Quarterly Portfolio Commentary – Second Quarter 2023
Clifford Capital All Cap Value Portfolio

Summary of the *Clifford Capital All Cap Value Portfolio* Composite Historical Return* (unaudited)

	2nd Quarter 2023	Year-to-Date	1-year	3-year *annualized return*	5-year	10-year	Inception**
Portfolio, net of fees[1]	1.46%	-4.14%	2.78%	13.67%	6.75%	10.43%	12.30%
Russell 3000® Value, total return	4.02%	4.95%	11.18%	14.34%	7.75%	9.06%	10.66%

* Individual account performance will differ from the overall Composite
** Inception Date: August 1, 2010, annualized
Past Performance does not guarantee future results.

Performance Summary and Market Observations
The Clifford Capital Partners All Cap Value Portfolio ("the Portfolio") was slightly positive in the second quarter, thanks to a strong June, but underperformed its benchmark. 2023 thus far has been a challenging short-term period for the Portfolio and we are disappointed with our results. As a long-term investor, we are always focused on longer-term performance, but we acknowledge that the magnitude of recent underperformance versus the Russell 3000 Value benchmark has also affected the Portfolio's longer-term relative performance results. We've long believed that the stock market is an excellent 'humbling machine', and while we maintain strong conviction in our investments and our relatively high weighting to smaller-cap companies, the Portfolio's positioning in a few regional banks and in smaller-cap companies has resulted in humbling results so far in 2023. While it's small consolation, we note that the absolute losses year-to-date are relatively small. This is important to us because we diligently strive to avoid the permanent loss of capital, which is hard to overcome.

As we'll discuss below, most of the disappointing performance results came during and shortly after the period of stress surrounding the regional bank crisis in early March, a period that resulted in a massive market rotation towards large-cap stocks (especially large cap technology stocks), while smaller-cap companies—especially smaller value companies—lagged as many investors believed that they would be more vulnerable to recession or disruption in credit/banking markets. This trend was supercharged by new excitement in generative artificial intelligence ("AI") during the second quarter, which led to even more large-cap, and tech, outperformance.

Despite our disappointment with short-term performance, we remain very encouraged by the longer-term value we see in the Portfolio, and we maintain strong conviction in the strategy's individual investments. We think the valuation of the Portfolio today is attractively low, and we have identified Key Thesis Points™ ("KTPs", which are long-term catalysts for fundamental improvement for every investment in the strategy), which we believe will lead to better long-term performance than what we've seen so far this year.

Context for the Recent Underperformance
With a concentrated portfolio of 25-35 stocks, we can usually point to a few stock-specific events that explain significant deviations from the strategy's benchmark. Year-to-date performance, however, has been a bit more anomalous as there has been almost a perfect storm of headwinds for the Portfolio, most of which are not stock-specific events.

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1 Performance results for the All Cap Value composite reflect the reinvestment of dividends and other account earnings, are net of transaction costs and includes the deduction of advisory fees. Past performance does not guarantee future results.

The benchmark for the All Cap Value composite is the Russell 3000® Value index. The Russell 3000® Value index is a capitalization-weighted index which measures the performance of Russell 3000 index companies, respectively with lower price-to-book ratios and lower forecasted growth values. Index returns include the reinvestment of dividends (total returns). Performance of the composite and the index will not be comparable due to differences amongst them including, but not limited to, risk profile, liquidity, volatility and asset composition. An investor cannot invest directly in an index. Moreover, index performance does not reflect the deduction of advisory fees, transaction charges, and other expenses.

Specifically, we observed that the regional bank crisis that began in early March spurred a market rotation that:

1) Led to a rapid and extreme period of outperformance from large technology stocks,
2) Led to expensive stocks outperforming inexpensive stocks,
3) Led to large cap stocks significantly outperforming smaller-cap stocks, and in a Portfolio-specific factor,
4) The strategy had few strong performing stocks to help partially offset these market-related factors.

Portfolio Headwind #1 – Large Cap Tech Leading the Market

The "tech wreck" of 2022 is almost a distant memory today as the Nasdaq 100 Index[2] ("NDX Index") experienced a historic increase in the first half of 2023, increasing over 39%, led by the newest iteration of the FAANG/FANMAG group of mega cap tech stocks, now known as the "Magnificent Seven": Apple[3], Amazon, Alphabet/Google, Meta/Facebook, Microsoft, Nvidia and Tesla (none of which are owned in the Portfolio). Several of these companies experienced outsized gains in the second quarter because of a sudden burst in excitement around AI with investors clamoring to determine the long-term winners from a relatively new and exciting technological development.

