Hotchkis & Wiley

STRATEGY PROFILE MARCH 31, 2020

SMALL CAP VALUE

DESCRIPTION

A concentrated portfolio that targets undervalued small cap stocks that are out of favor and often underfollowed by Wall Street research. The strategy leverages the seasoned judgment of our experienced research team. Seeking small size companies with strong balance sheets and attractive assets, the strategy looks to outperform the index over a full market cycle.

ABOUT US

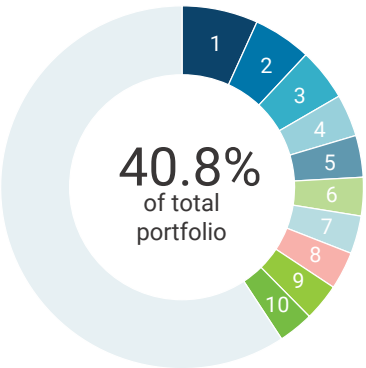
Since 1980, Hotchkis & Wiley has focused on discovering undervalued securities through extensive internal research. We manage $21 billion in value equity and high yield assets for institutional and mutual fund investors. The firm is independently owned with a majority interest held by employees.

COMPOSITE PERFORMANCE (%) ANNUALIZED

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
H&W Small Cap Value (gross)	-41.00	-41.00	-36.89	-13.16	-6.06	5.69	10.29
H&W Small Cap Value (net)	-41.12	-41.12	-37.31	-13.72	-6.67	4.99	9.47
Russell 2000 Value	-35.66	-35.66	-29.64	-9.51	-2.42	4.79	9.23

Commencement of SCV Composite: 10/1/85. Past performance is no guarantee of future performance.

TOP 10 HOLDINGS (%)[1]



	H&W
1. Enstar Group Ltd.	6.8
2. Evercore Inc.	5.2
3. Popular Inc.	4.7
4. Arrow Electronics Inc.	3.8
5. First Hawaiian Inc.	3.7
6. Bank of NT Butterfield & Son	3.4
7. Frank's International	3.4
8. CNO Financial Group Inc.	3.4
9. Avista Corp.	3.3
10. Office Depot Inc.	3.1

PORTFOLIO CHARACTERISTICS

	H&W	Index
Price/Normal Earnings[2]	4.5x	9.3x
Forward Price/Earnings (FY2)	7.0x	9.0x
Price/Book	0.7x	0.9x
Payout Yield	8.5%	5.9%
Weighted Avg Mkt Cap ($B)	$2.2	$1.7
Number of Securities	63	1,392
Turnover (5 Yr Avg)	36%	
Active Share (5 Yr Avg)	95	

SECTOR ALLOCATION (%)[1]

	H&W	Compared to Index
Financials	37.2	7.3
Energy	7.4	3.9
Industrials	15.4	2.9
Communication Services	3.7	1.5
Consumer Discretionary	9.1	1.3
Information Technology	11.3	-0.1
Utilities	6.3	-1.3
Health Care	3.0	-3.0
Consumer Staples	0.0	-3.4
Materials	0.1	-4.2
Real Estate	2.9	-8.6

Important Notes:

[1]% of Total Portfolio; [2]Proprietary or third-party estimates subject to change and cannot be guaranteed. Informational purposes and should not be considered as investment recommendations. Information provided is based on a representative portfolio of the Small Cap Value (SCV) Strategy. Sector allocation, characteristics and/or holdings may vary due to different restrictions, cash flows, and other relevant considerations. Securities identified do not represent all of the securities purchased, sold, or recommended for advisory clients, and may not be indicative of current or future holdings or trading activity. Securities shown in aggregate represent only a limited portion of an account's portfolio holdings. No assumptions should be made that companies identified, or all investment decisions were, or will be profitable. Portfolio holdings are subject to change without notice; a complete list of holdings is available upon request, subject to the firm's portfolio holdings disclosure policy. Active share is the extent to which the portfolio differs from the designated Index. 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 the Global Industry Classification Standard by MSCI and S&P. Investing in smaller and/or newer companies involves greater risks than those associated with investing in larger companies, such as business risk, significant stock price fluctuations and illiquidity. Investing in value stocks presents the risk that value stocks may fall out of favor with investors and underperform growth stocks during given periods. All investments contain risk and may lose value. Data source: H&W, Bloomberg

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.

