

Strategy Description

The Small Cap Value strategy uses a disciplined, value-oriented investment process. Through our consistent process and independent research, we own small companies that we believe are undervalued relative to their tangible assets, have sustainable cash flow and potential for improving business performance.



Strategy Information

- Asset Class: Small Cap Value Equity
- Style Benchmark: Russell 2000 Value Index
- Broad Benchmark: Russell 2000 Index
- Strategy Assets: \$2.3 billion
- Inception Date: 1985
- Number of Stocks: 50 – 80
- Capitalization Range: \$100 million – \$4 billion
- Limited Availability
- Separate Account Minimum: \$15 million

Portfolio Characteristics

	Portfolio	Russell 2000 Value
Projected P/E (FY2)	12.7x	16.0x
Price/Normal Earnings	8.2x	15.9x
Price/Book	1.3x	1.5x
Price/Sales	0.7x	1.2x
Dividend Yield	1.6%	2.0%
Payout Yield	3.0%	2.7%
Wtd Avg Mkt Capitalization (mm)	\$2,573	\$2,108
Median Mkt Capitalization (mm)	\$1,972	\$752
Number of Holdings	58	1,386

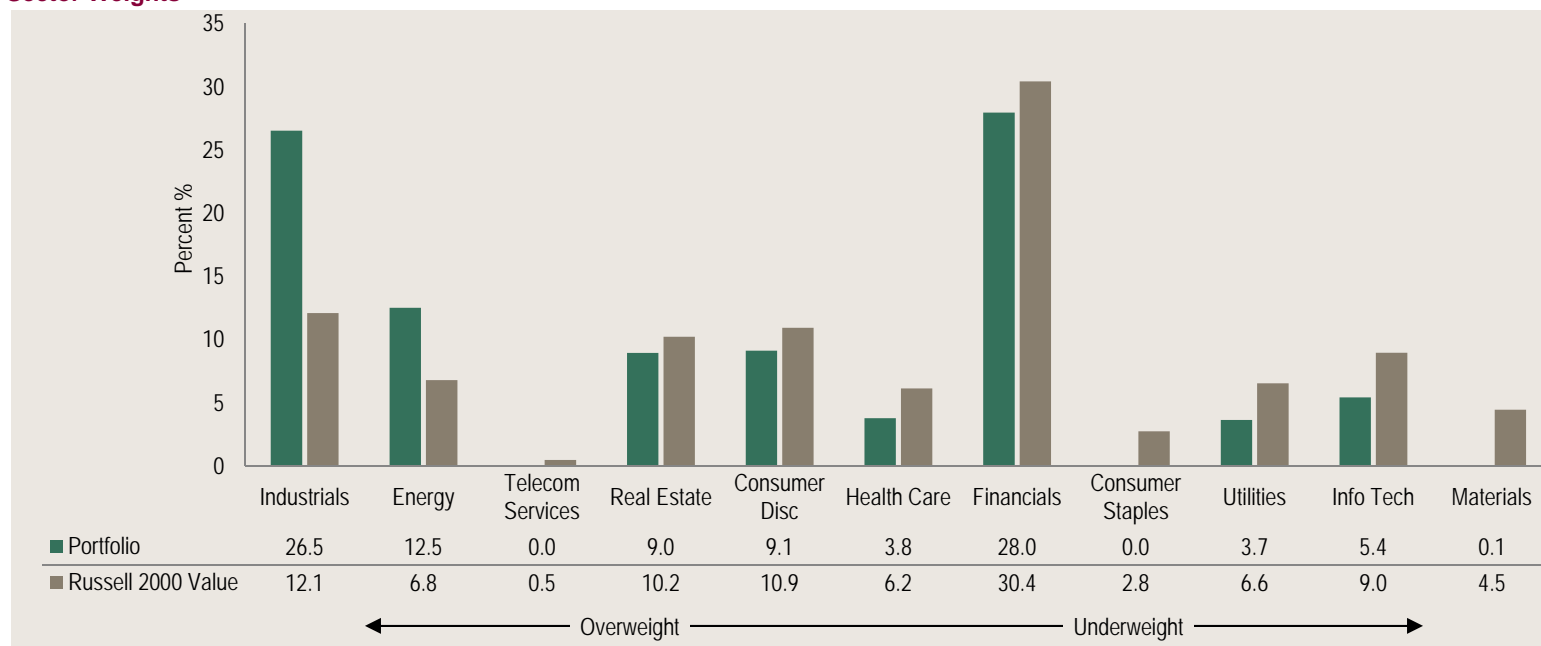
Top Ten Stocks¹

Seritage Growth Properties	4.7%
WestJet Airlines	4.2
Whiting Petroleum Corp.	4.0
Enstar Group Ltd.	3.8
Masonite International Corp.	3.7
ARRIS International PLC	3.7
KBR Inc.	3.3
Matson Inc.	2.9
TRI Pointe Group Inc.	2.9
Frank's International	2.7

Firm Facts

▶ Founded in 1980
▶ \$32 billion in assets under management
▶ Majority-owned by employees
▶ Bottom-up, research-driven approach
What to Expect
▶ Consistent style
▶ Controlled asset growth
▶ Low price-to-normal earnings
▶ Distinct from benchmark
▶ Fully Invested