The Magnificent Seven had some direct impact on the Portfolio's relative performance results (META and GOOGL were constituents of the Russell 3000 Value benchmark in the first six months of 2023 and not owning them accounted for ~1.75% of the Portfolio's relative underperformance). But we think the *indirect* impacts of the market's preference for large cap tech stocks were much larger as we have observed that market behavior is much different in tech-led environments.

As we mentioned in our last quarterly commentary (and as described more fully in a Value Manager Study paper that is available upon request), we performed a study of how the Portfolio performed since its inception during any period when the Russell 3000 Value index ("RAV Index") outperformed the NDX Index by at least 5% (a "Value period") before subsequently underperforming by a similar 5% (a "Tech/Growth period"). We noted that the Portfolio has recently struggled in Tech/Growth periods, while performing very well during the Value periods.

Quoting excerpts from last quarter's letter:

> *We attribute much of the Portfolio's divergence between Value and Tech/Growth periods to our contrarian nature, where we've found many of our favorite investments among companies that have been overlooked or are misunderstood because of the popularity of many widely owned tech and growth stocks. We also have observed that during the Tech/Growth periods, stock valuations are a secondary (or lower) consideration. In fact, it is during these recent Tech/Growth periods that we've seen some of the highest and some of the lowest valuations we've ever witnessed – it almost feels as if valuation simply doesn't matter. But we will not deviate from our discipline of buying companies at what we think are low valuations.*
>
> *During the Value periods, however, we have observed that companies with lower valuations tend to outperform as investors seek bargains (when valuation seemed to matter again).*

After a long Value period that began last year (August 5, 2022 – January 5, 2023), the most recent Tech/Growth period has been by far the largest—and most rapid—since the inception of the Portfolio in 2010. From January 5 until June 30, 2023, the NDX Index outperformed the RAV Index by over 37% in a span of only 176 days.

2 The NASDAQ-100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ exchange.

3 We noted with interest that Apple's market capitalization of $3.05 trillion at the end of June was larger than the entire Russell 2000 Index and equated to about 12% of total U.S. GDP in 2022.

Table 1: Unusually Strong Tech/Growth Periods

Tech/Growth Period	NDX Index	RAV Index	Difference	Calendar Days
May 7, 2014 – Dec 8, 2015	35.0%	4.7%	30.3%	580
Jun 3, 2019 – Mar 23, 2020	1.3%	-28.2%	29.5%	294
Jan 5, 2023 – Jun 30, 2023	41.9%	4.5%	37.4%	176

Data Source: Bloomberg as of 6/30/2023

Why We Believe this Headwind May Abate

We do not believe there is a *rule* that Tech/Growth periods will always result in difficult performance for the Portfolio. For example, it was more common prior to the pandemic for the Portfolio to outperform its benchmark during Tech/Growth periods. During the first 12 Tech/Growth periods from the Portfolio's inception in 2010 through April 2020, the Portfolio outperformed its benchmark 7 times, while it has only outperformed in 4 of the 15 Tech/Growth Periods since April 2020.

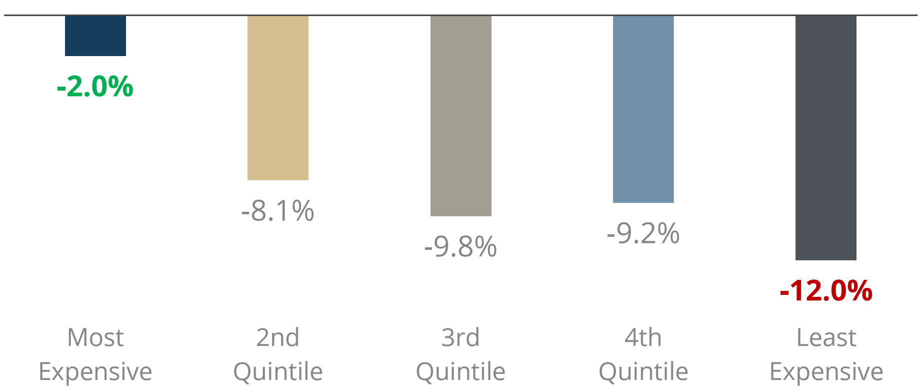
We attribute much of the shift since the pandemic to increased investor uncertainty, given the unknown long-term effects of the pandemic on companies, their workers, and consumer behavior. We think many "value" investments have been viewed as particularly susceptible to disruption from the major tech giants, which has resulted in the performance see-saw lately between value and tech. It has also led to several investment babies being thrown out with the bathwater, which is our playing field for finding undervalued stocks.