Hotchkis and Wiley Capital Management, LLC (the "Firm" or "H&W") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. H&W has been independently verified for the periods October 9, 2001 through December 31, 2018. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Small Cap Value Composite has been examined for the periods October 1, 1985 through December 31, 2018. The verification and performance examination reports are available upon request.

H&W is an independent investment management firm registered with the U.S. Securities and Exchange Commission and manages value equity and high yield assets for institutional and mutual fund investors. Its predecessor firm was established in 1980. The equity team of the predecessor firm established H&W in October 2001. The performance history of Firm composites prior to October 9, 2001 is comprised of the performance history of the accounts managed by the predecessor firm. There has been no material change in the investment strategy related to these products as a result of the establishment of H&W.

H&W refers to itself as a "registered investment adviser" in materials distributed to current and prospective clients. As a registered investment adviser with the SEC, H&W is subject to the rules and regulations adopted by the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Registration as an investment adviser is not an indication that H&W or its directors, officers, employees or representatives have attained a particular level of skill or ability.

Valuations and returns are stated in U.S. dollars. Investment returns include reinvestment of dividends, interest, and capital gains. Gross performance results are presented before management and custodial fees but after all trading expenses. Net performance results are presented after actual management fees (including performance-based fees if applicable) and all trading expenses but before custodial fees. H&W's management fees are described in Part 2A of its Form ADV. The standard Small Cap Value management fee schedule is 100 basis points on assets managed. Internal dispersion is calculated using the equal-weighted standard deviation of all portfolios that were included in the Composite for the entire year. A list of composite descriptions and policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Past performance is no guarantee of future performance.

Composite: The Composite includes all Small Cap Value discretionary accounts. The Small Cap Value investment strategy seeks capital appreciation primarily through investments in common stocks of small cap U.S. companies. The typical market cap range is $100 million to $4 billion. Accounts with significant cash flows (≥ 10% of beginning of the month assets for the periods January 1, 2006 through December 31, 2010, and ≥ 25% effective January 1, 2011) are excluded from the respective month's composite calculation and included in the subsequent month. (Composite creation: 1985)

Indexes: The Russell 2000® Value Index ("R2000V") measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Index ("R2000"), an unmanaged index, measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The indexes assume reinvestment of dividends and capital gains, and assumes no management, custody, transaction or other expenses. The value disciplines used in managing the accounts in the Composite may prevent or limit investment in major stocks in the R2000V and R2000 and returns may not be correlated to the indexes. Benchmark returns are not covered by the report of independent verifiers.

The 3-year annualized standard deviation measures the variability of the composite (using gross returns) and the benchmark(s) returns over the preceding 36-month period ended.

	% Total Return Gross of Fees	% Total Return Net of Fees	% Total Return R2000V	% Total Return R2000	No. of Accts	Internal Dispersion (%)	Comp. Assets ($M)	Total Firm Assets ($M)
2019	19.9	19.2	22.4	25.5	12	1.4	2,154	33,623
2018	-13.6	-14.1	-12.9	-11.0	13	0.5	1,899	27,191
2017	8.7	8.0	7.8	14.6	13	0.4	2,263	32,037
2016	21.5	20.7	31.7	21.3	17	0.6	2,286	29,952
2015	-7.5	-8.1	-7.5	-4.4	10	0.5	2,130	28,367
2014	13.2	12.4	4.2	4.9	8	0.6	2,265	32,190
2013	48.3	47.3	34.5	38.8	6	0.7	1,829	25,962
2012	24.4	23.6	18.1	16.4	6	1.0	1,092	18,781
2011	-10.1	-10.7	-5.5	-4.2	7	0.4	881	16,171
2010	44.3	43.4	24.5	26.9	8	0.5	926	18,148

	3-Year Annualized Standard Deviation (%)		
	Composite	R2000V	R2000
2019	18.2	15.7	15.7
2018	18.1	15.8	15.8
2017	16.2	14.0	13.9
2016	17.0	15.5	15.8
2015	14.4	13.5	14.0
2014	12.8	12.8	13.1
2013	18.3	15.8	16.5
2012	22.7	19.9	20.2
2011	29.4	26.0	25.0

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