

H&W Strategy Overview



An Expertise in Discovering Overlooked, Undervalued Investment Opportunities for Our Clients

Firm History

Hotchkis & Wiley (“H&W”) was founded in 1980 by John Hotchkis and George Wiley. The founders’ vision was to create an investment management firm that places clients’ interests above all else by promoting a disciplined investment approach and superior service. After 36 years, these principles continue to guide the firm today.

Disciplined Philosophy

Consistent, time-proven investment approach

- ▶ Fundamental, bottom-up process seeks to exploit market inefficiencies
- ▶ Research-driven investment process
- ▶ Style pure, rigorous valuation criteria

Research Advantage

Commitment to independent, in-depth research

- ▶ Focused on determining a company’s long-run normal earnings power
- ▶ Organized by industry with a focus on asset valuation across the capital structure
- ▶ A flat, collegial culture fosters teamwork

Experienced Team

Well-established professionals skilled at delivering investor value

- ▶ 36-year institutional track record
- ▶ 21 industry analysts with 22 years of average industry experience and 14 years of average tenure with Hotchkis & Wiley
 - Supported by 6 research associates
- ▶ 14 client service personnel with 22 years of average industry experience and 14 years of average tenure with Hotchkis & Wiley

Stable, Independent Firm

Focused solely on clients’ best interests

- ▶ Nimble, flat organization facilitates collaboration, creativity and dynamic decision-making
- ▶ Majority employee-owned
 - No parent company or public shareholder pressures
 - Our goals are aligned with clients’ goals
 - Promotes quality and continuity
- ▶ Committed to maintaining manageable asset levels in all strategies

Overview

Investment Style	Value
Investment Professionals	21
Founded	1980
Headquartered	Los Angeles, CA

Assets Under Management (AUM)

Strategies	AUM
Large Cap Diversified Value	\$10.8 b
Large Cap Fundamental Value	\$9.1 b
Mid-Cap Value	\$3.7 b
Small Cap Value*	\$2.2 b
Small Cap Diversified Value	\$19 mm
Global Value	\$151 mm
International Value	\$2 mm
Value Opportunities	\$581 mm
Hedged Value	\$61 mm
Capital Income	\$41 mm
High Yield	\$3.9 b
Total	\$30 b

**Limited Availability*

Available as separately managed accounts and mutual funds
All figures as of March 31, 2017

Consistency Across Strategies

Portfolio decisions for all strategies are driven by one firm-wide investment philosophy and research platform.

Strategy	Overview	Typical Holdings	Benchmark
Equities			
Large Cap Diversified Value	Seeks to own a well-diversified portfolio of large, financially strong companies that offer the best combination of value and potential for price appreciation.	<ul style="list-style-type: none"> ▶ 50-80 securities ▶ Companies with a market capitalization >\$5B 	Russell 1000 Value
Large Cap Fundamental Value	Seeks to own large, financially strong companies that offer the best combination of value and potential for price appreciation.	<ul style="list-style-type: none"> ▶ 40-60 securities ▶ Companies with a market capitalization >\$3B 	Russell 1000 Value
Mid-Cap Value	Seeks to own a portfolio of mid-size companies that offer the best combination of value and potential for price appreciation.	<ul style="list-style-type: none"> ▶ 50-100 securities ▶ Companies with a market capitalization ranging from \$500M to \$20B 	Russell Midcap Value
Small Cap Value <i>(Limited Availability)</i>	Seeks to own a portfolio of small companies that offer the best combination of value and potential for price appreciation.	<ul style="list-style-type: none"> ▶ 50-100 securities ▶ Companies with a market capitalization ranging from \$100M to \$3B 	Russell 2000 Value
Small Cap Diversified Value	Seeks to own a well-diversified portfolio of small companies that offer the best combination of value and potential for price appreciation.	<ul style="list-style-type: none"> ▶ 350-400 securities ▶ Companies with a market capitalization ranging from \$100M to \$3B 	Russell 2000 Value
Global Value	Seeks to own financially strong companies that offer the best combination of value and potential for price appreciation in all market capitalizations across the globe.	<ul style="list-style-type: none"> ▶ 40-80 securities ▶ Companies with a market capitalization >\$1B 	Russell Developed
International Value	Seeks to own financially strong companies that offer the best combination of value and potential for price appreciation in all market capitalizations in international markets.	<ul style="list-style-type: none"> ▶ 40-80 securities ▶ Companies with a market capitalization >\$1B 	Russell Developed ex-US
Value Opportunities	Seeks to own value opportunities in all market capitalizations and all parts of the capital structure. This is a highly concentrated, benchmark agnostic strategy.	<ul style="list-style-type: none"> ▶ 40-75 securities ▶ Invests across the capital structure and in all market capitalizations 	S&P 500
Hedged Value	Value-oriented long/short strategy with a focus on investing in opportunities across the market capitalization spectrum in the U.S. and international markets.	<ul style="list-style-type: none"> ▶ 50-70 long securities ▶ 40-60 short securities ▶ Invests across the capital structure and in all market capitalizations 	Absolute Return/S&P 500
Income			
Capital Income	Seeks to own undervalued dividend-paying equities and high yield fixed income securities with an emphasis on maximizing current income.	<ul style="list-style-type: none"> ▶ 40-60 stocks (market capitalization >\$1b) ▶ 100-125 bond issuers 	S&P 500 BofAML US Corporate, Government & Mortgage
High Yield	Seeks to own a well-diversified portfolio of high yield credits with superior asset coverage and improving fundamentals.	<ul style="list-style-type: none"> ▶ Target 125 active issuers ▶ Emphasis on more senior structures and BB and B credit quality 	BofAML US High Yield