FOCUSED GLOBAL VALUE

MARKET COMMENTARY

The MSCI World Index increased 11.4% in the fourth quarter of 2023. The MSCI World Growth Index increased 13.4% while the MSCI World Value Index increased 9.3%. The strong fourth quarter extended the MSCI World calendar year 2023 return to +23.8%. This represents a full recovery from its decline in the prior calendar year. The index's two-year return is a modest +0.7% annualized.

Global stocks ended the fourth quarterly sharply higher as economic growth remained resilient and recessionary fears eased as investors cheered reduced inflation readings. The U.S. federal government narrowly avoided a shutdown in November, which would have left government employees furloughed and put U.S. debt at risk of a ratings downgrade by Moody's. The U.S. Federal Reserve left interest rates unchanged in December and took a more dovish stance, signaling up to three rate cuts in 2024. The European Central Bank also signaled it was done with raising interest rates. As a result, key benchmark rates across the globe fell sharply in Q4 and ended the year roughly where they began.

The MSCI World Index increased 23.8% for the year, with growth sharply outperforming value (+37.0% for the MSCI World Growth Index vs +11.5% for the MSCI World Value Index). All eleven GICS sectors were positive for the year, led by technology (+58.2%), communication services (+46.1%), and consumer discretionary (+36.7%). Utilities (+1.0%), consumer staples (+2.6%), and energy (+3.5%) were relative laggards. The strong performance of growth stocks helped to drive the valuation gap between the MSCI World Growth and MSCI World Value wider during the year, expanding from 8.9x at the close of 2022 to 11.8x by the end of 2023[1]. Much of the outperformance of growth stocks in recent years has been driven by multiple expansion, which cannot continue indefinitely.

Historical evidence reinforces the notion that during transformative economic landscapes our investment style can embark on a significant and lasting period of outperformance. Our portfolio trades at a large discount to both the broader market and the value index, and also at a lower P/E multiple than its own historic average. We hold steady in our commitment to the principles of value investing and remain prudent in our search for new ideas in an ever-changing environment. With a resilient team, a healthy firm, and an optimistic outlook, we believe our clients will be duly rewarded for our dedication and efforts. As we eagerly anticipate the new year, our enthusiasm remains undiminished, ready to navigate evolving markets and capture opportunities on behalf of our clients.

ATTRIBUTION ANALYSIS – 4Q23 & 2023

The Hotchkis & Wiley Focused Global Value portfolio (gross and net of management fees) outperformed the MSCI World and MSCI World Value indices in the fourth quarter of 2023. Relative to the broad index, stock selection in financials, healthcare, and technology contributed positively to relative performance. The underweight in consumer staples also contributed positively as did stock selection in industrials. Conversely, stock selection in communications services detracted during the quarter. The overweight in energy also detracted, as did the underweight in technology.

The portfolio outperformed the MSCI World Index in calendar year 2023 (gross and net of management fees). Stock selection in industrials and financials contributed the most to relative outperformance. The underweight positions in consumer staples, healthcare, utilities, materials, and real estate also contributed positively. Conversely, stock selection and the underweight in technology detracted from relative performance. Stock selection and the underweight in consumer discretionary also detracted, as did the overweight in energy.

LARGEST INDIVIDUAL CONTRIBUTORS – 4Q23

Ericsson (ERIC) is a vendor of hardware and software needed to operate wireless networks. This business is effectively an oligopoly, and we believe margins should be better than they have been historically. Ericsson's stock rallied in December following AT&T's announcement of a multi-year deal with Ericsson to deploy commercial scale Open Radio Access Network (Open RAN) in the US.

Siemens AG (SIE) is a global leader in electrical engineering. The company focuses on industry (automation, software and drives), healthcare, and infrastructure (transport, building technologies, power distribution). Siemens trades at a discount to the market and a significant discount to competitors due to its complexity and conglomerate discount. In Q4, the company reported strong earnings including record high profits in all industrial businesses as well as robust cash generation. Additionally, management increased the dividend and launched a new €6B share repurchase program.

(continued)

[1]Source: Bloomberg. Based on FY2 price-to-earnings ratio.

US Bancorp (USB) is the 5th largest bank in the US by assets with a strong market position in the Mid-West and Western US and above average core profitability. US Bancorp's franchise is very attractive and was further improved by its acquisition of Union Bank from MUFG as the merger offers the potential for substantial cost synergies and will materially increase its market share in its core western US markets. The stock's strong performance during the quarter was driven by growing confidence among investors that a recession is less likely to occur, and that the Federal Reserve will begin cutting interest rates in 2024.

LARGEST INDIVIDUAL DETRACTORS – 4Q23

APA Corp. (APA) is an independent E&P operating in the North Sea, onshore in Egypt, and in the Midland and Delaware basins in the Permian, as well as in Suriname through a JV with Total offshore. APA's asset portfolio offers an attractive mix of relatively defensive cash flows (thanks to production sharing contracts and relatively modest corporate production decline rate) but with the potential for attractive incremental reinvestment returns (Suriname). APA underperformed during the quarter, as it traded down in sympathy with lower oil and gas prices.

Suncor (SU) is a Canadian integrated oil & gas company with upstream mining and steam-assisted gravity drain (SAGD) assets in Alberta as well as offshore assets in Atlantic Canada and refining capacity in Canada and the U.S. Following a period of weak operational performance in 2022, Suncor has new management and is investing in its business to improve safety, reliability and profitability. We expect that profitability will improve over time as facility uptime improves and costs are reduced. Suncor underperformed during the quarter, as it traded down in sympathy with lower oil and gas prices.

Comcast's (CMCSA) cable business is the largest wireline telecom service provider in the US. Comcast also owns the NBCU media conglomerate and Sky European Pay TV business. We believe that Comcast's price does not fully reflect the telecom business's growth from broadband pricing and share gain in the wireless market. The larger source of uncertainty is from NBCU, whose Parks businesses are thriving while its TV business is transitioning in a changing industry. Comcast's stock initially underperformed after reporting subscriber metrics that missed consensus estimates in October, but the stock has since then recovered towards the end of the quarter.

Net of fee composite performance as of 12/31/23: 28.50% and 25.38% 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.

FOCUSED GLOBAL VALUE

The Global Industry Classification Standard was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard & Poor's Financial Services, LLC ("S&P") and is licensed for use by Hotchkis & Wiley ("H&W"). All rights reserved. Neither S&P nor MSCI is liable for any errors or delays in this report, or for any actions taken in reliance on any information contained herein. 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 for full disclaimer.

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. 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.

Information contained in this material may represent or be based on 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. 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.

Portfolio managers' opinions and data included in this commentary are as of December 31, 2023. 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.

Past performance is no guarantee of future results