Sector Weights¹

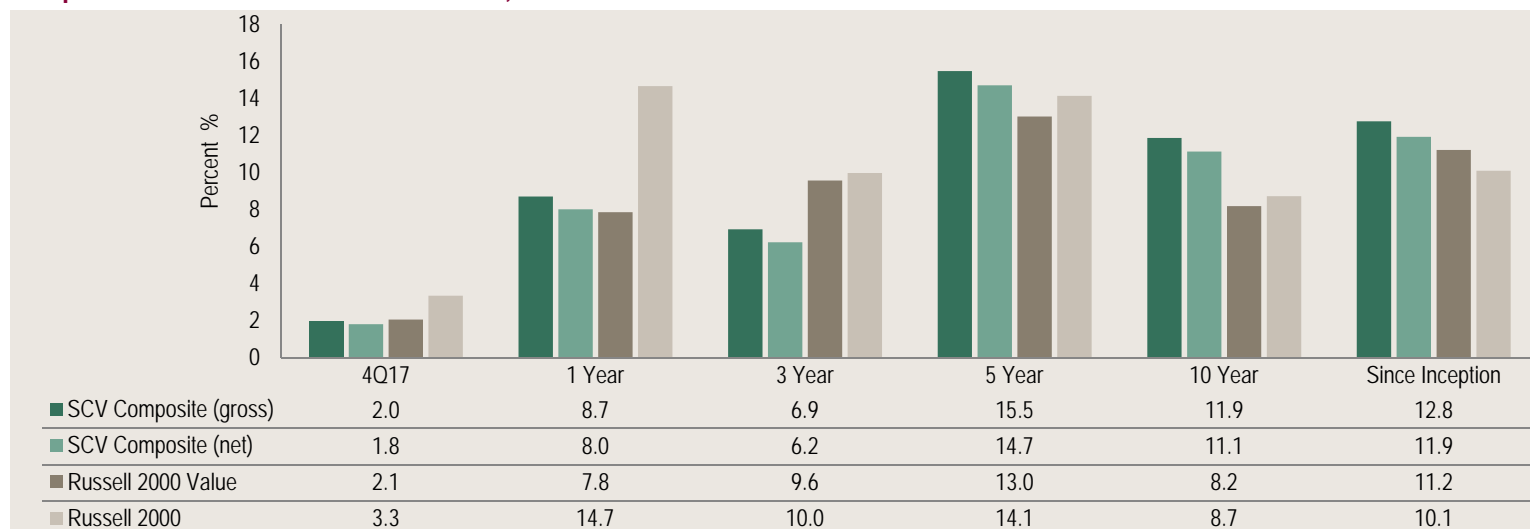


¹ % of Total Portfolio

Data source: H&W, Bloomberg

Informational purposes and should not be considered as investment recommendations. Information provided is based on a representative portfolio of the Small Cap Value strategy. Sector and/or industry weights, statistics, and holdings may vary due to different restrictions, cash flows, and other relevant considerations. Holdings 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. No assumptions should be made that companies identified, or all investment decisions were, or will be profitable. A complete list of portfolio holdings is available upon request. Statistics presented may be based on proprietary or third-party estimates, which are subject to change and cannot be guaranteed. 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 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. Information supplemental to strategy's composite presentation provided in accompanying performance schedule.

Composite Performance as of December 31, 2017



Commencement of Small Cap Value (SCV) Composite: 10/1/85. Periods over one year are average annualized total return.

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, 2016. 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 Small Cap Value Composite has been examined for the periods October 1, 1985 through December 31, 2016. 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 Small Cap Value management fee schedule is 100 basis points on assets managed. 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 Small Cap Value discretionary accounts. The Small Cap Value investment strategy seeks capital appreciation primarily through investments in common stocks of small cap U.S. companies. The typical market cap range is \$100 million to \$4 billion. Accounts with significant cash flows ($\geq 10\%$ of beginning of the month assets for the periods 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: 1985)

Indexes: The Russell 2000® Index ("R2000"), an unmanaged index, measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Russell 2000® Value Index ("R2000V") measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The indexes assume reinvestment of dividends and capital gains, and assumes 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 R2000 and R2000V 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 R2000	% Total Return R2000V	# of Accts	Internal Dispersion (%)	Comp. Assets (\$mm)	Total Firm Assets (\$mm)
2017	8.7	8.0	14.7	7.8	13	0.4	2,263	32,037
2016	21.5	20.7	21.3	31.7	17	0.6	2,286	29,952
2015	-7.5	-8.1	-4.4	-7.5	10	0.5	2,130	28,367
2014	13.2	12.4	4.9	4.2	8	0.6	2,265	32,190
2013	48.3	47.3	38.8	34.5	6	0.7	1,829	25,962
2012	24.4	23.6	16.4	18.1	6	1.0	1,092	18,781
2011	-10.1	-10.7	-4.2	-5.5	7	0.4	881	16,171
2010	44.3	43.4	26.9	24.5	8	0.5	926	18,148
2009	63.9	62.9	27.2	20.6	7	n/m	641	14,494
2008	-43.5	-43.9	-33.8	-28.9	8	0.3	305	10,807

n/m – not considered meaningful for composites with five accounts or less for the full year.

	3-Year Annualized Standard Deviation (%)		
	Composite	R2000	R2000V
2017	16.2	13.9	14.0
2016	17.0	15.8	15.5
2015	14.4	14.0	13.5
2014	12.8	13.1	12.8
2013	18.3	16.5	15.8
2012	22.7	20.2	19.9
2011	29.4	25.0	26.0

