



# HOTCHKIS & WILEY

## LARGE CAP DIVERSIFIED VALUE

### STRATEGY DESCRIPTION

The Diversified Value strategy focuses on undervalued large cap stocks. The strategy relies on in-depth fundamental research to develop a portfolio of 50-80 companies that are under-earning due to temporary factors but have the balance sheet, scale, and market position to improve their performance over time.

### ABOUT US

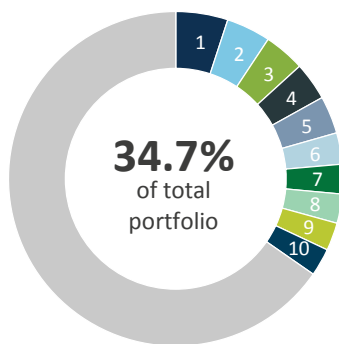
Since 1980, Hotchkis & Wiley has focused on discovering undervalued securities through extensive internal research. We manage \$30 billion in value equity and high yield assets for institutional and mutual fund investors. The firm is independently owned with a majority interest held by employees.

### COMPOSITE PERFORMANCE (%) ANNUALIZED

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
H&W Diversified Value (gross)	14.6	14.6	1.8	11.9	7.1	15.9	8.4
H&W Diversified Value (net)	14.6	14.6	1.7	11.8	6.9	15.7	8.2
Russell 1000 Value	11.9	11.9	5.7	10.5	7.7	14.5	6.7

Commencement of LCDV Composite: 4/1/00. Past performance is no guarantee of future performance.

### TOP 10 HOLDINGS (%)<sup>1</sup>



	H&W
1. American Int'l Group Inc.	5.0
2. General Electric Co.	4.3
3. Microsoft Corp.	3.9
4. Citigroup Inc.	3.7
5. Wells Fargo & Co.	3.6
6. Hewlett Packard Enterprise	3.0
7. Oracle Corp.	2.9
8. General Motors Co.	2.8
9. Apache Corp.	2.7
10. Discovery Inc.	2.7

### PORTFOLIO CHARACTERISTICS

	H&W	Index
Price/Normal Earnings <sup>2</sup>	8.2x	14.2x
Forward Price/Earnings (FY2)	10.5x	13.1x
Price/Book	1.5x	2.0x
Payout Yield	7.3%	5.8%
Weighted Avg Mkt Cap (\$B)	\$99.5	\$119.8
Number of Securities	67	719
Turnover (5 Yr Avg)	32%	32%
Active Share (5 Yr Avg)	82	

### SECTOR ALLOCATIONS (%)<sup>1</sup>

	H&W	Compared to Index
Financials	29.9	8.2
Information Technology	14.5	4.7
Industrials	11.9	4.1
Energy	13.0	3.2
Communication Services	9.2	2.3
Consumer Discretionary	5.8	0.5
Materials	1.5	-2.5
Consumer Staples	4.8	-3.1
Utilities	2.7	-3.8
Real Estate	0.0	-5.2
Health Care	5.8	-9.5

## Important Notes:

<sup>1</sup>% of Total Portfolio; <sup>2</sup>Proprietary or third-party estimates subject to change and cannot be guaranteed. Informational purposes and should not be considered as investment recommendations. Information provided is based on a representative portfolio of the Large Cap Diversified Value (LCDV) Strategy. Sector allocation, characteristics and/or holdings may vary due to different restrictions, cash flows, and other relevant considerations. Securities identified do not represent all of the securities purchased, sold, or recommended for advisory clients, and may not be indicative of current or future holdings or trading activity. Securities shown in aggregate represent only a limited portion of an account's portfolio holdings. No assumptions should be made that companies identified, or all investment decisions were, or will be profitable. Portfolio holdings are subject to change without notice; a complete list of holdings is available upon request, subject to the firm's portfolio holdings disclosure policy. Active share is the extent to which the portfolio differs from the designated Index. Russell Investment Group is the source and owner of the Russell Index data contained herein (and all trademarks related thereto), which may not be redistributed. The information herein is not approved by Russell. H&W and Russell sectors are based on the Global Industry Classification Standard by MSCI and S&P. 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. Investing in value stocks presents the risk that value stocks may fall out of favor with investors and underperform growth stocks during given periods. All investments contain risk and may lose value. Data sources: H&W, Bloomberg

Hotchkis and Wiley Capital Management, LLC (the "Firm" or "H&W") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. H&W has been independently verified for the periods October 9, 2001 through December 31, 2017. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Large Cap Diversified Value Composite has been examined for the periods April 1, 2000 through December 31, 2017. The verification and performance examination reports are available upon request.

