GLOBAL VALUE FUND
Commentary
Second Quarter 2019

Hotchkis & Wiley

Manager Review and Economic Outlook

Market Commentary

The MSCI World Index returned +4.0% in the second quarter and is now up +17.0% since the beginning of the year, fully recouping its losses from the fourth quarter of 2018. An increasingly dovish tone from central banks, most notably the US Federal Reserve, contributed to positive equity markets. Fed Chairman Jay Powell indicated a readiness to lower interest rates for the first time in more than a decade, and the futures market is pricing in a high likelihood of a rate cut during the Fed's next meeting. In addition, geopolitical tensions subsided, as the US reached a deal with Mexico to halt proposed tariffs, and US-China trade talks resumed. All MSCI World sectors were positive except energy, as crude oil prices declined by 3% in the quarter. Growth again outpaced value, further widening the valuation gap. Over the past five years, the MSCI World Growth Index has more than doubled the MSCI World Value Index, returning +54% compared to +22%, cumulatively.

A top-down view would suggest that the global equity markets are fairly valued. However, this is far from a normal market; significant valuation differences exist within and between sectors, geographies and even asset classes. On the one hand, the market's valuation suggests that investors have a reasonably healthy risk appetite. On the other hand, certain attributes imply that investors are exceptionally risk averse. A glaring example is the negative yield on some country's government debt, like German bunds, where investors are guaranteed to lose money if held to maturity. A preference for a small, yet certain loss over a wider range of outcomes exemplifies extreme risk aversion. This risk aversion is borne out in global equity markets through a comparison of different sectors. Sectors with low economic sensitivity and stable earnings streams have outperformed sectors believed to be more cyclical. Regulated utilities, for example, are largely insulated from economic slowdowns and exhibit more stable earnings than most other businesses. Investors looking to position themselves defensively have been drawn to the sector, driving share price performance and P/E multiple expansion (10% over the past year alone). The P/E ratio for the MSCI World's utilities now stands at 17x. This is arguably a rich price to pay for a sector with modest prospects for growth, and as a result we do not view this as being a safe investment. We believe the long-term upside potential is likely minimal. Most REITs, consumer staples, and healthcare companies exhibit a similarly unappealing long-term risk-reward tradeoff.

In many cases, banks and other financials trade at half the valuation of the non-cyclical markets segments. Select companies within industrials, technology, and energy also trade at substantial discounts to their intrinsic values. These sectors may have a higher correlation with economic cycles than non-cyclicals, but valuations render the long-term return prospects more appealing irrespective of near-term economic growth. Businesses with strong balance sheets that are well-positioned competitively should be able to sustain and grow their value through the full economic cycle. Some may even enhance their value at the expense of weaker peers during times of economic volatility. In our view, these types of businesses represent compelling investment opportunities.

The wide dichotomy between undervalued and overvalued pockets of the market has facilitated a portfolio that trades at a large valuation discount to the market, in our view, without assuming undue risk. The portfolio trades at 6.7x normal earnings compared to 16.3x for MSCI World Index. It trades at 1.0x book value compared to 2.3x for the MSCI World Index. This valuation discount combined with healthy balance sheets and good underlying businesses has us confident about the portfolio's prospects as we look forward.

Attribution: 2Q 2019

The Hotchkis & Wiley Global Value Fund underperformed the MSCI World Index in the quarter. Growth stocks outperformed value stocks, more so outside the US. This is a detractor to relative performance considering our value focused investment style. Large/mega cap stocks outperformed small/mid cap stocks, which was another stylistic headwind for the strategy, which invests across the cap spectrum. The overweight position and stock selection in energy also hurt relative performance. The overweight position and positive stock selection in industrials helped performance in the quarter, along with positive stock selection in consumer discretionary and consumer staples. The largest positive contributors to relative performance in the quarter were WestJet Airlines, AIG, Adient, Discovery, and Hitachi; the largest detractors were Whiting Petroleum, Royal Mail, National Oilwell Varco, Danieli, and Credito Valtellinese.

Largest New Purchases: 2Q 2019

Royal Bank of Scotland was rescued by the UK government during the financial crisis. After shedding numerous non-core businesses and shrinking its balance sheet considerably, RBS has re-focused on its core strengths in consumer and commercial banking in the UK. The business is well positioned competitively and generates high returns on capital. RBS is significantly over-capitalized versus its own targets and peers and is expected to increase its returns of capital to shareholders. RBS' share price has been negatively impacted by Brexit-related fears and the overhang from the UK government's remaining holdings. The shares trade at a discount to tangible book value and a low multiple of normalized earnings.

