INTERNATIONAL VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWNIX

MARCH 31, 2020

MARKET COMMENTARY

The MSCI World ex-USA Index declined -24% in the first quarter of 2020 as investors contemplated the global economic impact of the COVID-19 pandemic. Measures undertaken to slow the spread of the virus are already having material and widespread effects on global economic activity. In an attempt to combat these effects, governments globally have taken swift and unprecedented action. Monetary policy responses included central banks cutting interest rates and injecting massive amounts of liquidity into an array of government, corporate, and money market credit facilities. Fiscal policy responses included massive stimulus packages designed to provide relief for companies and individuals most affected by the economic consequences of the pandemic. As equities sold off, government bonds rallied. As an example, the yield on the 10-Year UK Gilt went from 0.8% to 0.4% and the 10-Year German Bund went from -0.2% to -0.5%.

All MSCI World ex-USA sectors declined by double digits. Defensive sectors such as healthcare, utilities, and consumer staples declined the least while cyclicals, including energy and financials, declined the most. Energy was the largest laggard, with the sector falling -38% in the three-month period. Increased oil supply—driven by Russia and Saudi Arabia—coupled with a rapid and severe decline in oil demand, has sent oil prices plummeting to unsustainably low levels. Financials was the second worst-performing sector, declining -31%. Banks were especially weak, falling -35% as interest rates collapsed and investors became concerned with the potential for increased credit losses.

In light of the sudden and sharp economic decline that began during the quarter, we stress-tested the liquidity and cost structure of every holding in our portfolio—essentially an in depth evaluation of both financial and operating leverage. The first objective was to evaluate each business' ability to survive an economic downturn more severe than what seemed conceivable just a few weeks ago. The second objective was to reevaluate weight changes that would result in an improved risk/return profile for the overall portfolio. Market volatility has created opportunities to acquire, at attractive prices, companies with better balance sheets and business quality than those we are selling. The businesses we have been buying are well capitalized, profitable and positioned to maintain or even grow their value through an economic downturn. We believe that the thoughtful and decisive actions we have taken have improved the resiliency of the portfolio while setting it up to potentially benefit from an eventual recovery.

The MSCI World ex-USA Growth Index trades at 16.8x consensus earnings (FY2) and 2.6x book value, which are, remarkably, above historical averages (14.7x and 2.5x, respectively). On the other hand, the MSCI World ex-USA Value Index trades at 8.9x consensus earnings and 0.8x book value, both of which fall in the lowest decile of its own history (i.e. the index traded at higher multiples more than 90% of the time). Our portfolio, trading at 5.4x normal earnings, 8.2x consensus earnings (FY2), and 0.7x book value is at a wide discount to the already depressed index. Truly a unique value opportunity.

The first quarter was challenging. A stable investment team is an irreplaceable luxury during times like this. We have not experienced a global pandemic the likes of which we face today, but we have certainly encountered difficult investment environments before. We are confident that the current portfolio will exceed client expectations in the long-term notwithstanding economic activity or market direction in the near-term.

ATTRIBUTION – 1Q20

The Hotchkis & Wiley International Value Fund underperformed the MSCI World ex-USA Index in the first quarter of 2020. Two stylistic factors combined to detract from performance in a major way: size and valuation. Mega cap stocks (where we are underweight relative to the market) held up better than others, and low P/E and low P/B stocks (where we are obviously overweight) underperformed. From a sector standpoint, industrials, financials, and energy were the largest detractors. The largest individual detractors to relative performance were Embraer, CNH Industrial, Cairn Energy, Airbus, and Royal Mail; the largest positive contributors to relative performance were Ericsson, Total, BAE Systems, Ezaki Glico, and Tokio Marine Holdings.

LARGEST NEW PURCHASES – 1Q20

Total is an integrated energy company with operations in oil & gas production, refining, chemical production and LNG trading. We especially like the Company's exploration & production portfolio, which consists of valuable long-lived, low-decline rate assets. Total has a strong balance sheet and can easily withstand an extended period of low commodity prices (they are expected to be profitable in 2020). Should oil & gas prices increase from current low levels, earnings can increase meaningfully.

(continued)

Hotchkis & Wiley

We initiated new positions in two Irish banks, AIB Group and Bank of Ireland. Over the years the Irish banking market has consolidated to become an oligopoly with AIB and the Bank of Ireland as the leading players, followed by Ulster Bank (subsidiary of RBS) and Permanent TSB. Both AIB Group and Bank of Ireland received government bailouts during the financial crisis and spent the subsequent years undergoing significant restructuring and deleveraging. The banks have cleaned up their balance sheet by reducing non-performing exposures from very elevated levels and now have strong capital positions. AIB Group and Bank of Ireland both trade at very low multiples of normal earnings and tangible book value, an attractive value considering their dominant market positions, improved balance sheets, and healthy capital levels.

PERFORMANCE (%) as of March 31, 2020

	QTR	YTD	1 Yr	3 Yr	Since 12/31/15
International Value Fund – I Shares	-36.78	-36.78	-28.68	-11.46	-4.85
MSCI World ex-USA	-23.26	-23.26	-14.89	-2.07	0.71
MSCI World ex-USA Value	-28.76	-28.76	-23.16	-6.74	-1.93

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 5.93% 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, which subjects the Fund to increased risk. 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 ex-USA 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.

Market Disruption: The recent global coronavirus pandemic has caused and continues to cause 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, depending on the severity and the length of the outbreak, has the potential to negatively impact the firm's investment strategies and reduce available investment opportunities.

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. 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. 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.

Price-to-Normal Earnings is the current market price per share divided by normalized earnings per share. 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 3/31/20 as a % of the Fund's net assets: Tokio Marine Hldgs Inc. 5.0%, BAE Systems PLC 4.5%, Siemens AG 4.3%, Enstar Group Ltd. 3.7%, Medtronic PLC 3.2%, CNH Industrial NV 3.2%, Heineken Hldg 3.1%, Vodafone Group PLC 3.0%, Ericsson 2.9% and Frank's International 2.8%.