MID-CAP VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

MARCH 31, 2021

MARKET COMMENTARY

The Russell Midcap Index rose +8.1% 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.

Mid cap value stocks outperformed mid cap growth stocks for the second consecutive quarter; the Russell Midcap Value Index returned +13.1% while the Russell Midcap Growth Index declined -0.6%. Over the past six months, the value index has outperformed the growth index by nearly 18 percentage points (+36.1% vs. +18.4%). 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.

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 Midcap Value is notably higher than its long-term average (17x vs. 14x) while the P/NE of the Russell 1000 Growth is significantly higher than its long-term average (35x vs. 22x). At 7x 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 Mid-Cap Value Fund outperformed the Russell Midcap Value Index in the first quarter of 2021 by a wide margin. Stock selection was positive in 8 of the 10 GICS sectors in which we are invested (no positions in the materials sector), driving most of the outperformance. Stock selection was particularly beneficial in consumer discretionary, industrials, communication services, and financials. The overweight exposure to energy and financials, the two top-performing sectors, also helped. Stock selection in energy detracted from performance. The largest positive contributors to relative performance in the quarter were Bed Bath & Beyond, Discovery, Royal Mail, Fluor, and CIT Group; the largest detractors were Cairn Energy, Vistra, Euronet Worldwide, NRG Energy, and Allison Transmission.

LARGEST NEW PURCHASES – 1Q21

Northern Trust is the smallest of the three independent trust banks with total assets under custody of $10 trillion. In addition to its Corporate and Institutional Investment Services segment it also has Personal Financial Services ("PFS") segment which provides high net worth families and individuals with wealth management, trust and banking services. Because of its PFS business, loans are a higher percentage of earning assets relative to peers which gives the company a higher normal net interest margin. While it has a modestly larger loan book, provisions are very low over the cycle as most of the loans are secured by property to high net worth borrowers. The company trades at an attractive multiple of tangible book value for a business that should earn above cost of capital returns.

Universal Health Services owns and operates 360 inpatient facilities and 39 outpatient facilities in 38 states, the UK, and Puerto Rico. Most of the portfolio is composed of behavioral health care facilities. In the past decade since the ACA began, behavioral health care coverage has been more prevalent due to legislation and wider acceptance of the importance of addressing mental illnesses. As such, operators like UHS benefit from government-supported secular tailwinds. On the UK front, the National Health Service also offers robust reimbursement for behavioral health treatments, thus further benefiting large scale hospital networks. The company trades at an attractive valuation considering its advantaged competitive positioning.

(continued)

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. 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. **Past performance is no guarantee of future results. Diversification does not assure a profit nor protect against loss in a declining market.**

Whirlpool Corporation is one of the world's leading kitchen and laundry appliance companies. The company manufactures products in 13 countries and markets products in nearly every country around the world. Key products include laundry, cooking, refrigeration, and dishwashing appliances. It has widely-recognized brand value and trades at an attractive multiple of its normal cash earnings.

PERFORMANCE (%) as of March 31, 2021

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 1/2/97
Mid-Cap Value Fund – I Shares	25.73	25.73	141.75	5.54	8.19	8.91	11.22
Russell Midcap Value	13.05	13.05	73.76	10.70	11.60	11.05	10.64

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.

The Fund's total annual operating gross expense ratio as of the most current prospectus is 1.04% for I Shares. Expense ratios shown are gross of any fee waivers or expense reimbursements. I Shares sold to a limited group of investors. Periods over one year are average annual total return. 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.

Investing in small and medium-sized companies involves greater risks than those associated with investing in large company stocks. 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 Midcap 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. 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.

The Russell Midcap® Index, an unmanaged index, measures the performance of the 800 smallest companies in the Russell 1000® Index. The Russell Midcap® Value Index measures the performance of those Russell Midcap® companies with lower price-to-book value ratios and lower forecasted growth values. The Russell Midcap® Growth Index measures the performance of those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values. The indices do not reflect the payment of transaction costs, fees and expenses associated with an investment in the Fund. 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: Popular Inc. 4.7%, Fluor Corp. 4.0%, Cairn Energy PLC 4.0%, Citizens Fin'l Group Inc. 3.8%, American Int'l Group Inc. 3.3%, Royal Mail PLC 3.3%, CNH Industrial NV 3.0%, Kosmos Energy Ltd. 3.0%, CIT Group Inc. 2.9%, and Adient PLC 2.8%. 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.**

Mutual fund investing involves risk. Principal loss is possible.
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