Unicredit is the largest bank headquartered in Italy. In addition to being the #2 Italian bank by market share, Unicredit also has significant banking operations in Germany, Austria and a number of Central and Eastern European countries. Shares in the bank have underperformed due to market concerns about the ongoing pressure on bank profitability from low rates and slow economic growth in Europe. As one of the largest banks in Italy, investment sentiment for Unicredit has also been negatively impacted by ongoing political instability and the resultant impact on Italian sovereign rates. Following a period of restructuring, the balance sheet is well capitalized, asset quality is improved, and profitability is recovering.

Performance as of June 30, 2019

	2Q19	1 Year	3 Year	5 Year	Since 12/31/12
I Shares	3.96%	-4.57%	10.19%	3.54%	8.73%
A Shares without sales charge	3.87	-4.85	9.94	3.30	8.47
A Shares	-1.62	-9.87	7.97	2.18	7.58
MSCI World Index	4.00	6.33	11.77	6.60	9.95

The Fund's total annual operating gross expense ratio as of the most current prospectus is 1.63% for I Shares and 1.87% for A Shares. The net expense ratio is 0.95% for I Shares and 1.20% for A Shares. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2020.

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. Short-term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns. 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.

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.

Returns shown for A Shares for the periods prior to their inception are derived from the historical performance of I Shares of the Fund during such periods and have been adjusted to reflect the higher total annual operating expenses of each specific Share class (Inception date: I Shares-12/31/12, and A Shares-8/30/13). Returns shown for A Shares without sales charge do not reflect the maximum sales load of 5.25%; if reflected, performance would be lower than shown. Returns for A shares reflect the deduction of the current maximum initial sales charges of 5.25%. Class 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.

The MSCI World Index is a free float-adjusted weighted index capturing large and mid cap representation across 23 Developed Markets (DM) countries. The MSCI World Value Index is a free float-adjusted weighted index capturing large and mid cap representation, exhibiting overall value style characteristics, across 23 Developed Markets (DM) countries. The MSCI World Growth Index is a free float-adjusted weighted index capturing large and mid cap representation, exhibiting overall growth style characteristics, across 23 Developed Markets (DM) countries. The indices include reinvestment of dividends, net foreign withholding taxes. 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. The Fund's returns may not correlate with the returns of their benchmark indices. Price/Normal Earnings is the current market price per share divided by normalized earnings per share. Price-to-Earnings (P/E) is calculated by dividing the current price of a stock by the company's trailing 12 months' earnings per share. Book value is the net asset value of a company, calculated by subtracting total liabilities from total assets. Top ten holdings as of 6/30/19 as a % of the Fund's net assets: American Int'l Group Inc. 4.5%, General Electric Co. 4.5%, Wells Fargo & Co. 3.7%, Goldman Sachs Group Inc. 3.6%, Microsoft Corp. 3.3%, Discovery Inc. 2.8%, BAE Systems PLC 2.8%, Oracle Corp. 2.7%, CNH Industrial NV 2.6% and Hewlett Packard Enterprise 2.5%. Fund holdings are subject to change and are not recommendations to buy or sell any security.

Mutual fund investing involves risk. Principal loss is possible. The Fund may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets. The Fund may invest in American Depository Receipts ("ADRs") and Global Depository Receipts ("GDRs") which may be subject to some of the same risks as direct investment in foreign companies.

Contributors to Performance

Top Five	% of Total Portfolio[1]
WestJet Airlines Ltd.	0.0%
American International Group Inc.	4.5
Adient PLC	1.0
Microsoft Corp.	3.3
Discovery Inc.	2.8

Bottom Five	% of Total Portfolio[1]
Danieli & C Officine Meccaniche	1.7%
Credito Valtellinese NPV	0.9
National Oilwell Varco Inc.	2.0
Royal Mail PLC	2.4
Whiting Petroleum Corp.	1.5

Classes & Tickers

I Shares	HWGIX
A Shares	HWGAX

[1]% of total portfolio includes total investments, cash and cash equivalents, and accrued investment income on a trade date basis.

Investing in value stocks presents the risk that value stocks may fall out of favor with investors and underperform other asset types during a given period. 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 Developed 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 based on the security's quarter-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, all new security positions are included.

NOT FDIC INSURED
NO BANK GUARANTEE
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