DIVERSIFIED VALUE FUND

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MANAGER REVIEW & ECONOMIC OUTLOOK

MARCH 31, 2021

MARKET COMMENTARY

The S&P 500 Index rose +6.2% in the first quarter of 2021. Another round of fiscal stimulus was signed and delivered. The $1.9 trillion bill raised the total COVID fiscal response to $5.3 trillion; this sum equates to about 25% of pre-COVID GDP or roughly $16,000 for every American. The bill's passage was widely anticipated and consequently sparked little reaction from equity markets. The acceleration of vaccine availability prompted investor optimism as it was announced that all Americans 16 and older should be eligible by May 1st. On the economic front, the labor market showed signs of improvement as initial jobless claims fell to the lowest level since the pandemic began. The housing market continued its upward trend and consumer confidence also hit its highest level in a year. WTI crude oil prices rose 22% in the quarter, closing the quarter at $59/barrel after peaking at $66 in early March. Corporate America performed well, as more than 80% of S&P 500 companies exceeded consensus earnings expectations during the quarter. The signs of near-term recovery, coupled with the Fed's expanding balance sheet, seemingly point to increased inflation. The gap between the 10-year treasury note and 10-year TIPS, a proxy for expected inflation, finished the quarter at its highest level since mid-2013. In response to increased growth and inflation expectations, interest rates rose with the 10-year treasury yield rising from 0.92% at the beginning of the quarter to 1.74% at its end.

Value stocks outperformed growth stocks for the second consecutive quarter; the Russell 1000 Value Index returned +11.3% while the Russell 1000 Growth Index returned +0.9%. Over the past six months, the value index has outperformed the growth index by nearly 17 percentage points (+29.3% vs. +12.4%). In a trend we believe likely to endure, the continued reopening of the economy and the prospect for higher inflation and interest rates has benefited value stocks relative to growth stocks. Despite value's recent outperformance, the valuation gap between growth and value remains considerably wider than historical norms based on any common valuation metric, which highlights the extreme levels reached in 2020.

Price-to-normal earnings ("P/NE") is one of our preferred metrics because it adjusts for the peaks and troughs of business cycles. The P/NE of the Russell 1000 Value is notably higher than its long-term average (17x vs. 13x) while the P/NE of the Russell 1000 Growth is significantly higher than its long-term average (34x vs. 21x). At less than 10x normal earnings, however, the portfolio is nearly in line with its long-term average. This highlights that despite some richly valued publicly traded stocks, we have been able to identify interesting risk-adjusted opportunities trading at attractive valuations not only on a relative basis but also on an absolute basis. The portfolio exhibits somewhat of a cyclical tilt—this is where value opportunities disproportionately reside—but this is offset by investing in good businesses that are well-capitalized and prudently managed, i.e., companies that can endure cyclical downturns. As we look forward, we believe our clients can continue to benefit from this simple and time-tested combination.

ATTRIBUTION – 1Q21

The Hotchkis & Wiley Diversified Value Fund outperformed the Russell 1000 Value Index in the first quarter of 2021 by a wide margin. Stock selection was positive in 8 of the 11 GICS sectors, driving most of the outperformance. Stock selection was particularly beneficial in communication services, financials, and consumer discretionary. The overweight exposure to energy and financials, the two top-performing sectors, along with the underweight exposure to consumer staples also helped. Stock selection in energy and consumer staples were modest detractors. The largest positive contributors to relative performance in the quarter were Marathon Oil, Discovery, Wells Fargo, General Motors, and AIG; the largest detractors were Unilever, GlaxoSmithKline, PPL Corp., NOV Inc., and Microsoft.

LARGEST NEW PURCHASES – 1Q21

Berkshire Hathaway is a collection of good businesses—durable assets with attractive reinvestment outlooks—that trade at a reasonable multiple of earnings. We believe that the current valuation does not adequately consider that the company is likely to sustain returns above its cost-of-capital for a very long time. This will drive growth in earnings power and intrinsic value. While there is some uncertainty regarding succession planning, we are comfortable that Berkshire Hathaway will continue to be capably managed by prioritizing growth in shareholder value.

Boston Scientific is a global developer, manufacturer, and marketer of medical devices that are used in a broad range of interventional medical specialties. With over 40 years of history, the company has advanced the practice of less-invasive medicine by helping physicians and other medical professionals diagnose and treat a wide range of diseases. The business is organized into three segments: MedSurg, Rhythm, and Neuro. Areas of practice include endoscopy, urology and pelvic health, electrophysiology, and neuromodulation. The company is well-positioned competitively and trades at an attractive valuation.

(continued)

Hotchkis & Wiley

HCA is one of the leading hospital operators in the US, with 185 hospitals, 121 ambulatory surgery centers, and 21 endoscopy centers in its portfolio. Services include inpatient care, intensive care, cardiac care, diagnostic, and emergency services. Other offerings include outpatient surgery, lab, radiology, respiratory, cardiology, and physical therapy. The company operates efficiently with profit margins that are meaningfully higher than the peer average. While the hospitals experienced some resource strain during the height of the pandemic, like other hospitals, this has been mitigated by the CARES Act. The stock trades at an attractive valuation for the risks at hand.

PERFORMANCE (%) as of March 31, 2021

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 8/30/04
Diversified Value Fund – I Shares	19.58	19.58	88.80	11.04	13.51	11.13	7.95
Russell 1000 Value	11.26	11.26	56.09	10.96	11.74	10.99	8.67

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 1.04% for I Shares; 0.80% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 31, 2021. 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 securities. Please read the fund prospectus for a full list of fund risks. 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 Russell 1000 Value 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.

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. Growth investing tends to work well during speculative, momentum-driven markets, while value investing tends to work well following recessionary periods. Value stocks following a recession may start from a lower market value than growth stocks which can contribute to their outperformance. Past recessions and recoveries cannot predict future performance due to different factors and circumstances.

Market Disruption: The 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 Russell 1000® Value Index measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000® Growth Index measures the performance of those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The S&P 500® Index is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. 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. Top ten holdings as of 3/31/21 as a % of the Fund's net assets: Wells Fargo & Co. 5.0%, Citigroup Inc. 5.0%, American Int'l Group Inc. 4.7%, General Electric Co. 4.5%, Anthem Inc. 3.0%, General Motors Co. 2.7%, Bank of America Corp. 2.4%, Goldman Sachs Group Inc. 2.3%, Magna International Inc. 2.3%, and Marathon Oil Corp. 2.2%. Price-to-normal earnings is the current market price per share divided by normalized earnings per share. **Forward earnings is not representative of the Fund's future performance.**