

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.

The portfolio characteristically trades at a discount to the value index. As a result, some have described it as "deep value". We do not generally embrace this designation because some associate deep value with distressed investing, which is unequivocally not our character. Nevertheless, the meaningful and persistent valuation discount results in a portfolio that has performed significantly better when value outperforms growth—even compared to the value index. Over the past 20 years, for example, the H&W Large Cap Value Fund—I Shares, has returned +289% cumulatively compared to +220% for the Russell 1000 Value during quarters when value outperformed growth (+15.8% vs. +13.4% annualized). During quarters when growth outperformed value, however, the fund returned +28% compared to the +38% return for the Russell 1000 Value (+2.3% vs. +3.0% annualized).

Portfolio managers' opinions and data included in this commentary are as of March 31, 2021 and are subject to change without notice. Any forecasts made cannot be guaranteed. Information obtained from independent sources is considered reliable, but H&W cannot guarantee its accuracy or completeness. **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.**

Considering our style, we are pleased to have outperformed our benchmark over the entire period (+397% vs. +342%) despite growth outperforming value by a substantial magnitude (+525% vs. +342%), though we would welcome a value tailwind enthusiastically.

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 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 Large Cap 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 financials, communication services, 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, General Motors, Discovery, Wells Fargo, and AIG; the largest detractors were Unilever, GlaxoSmithKline, NOV Inc., PPL Corp., and Medtronic.

LARGEST NEW PURCHASES – 1Q21

Bank of New York Mellon is the world's largest provider of custody services. In addition to its leading custody business, it is one of the largest asset management companies in the world. The leading trust banks, including Bank of New York Mellon, have taken an increasing share of the market over time as many of the smaller players have sold off their sub-scale operations to the market leaders. The trust bank business model produces relatively high returns on tangible equity when compared to traditional banks and are less dependent upon net interest income. It trades at an attractive valuation for a quality and advantaged business.

(continued)

LARGE CAP VALUE FUND

HWLIX
HWLAX
HWLCX
HWLZX

MANAGER REVIEW & ECONOMIC OUTLOOK

MARCH 31, 2021

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.

F5 Networks provides software and hardware that ensures both traditional and modern applications are efficiently and safely deployed, both on-premise and in public and private clouds. The company is typically viewed as a traditional IT hardware vendor, and critics often highlight the company's secularly declining on-

premise appliance business as a key risk factor. This perspective underappreciates the stickiness of F5's software and services which almost always migrate to the public cloud in tandem with F5's loyal enterprise customers. It also underappreciates F5's strong market position in infrastructure and security software for rapidly growing modern applications. We believe downside risk is mitigated by a net cash balance sheet, growing cash flows from F5's traditional businesses, and a renewed focus on shareholder return through share repurchases, which gives this position an attractively skewed risk/return profile.

PERFORMANCE (%) as of March 31, 2021

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 6/24/87
Large Cap Value Fund – I Shares	18.36	18.36	86.28	10.50	13.01	11.38	9.30
Russell 1000 Value	11.26	11.26	56.09	10.96	11.74	10.99	n/a

The performance shown is past performance. Past performance is no guarantee of future results.

The Fund's total annual operating gross expense ratio as of the most current prospectus is 0.95% for I Shares. Expense ratios shown are gross of any fee waivers or expense reimbursements. I Shares sold to a limited group of investors. 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.

Fund holdings and/or sector allocations are subject to change and are not buy/sell recommendations. Current and future portfolio holdings are subject to risk. Certain information presented based on proprietary or third-party estimates are subject to change and cannot be guaranteed.

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. 4.9%, General Electric Co. 4.5%, Anthem Inc. 3.6%, General Motors Co. 3.3%, Goldman Sachs Group Inc. 2.7%, Bank of America Corp. 2.6%, Oracle Corp. 2.6%, and Magna Int'l Inc. 2.5%. 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. Diversification does not assure a profit nor protect against loss in a declining market.**

Mutual fund investing involves risk. Principal loss is possible.
NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE
The Hotchkis & Wiley Funds are distributed by Quasar Distributors, LLC

WWW.HWCM.COM