

FOCUSED GLOBAL VALUE

MARKET COMMENTARY

The MSCI World Index increased by +6.4% in the third quarter of 2024. The MSCI World Value Index rose by +9.6%, while the MSCI World Growth Index increased by +3.5%. Ten of the eleven MSCI World GICS sectors delivered positive returns during the quarter. Utilities led with a return of +18.1%, followed by real estate (+17.2%), financials (+10.8%), and materials (+10.7%). In contrast, the energy sector experienced a decline of -2.2%, marking its second consecutive quarterly decline.

Macroeconomic factors significantly influenced market performance during the quarter. The easing of inflationary pressures paved the way for lower interest rates, benefiting rate-sensitive sectors such as utilities and real estate, particularly companies with high leverage. Our portfolio is underweight these sectors, which weighed on relative performance. Conversely, commodity-related stocks, which typically thrive in inflationary environments—such as energy—underperformed in Q3. Sentiment in oil and gas stocks reached a historic low, as a recent report indicated that hedge funds are the most bearish on these stocks since 2020. The portfolio is slightly underweight in energy; however, we anticipate improved performance as the economic landscape evolves and sentiment improves.

The technology sector also underperformed during the quarter, as investors assessed relative valuations and weighed the potential for an economic slowdown. Our technology sector exposure looks very different from the mega-cap tech that dominates the broad market indices. We own businesses where expectations are low, and earnings power is misunderstood.

Looking ahead, lower interest rates are typically favorable for markets. However, it is critical to focus on long-term trends rather than short-term fluctuations. We remain committed to identifying businesses with durable balance sheets, sustainable returns on equity, stable free cash flow, and attractive valuations relative to expected earnings. Our decision to underweight high-leverage companies reflects

our focus on seeking better risk-adjusted returns elsewhere. We believe our investment strategy, centered on identifying undervalued assets and effective risk management, is poised to generate consistent long-term returns.

ATTRIBUTION ANALYSIS – 3Q24

The Hotchkis & Wiley Focused Global Value portfolio underperformed the MSCI World Value Index in the third quarter of 2024 (gross and net of management fees). Stock selection and the overweight in energy detracted the most from relative performance. Stock selection in financials, communication services, consumer discretionary, and industrials also detracted. Conversely, stock selection in technology contributed positively during the quarter. Stock selection in materials also helped, as did the overweight in industrials.

LARGEST INDIVIDUAL CONTRIBUTORS – 3Q24

F5 (FFIV) sells application networking and security software, as well as data center appliances. The company's stock price rebounded sharply in Q3 after reporting a growing pipeline and better close rates in subscription software sales. F5 has no debt, trades at an attractive valuation, and is benefiting from an improving gross margin and lower operating expenses.

Ericsson (ERIC) is the largest vendor of hardware and software for operating wireless networks outside of China. Sentiment is improving on signs of revenue stabilization and margin improvement, including evidence of recovery in the important North American market.

Cummins Inc. (CMI) manufactures diesel, natural gas, electric and hydrogen propulsion systems, along with related components for on- and off-road, marine, and related industries. Cummins outperformed in Q2 on results that beat expectations and provided better than expected production guidance for 2025.

(continued)

Net of fee composite performance as of 9/30/24: 28.86% and 24.25% for 1-year and Since Inception (4/1/20), respectively. Net performance results are presented after management fees and all trading expenses but before custodial fees.

For informational purposes only, the specific investments shown represent only the top contributors and detractors for the relevant performance time period. The selection criteria used to determine the top contributors and detractors remains the same across performance measurement periods; additional disclosures provided in Endnotes. **Past performance is no guarantee of future results.**



FOCUSED GLOBAL VALUE

LARGEST INDIVIDUAL DETRACTORS – 3Q24

Alphabet's Google (GOOGL), the largest media company in the world, generates nearly twice the ad revenue of the second-largest media company (Facebook). Alphabet reported mixed Q2 earnings results, with capital expenditures coming in above estimates. The Company is also facing increased regulatory scrutiny. Shares trade at an attractive valuation despite healthy growth potential, an overcapitalized balance sheet, and significant value in Cloud, Other Bets, and new advertising products.

APA Corp. (APA) is an independent E&P operating offshore in the North Sea, onshore in Egypt, and in the Midland and Delaware basins in the Permian. Performance was

Endnotes:

All investments contain risk and may lose value. This commentary is for general information only and should not be relied on for investment advice or 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 (data source: Bloomberg, Russell).

Specific securities identified are the three 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. There is no assurance that the securities discussed will remain in the portfolio or that securities sold have not been repurchased. 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 Value and returns may not be correlated to the index. Composite performance is available at www.hwcm.com, located on the strategy's Performance tab along with important disclosures included in the strategy's [GIPS 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.

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pressured over the quarter after the company missed their Q1 '24 EPS estimate and updated their FY24 guidance to include modestly higher capex and slightly lower production relative to expectations.

Samsung (005930 KS) is a diversified technology company with leading positions in semiconductors, display panels, mobile phones, consumer electronics, and appliances. Samsung's stock price declined in Q3 due to several factors, including weakening demand for consumer electronics, continued challenges in the semiconductor industry, and supply chain disruptions. We believe these challenges will be temporary.

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

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.

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. Investment risk disclosures for the firm's strategies are described in Part 2A of Form ADV of H&W.

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Portfolio managers' opinions and data included in this commentary are as of September 30, 2024. Any discussion or view of a security, an asset class/segment, industry/sector and/or investment type are not investment recommendations, should not be assumed to be profitable, and are subject to change without notice.

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