We have a divergent viewpoint on a select group of companies that we think are positioned to thrive in the future, despite recent challenges that have led to low valuations. We believe the Portfolio's individual stocks—led by the successful realization of each company's KTPs—can transcend market forces over longer-term time periods, irrespective of whether we're in a Tech/Growth period or a Value period.

Portfolio Headwind #2 – Expensive Stocks Outperforming Inexpensive Stocks

We observed that during the most acute part of the regional bank crisis (the 3-month period ended on May 31), the U.S. stock market's most expensive stocks significantly outperformed the least expensive stocks, as measured by the Russell 3000 Index[4] (see **Figure 1**). This 3-month period also corresponded to the Portfolio's largest period of relative underperformance (about -7.7%, net of fees).

Figure 1: Performance of Russell 3000 stocks by valuation quintile during bank crisis
(March 1, 2023 – May 31, 2023)



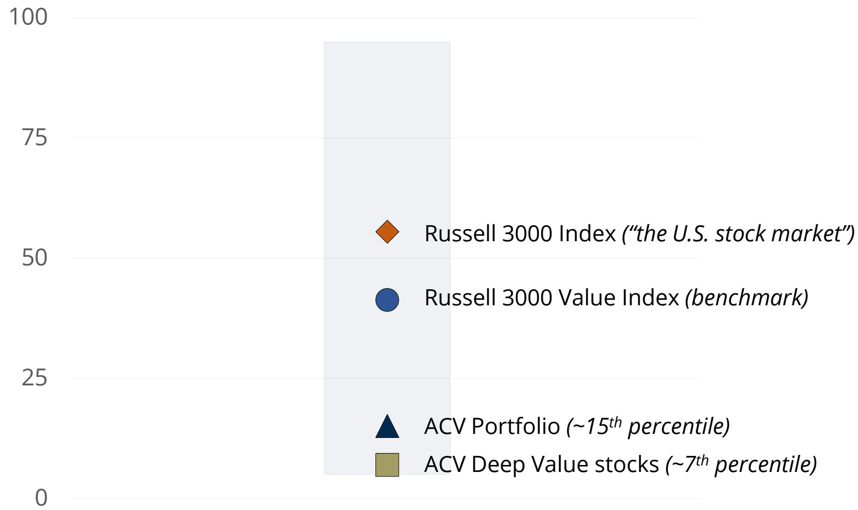
Valuation metric used was the Price to Sales ratio, which is the ratio of a company's or index's current market capitalization to its sales over the prior 12 months as of 12/31/2022. For this chart, the Russell 3000 Index was sorted by highest to lowest price to sales ratio in fifths (quintiles) for all index stocks with available price/sales data for each time period (about 93% of total Index constituents were included). The datapoint presented on the chart is the average performance (simple mean) from March 1, 2023 – May 31, 2023 of all stocks within each quintile (~558 stocks per quintile).

Data Source: FTSE Russell & Bloomberg

4 The Russell 3000 Index measures the performance of ~3000 stocks and includes large-cap, midcap and small-cap U.S. equities, along with some microcap stocks. The combined market capitalization of these stocks represents ~98% of the value of all U.S. equities.

As shown in **Figure 2**, the Portfolio's investments (especially its Deep Value stocks) are found among the market's least expensive stocks, so the market's preference for more expensive stocks was a significant obstacle to performance during the quarter and year-to-date period.