H&W is an independent investment management firm registered with the U.S. Securities and Exchange Commission and manages value equity and high yield assets for institutional and mutual fund investors. Its predecessor firm was established in 1980. The equity team of the predecessor firm established H&W in October 2001. The performance history of Firm composites prior to October 9, 2001 is comprised of the performance history of the accounts managed by the predecessor firm. There has been no material change in the investment strategy related to these products as a result of the establishment of H&W.

H&W refers to itself as a "registered investment adviser" in materials distributed to current and prospective clients. As a registered investment adviser with the SEC, H&W is subject to the rules and regulations adopted by the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Registration as an investment adviser is not an indication that H&W or its directors, officers, employees or representatives have attained a particular level of skill or ability.

Valuations and returns are stated in U.S. dollars. Investment returns include reinvestment of dividends, interest, and capital gains. Gross performance results are presented before management and custodial fees but after all trading expenses. Net performance results are presented after actual management fees (including performance-based fees if

applicable) and all trading expenses but before custodial fees. H&W's management fees are described in Part 2A of its Form ADV. The standard Large Cap Diversified Value management fee schedule is 65 basis points on the first \$25 million, 50 basis points on the next \$75 million and 35 basis points thereafter. Internal dispersion is calculated using the equal-weighted standard deviation of all portfolios that were included in the Composite for the entire year. A list of composite descriptions and policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Past performance is no guarantee of future performance.

**Composite:** The Composite includes all Large Cap Diversified Value discretionary accounts. The Large Cap Diversified Value investment strategy seeks capital appreciation primarily through investments in common stocks of large cap U.S. companies. The typical market cap range is over \$5 billion. Accounts with significant cash flows ( $\geq 10\%$  of beginning of the month assets for the period January 1, 2006 through December 31, 2010, and  $\geq 25\%$  effective January 1, 2011) are excluded from the respective month's composite calculation and included in the subsequent month. (Composite creation: 2000)

**Indexes:** The Russell 1000® Value Index ("R1000V") measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values. The S&P 500® Index ("S&P") is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. These stock indexes assume reinvestment of dividends and capital gains, and assume no management, custody, transaction or other expenses. The value disciplines used in managing the accounts in the Composite may prevent or limit investment in major stocks in the R1000V and S&P and returns may not be correlated to the indexes. Benchmark returns are not covered by the report of independent verifiers.

The 3-year annualized standard deviation measures the variability of the composite (using gross returns) and the benchmark(s) returns over the preceding 36-month period ended.

	% Total Return Gross of Fees	% Total Return Net of Fees	% Total Return R1000V	% Total Return S&P	No. of Accts	Internal Dispersion (%)	Comp. Assets (\$M)	Total Firm Assets (\$M)	3-Year Annualized Standard Deviation (%)			
									Composite	R1000V	S&P	
2018	-13.9	-14.0	-8.3	-4.4	19	0.2	9,409	27,191	2018	14.7	10.8	10.8
2017	19.2	19.0	13.7	21.8	20	0.4	11,620	32,037	2017	13.8	10.2	9.9
2016	19.0	18.8	17.3	12.0	19	0.3	10,634	29,952	2016	14.3	10.8	10.6
2015	-7.0	-7.2	-3.8	1.4	22	0.4	10,788	28,367	2015	12.2	10.7	10.5
2014	13.7	13.5	13.5	13.7	21	0.2	12,394	32,190	2014	10.6	9.2	9.0
2013	38.1	37.8	32.5	32.4	21	0.3	9,401	25,962	2013	14.5	12.7	11.9
2012	21.1	20.9	17.5	16.0	22	0.1	7,117	18,781	2012	18.0	15.5	15.1
2011	-5.0	-5.2	0.4	2.1	24	0.2	6,359	16,171	2011	24.2	20.7	18.7
2010	20.5	20.2	15.5	15.1	21	0.2	6,568	18,148				
2009	38.2	37.8	19.7	26.5	27	1.0	4,522	14,494				