

INTERNATIONAL SMALL CAP DIVERSIFIED VALUE

MARKET COMMENTARY

The MSCI World ex-USA Small Cap Index rose +0.5% in the second quarter of 2023. The MSCI World ex-USA Small Cap Value Index rose +0.7%, while the MSCI World ex-USA Small Cap Growth Index increased +0.3%.

After a strong start to 2023, the performance of small cap stocks overseas failed to keep up with their US counterparts in the second quarter, due largely to strength in shares of US-listed healthcare, industrials, and technology stocks. Shares of eurozone companies advanced despite signs of slowing growth in many parts of the region. The advance was led by the financials, utilities, and technology sectors. A similar story unfolded in the United Kingdom, where weakness in UK listed communication service, consumer staples, and commodities companies was offset by relative strength in financials and technology. Performance in the Asia-Pacific region was mixed. Japan, the largest benchmark component in the region rose modestly on improving sentiment in corporate earnings prospects.

In terms of size and style, international small caps trade at a discount to their large cap and growth counterparts. Our strategy generally trades at a discount to the value index, and our penchant for stocks under \$1B in market cap leads us to exhibit a smaller and more value leaning bias relative to our benchmark. We will continue to focus on adding

value via broad stock selection, disproportionately from the smaller and least efficient part of the market. We view this as our ongoing competitive advantage irrespective of market direction or temperament.

ATTRIBUTION – 2Q23

The Hotchkis & Wiley International Small Cap Diversified Value portfolio (gross and net of management fees) outperformed the MSCI World ex-USA Small Cap Index in the second quarter of 2023. The overweight allocation and stock selection in financials produced the majority of the performance advantage. Stock selection in materials also worked well. Stock selection in technology was the largest detractor, followed by stock selection and the overweight in energy.

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 International Small Cap Diversified 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.

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. 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 foreign as well as emerging markets involves additional risk such as greater volatility, political, economic, and currency risks and differences in accounting methods.

The value discipline used in managing accounts in the International Small cap Diversified Value strategy may prevent or limit investment in major stocks in the MSCI World ex-USA Small Cap, MSCI World ex-USA Small Cap Value and MSCI World ex-USA Small Cap Growth and returns may not be correlated to the indexes. Index returns include reinvestment of dividends, net foreign withholding taxes. 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.

Past performance is no guarantee of future results.

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Net of fee composite performance as of 6/30/23: 17.29% and 15.22% for 1-year and Since 7/1/20, 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 ex-USA Small Cap Index is a free float-adjusted weighted index capturing small cap stocks. The MSCI World ex-USA Small Cap Value and MSCI World ex-USA Small Cap Growth Indices are free float-adjusted weighted indexes capturing small cap stocks, exhibiting overall value or growth style characteristics, respectively. The MSCI indices represents stocks across 22 of 23 Developed Markets (DM) countries, excluding the United States and include reinvestment of dividends, net foreign withholding taxes.

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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.