

FOCUSED GLOBAL VALUE

MARKET COMMENTARY

The MSCI World Index increased +6.8% in the second quarter of 2023, led by the MSCI World Growth Index which returned +10.4%. Once again, technology stocks were the star, finishing up 16% in the quarter. Excitement over advances in Generative AI partly explains technology's outperformance. The MSCI World Value Index increased just +3.0% given the underweight to technology.

Performance deviations between value and growth have been stark in recent periods. The growth index extended its year-to-date edge to +23.1% (+27.1% vs. +4.0%). Over the past year and a half, however, large value remains ahead of large growth due to its substantial outperformance last year. As it stands today, the growth index trades at a large premium to its own history using any common valuation metric and the value index trades reasonably in line with its own history. In other words, value spreads are reasonably wide. Further, the Focused Global Value portfolio trades at a considerable discount to its past. This is attainable because the portfolio is significantly different than the value index, with an active share above 90. Importantly, however, we do not blindly invest in companies/industries with the lowest price multiples. We invest in those that trade at the largest discounts to intrinsic value, and that intrinsic value is highly dependent on a company's risk profile—lower risk companies have higher intrinsic values all else equal and should command higher fair value multiples.

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.

Portfolio characteristics and attribution are based on a representative Focused Global Value 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.

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ATTRIBUTION – 2Q23

The Hotchkis & Wiley Focused Global Value portfolio (gross and net of management fees) underperformed the MSCI World Index in the second quarter of 2023, but outperformed the MSCI World Value Index, net of management fees. Relative to the broad index, stock selection in technology was the largest detractor from relative performance. Stock selection in energy and healthcare also detracted. Conversely, stock selection in financials was the leading positive contributor to performance. The underweight positions in consumer staples, materials, and utilities also contributed positively. The largest positive contributors to relative performance in the quarter were AIG, Accor, Tokio Marine, Alphabet, and General Electric; the largest detractors were Ericsson, NOV Inc., CVS Health, Elevance Health, and Warner Bros. Discovery.

LARGEST NEW PURCHASES – 2Q23

No new purchases.

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 value discipline used in managing accounts in the Focused Global Value strategy may prevent or limit investment in major stocks in the MSCI World, MSCI World Value and MSCI World 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 [GLPS 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.

Past performance is no guarantee of future results.



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Net of fee composite performance as of 6/30/23: 20.16% and 24.97% for 1-year and Since 4/1/20, 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.**

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 indices represent stocks across 23 Developed Markets (DM) countries and include reinvestment of dividends, net foreign withholding taxes.

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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 invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. The strategy may be viewed as a non-diversified strategy, which may concentrate its assets in fewer individual holdings. The strategy may be exposed to more individual stock volatility than a more diversified strategy.

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.

Certain information contained in this material represents or based upon forward-looking statements. Due to various risks and uncertainties, actual events/results or performance of the strategy may differ materially from those reflected or contemplated in such forward-looking statements.

Portfolio managers' opinions and data included in this commentary are as of June 30, 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.