Figure 2: Price to Sales Continuum of U.S. stock Market
(% Rank, High to Low)



Based on Russell 3000 Index constituents with price to sales data at 6/30/2023. Data Source: Bloomberg as of 6/30/2023

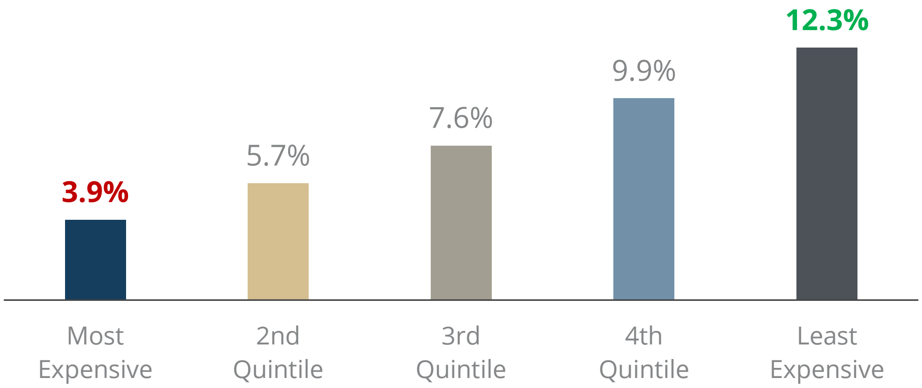
Why We Believe this Headwind May Abate

Valuation is typically an important consideration for long-term investors. We think even the best performing company in the world can be a terrible investment if an investor pays too high a price for it, while conversely, a company facing temporary struggles could be a fantastic investment at a low enough price. Over short-term periods valuations may not matter to investors, but we think over the long-term, buying securities below a reasonable fair value estimate at a sufficiently low valuation is a prudent investment discipline. We think this is especially true when we've identified catalysts (KTPs) that should improve the fundamentals of these 'cheap' investments beyond expectations.

The market's most expensive stocks continue to hover at valuation levels that are historically high. While it's possible this time could be different (dangerous words, in our view) and the market will continue to reward more expensive stocks, we will stick to our value discipline by selecting stocks among the market's least expensive companies.

We were pleased that less expensive stocks performed better in June (see **Figure 3**), and the Portfolio also outperformed that month, which we're hopeful is the start of a trend.

Figure 3: Performance of Russell 3000 stocks by valuation quintile during June
(June 1, 2023 – June 30, 2023)



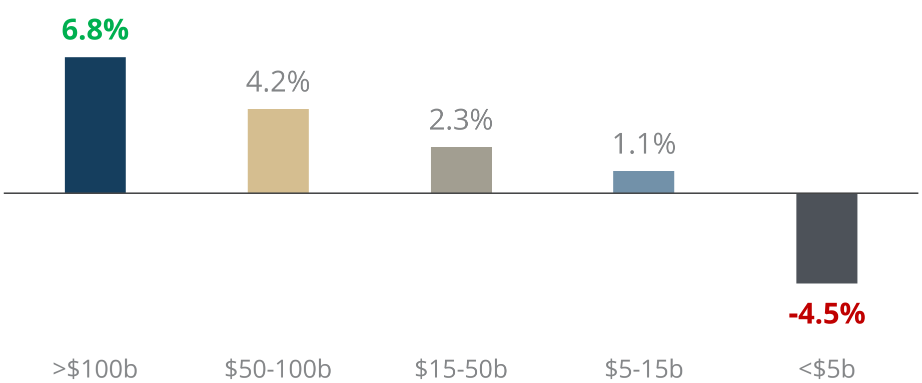
Valuation metric used was the Price to Sales ratio, which is the ratio of a company's or index's current market capitalization to its sales over the prior 12 months as of 12/31/2022. For this chart, the Russell 3000 Index was sorted by highest to lowest price to sales ratio in fifths (quintiles) for all index stocks with available price/sales data for each time period (about 93% of total Index constituents were included). The datapoint presented on the chart is the average performance (simple mean) from June 1, 2023 – June 30, 2023 of all stocks within each quintile (~558 stocks per quintile).

Data Source: FTSE Russell & Bloomberg

Portfolio Headwind #3 – Large Cap Stocks Outperformed Small Cap Stocks

We discussed this in our last commentary as well, but we witnessed significant outperformance of large cap stocks versus small cap stocks since the regional bank crisis began in March. While June saw a slight reversal in this dynamic, the large cap outperformance has been striking (see **Figure 4**).

