance has resulted in a wider-than-normal valuation spread between growth and value. Over the past 20 years, the average forward P/E for the MSCI World Growth Index has been 5.0x above that of the MSCI World Value Index. As of 12/31/19, the forward P/E for the growth and value indices were 25.4x and 14.2x, respectively, or a spread of 11.2x. Over the past 20 years, this valuation gap has been wider only 6% of the time (and only during the tech/internet bubble). Using price-to-book instead of price-to-earnings, the current valuation gap has been exceeded only 5% of the time historically, with the tech/internet bubble again representing the lone exception.

Investors' increasing preference for low stock price volatility explains at least a portion of the valuation gap's widening. This has caused a substantial divergence between certain industries with many non-cyclicals exhibit rich risk-adjusted valuations relative to their cyclical counterparts. As an example, the forward P/E ratio for MSCI World Utilities Index has risen by 45% over the last decade while the forward P/E ratio for MSCI World Banks Index has risen by 1% over the same period. We have nothing against utilities, consumer staples, or healthcare, other than the seemingly high prices currently required to purchase them.

While the overall equity market appears fully valued compared to history, we believe the valuation disparities across the market create an investment environment highly conducive to long-term focused active management, particularly in relative terms. The spread between the growth and value indices is wide, suggesting a promising outlook for value. The spread between the portfolio and the value index is also wide, suggesting a promising outlook for the portfolio. The portfolio trades at 7.8x normal earnings compared to the MSCI World at 17.4x normal earnings. The considerable valuation advantage combined with good underlying businesses and healthy balance sheets leaves us confident about the portfolio's prospects.

ATTRIBUTION - 2019

The Hotchkis & Wiley Global Value Fund underperformed the MSCI World Index in 2019, though it outperformed the MSCI World Value Index. Two stylistic headwinds explain all the underperformance relative to the broad benchmark. First, value lagged growth, so our value focused approach was a considerable headwind relative to the broad/core benchmark. Second, there was an unusually strong correlation between company size and performance, with larger market cap companies outperforming smaller market cap companies. MSCI World stocks that began the year with a market cap under $5 billion returned about +11% for the year, while stocks with a market cap over $100 billion returned about +34%. The portfolio's average weight in the smaller cap group was 19% compared to 8% for the index, while the portfolio's average weight in the larger cap group was 16% compared to 39% for the index—the smaller cap bias was an insurmountable headwind during the year. From a sector perspective, the underweight position in technology and stock selection in energy detracted from performance; positive stock selection in financials and industrials, along with the underweight position in healthcare helped relative performance. The largest detractors to relative performance in the year were Whiting Petroleum, Danieli, Royal Mail, Embraer, and BMW; the largest positive contributors were WestJet Airlines, General Electric, Ophir Energy, Hitachi, and Microsoft.

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LARGEST NEW PURCHASES - 2019

News Corp is a media conglomerate with four largely independent segments: 1) digital real estate services; 2) Australian pay TV; 3) news and information services, and; 4) publishing. Its real-estate advertising businesses with strong secular growth support nearly the entire enterprise value, suggesting that the market currently assigns little value to its other businesses. These businesses, while mature, have considerable value in our opinion.

UniCredit is the largest bank headquartered in Italy. In addition to being the #2 Italian bank by market share, UniCredit also has significant banking operations in Germany, Austria and a number of Central and Eastern European countries. Shares in the bank have underperformed due to market concerns about the ongoing pressure on bank profitability from low rates and slow economic growth in Europe. As one of the largest banks in Italy, investment sentiment for UniCredit has also been negatively impacted by ongoing political instability and the resultant impact on Italian sovereign rates. Following a period of restructuring, the balance sheet is well capitalized, asset quality is improved, and profitability is recovering.

UnitedHealth Group (UNH) is the largest and most diversified managed care organization in an industry where scale is a significant competitive advantage. UNH has the largest and fastest growing share in Medicare Advantage, the biggest opportunity in managed care. UNH is also well positioned in Medicaid, another growth opportunity. UNH is a high quality business with above average growth prospects, sticky and stable earnings, and a good balance sheet.

PERFORMANCE (%) as of December 31, 2019

	QTR	YTD	1 Yr	3 Yr	5 Yr	Since 12/31/12
Global Value Fund – I Shares	9.62	24.52	24.52	6.88	5.91	9.26
MSCI World	8.56	27.67	27.67	12.57	8.74	10.58
MSCI World Value	7.31	21.75	21.75	8.35	6.34	8.64

The performance shown represents past performance. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. To obtain performance data current to the most recent month-end, access our website at www.hwcm.com.

The Fund's total annual operating gross expense ratio as of the most current prospectus is 1.63% for I Shares; 0.95% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2020. Expense ratios shown are gross of any fee waivers or expense reimbursements. I Shares sold to a limited group of investors. Periods over one year are average annual total return. Average annual total returns include reinvestment of dividends and capital gains. Expense limitations may have increased the Fund's total return.

You should consider the Fund's investment objectives, risks, and charges and expenses carefully before you invest. This and other important information is contained in the Fund's summary prospectus and prospectus, which can be obtained by calling 1-800-796-5606 or visiting our website at www.hwcm.com. Read carefully before you invest.

The Fund may invest in foreign and emerging markets securities. Please read the fund prospectus for a full list of fund risks.

Investing in value stocks presents the risk that value stocks may fall out of favor with investors and underperform other asset types during a given period. Equities, bonds, and other asset classes have different risk profiles, which should be considered when investing. All investments contain risk and may lose value. Specific securities identified are the largest contributors (or detractors) on a relative basis to the MSCI World Index. Securities' absolute performance may reflect different results. The Fund may not continue to hold the securities mentioned and the Advisor has no obligation to disclose purchases or sales of these securities. Attribution is an analysis of the portfolio's return relative to a selected benchmark, is calculated using daily holding information and does not reflect the payment of transaction costs, fees and expenses of the Fund. 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.

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The MSCI World Index is a free float-adjusted weighted index capturing large and mid cap stocks. The MSCI World Value and MSCI World Growth Indices are free float-adjusted weighted indexes capturing large and mid cap stocks, exhibiting overall value or growth style characteristics, respectively. The MSCI World Utilities and MSCI World Banks Indices are composed of large and mid cap stocks classified in the utilities or banks industry group (within Financials) sectors, respectively. The MSCI indices represent stocks across 23 Developed Markets (DM) countries and include reinvestment of dividends, net foreign withholding taxes. The indices do not reflect the payment of transaction costs, fees and expenses associated with an investment in the Fund. The Fund's value disciplines may prevent or restrict investment in major stocks in the benchmark indices. It is not possible to invest directly in an index.

Price-to-Earnings (P/E) is calculated by dividing the current price of a stock by the company's trailing 12 months' earnings per share. Price-to-Book is the price of a stock divided by its book value. Top ten holdings as of 12/31/19 as a % of the Fund's net assets: General Electric Co. 5.5%, American Int'l Group Inc. 4.2%, Wells Fargo & Co. 4.1%, Microsoft Corp. 3.7%, BAE Systems PLC 3.0%, Oracle Corp. 2.7%, Goldman Sachs Group Inc. 2.5%, Magna Int'l Inc. 2.4%, Tokio Marine Hldgs Inc. 2.4% and Societe Generale SA 2.4%.