Figure 4: Average return of Russell 3000 Value stocks by market cap since bank crisis began
(March 1, 2023 – June 30, 2023)



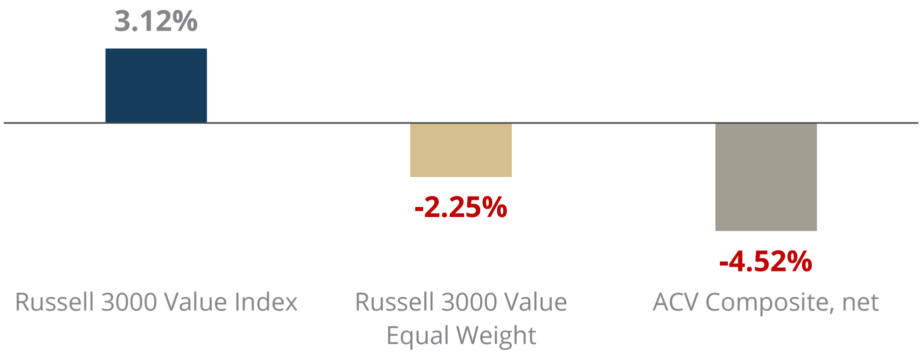
Average (simple mean) total return for the period March 1, 2023 – June 30, 2023, of the Russell 3000 Value Index constituents based on their market capitalization as of 12/31/2022.

Data Source: FTSE Russell & Bloomberg

As of June 30, 2023, about 37% of the Portfolio's weighting was in companies with a market capitalization of $5 billion or lower, and ~74% had a market cap of less than $50 billion, so the market's preference for larger companies was a strong headwind since the bank crisis began.

Looking at it another way, during this same 4-month period (March 1, 2023 – June 30, 2023), we calculated that the simple average return of the Russell 3000 Value benchmark—an equal weighted return—was about 5.4% lower than the official cap-weighted return of the index (**Figure 5**). We think this provides additional context for the Portfolio's large deviation from its benchmark during this same period – it wasn't nearly as bad when compared to the average stock in the benchmark. To be sure, we aren't trying to make excuses—it is our active decision to position the Portfolio in smaller-cap names and we take responsibility for that—but it helps illustrate the market conditions the Portfolio has faced recently.

Figure 5: Performance results since bank crisis began
(March 1, 2023 – June 30, 2023)



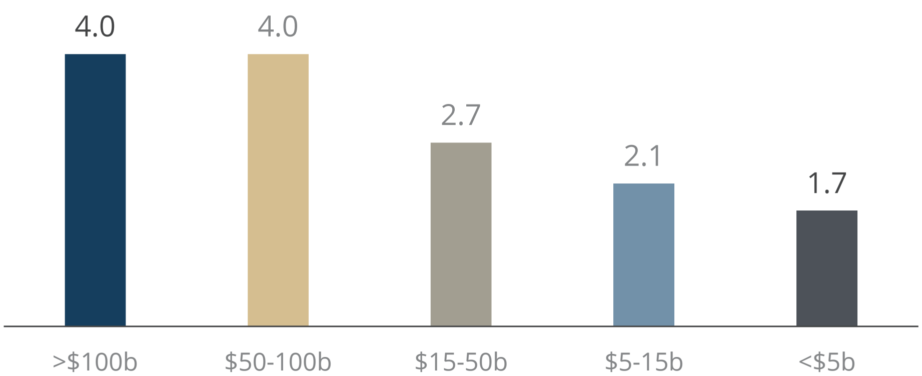
Russell 3000 Value Index returns are presented as reported for the period indicated. Russell 3000 Value Equal Weight returns are presented as the Average (simple mean) total return for the period March 1, 2023 – June 30, 2023, of all constituents in the Russell 3000 Index as of 12/31/2022.

Data Source: FTSE Russell & Bloomberg

Why We Believe this Headwind May Abate

We strive to find our investments from the bottom-up, based on individual stock investment merit, and only when we identify KTPs coupled with a compelling valuation. Lately we've found more of these opportunities in smaller businesses that are trading at much lower valuations than their larger counterparts (see **Figure 6**).

Figure 6: Median price to sales ratio of Russell 3000 stocks by market cap
(June 30, 2023)



Median price to sales ratio at 6/30/2023 for Russell 3000 constituents that were found within the market capitalization bands shown in the figures. Market capitalizations were sorted by 6/30/2023 values.

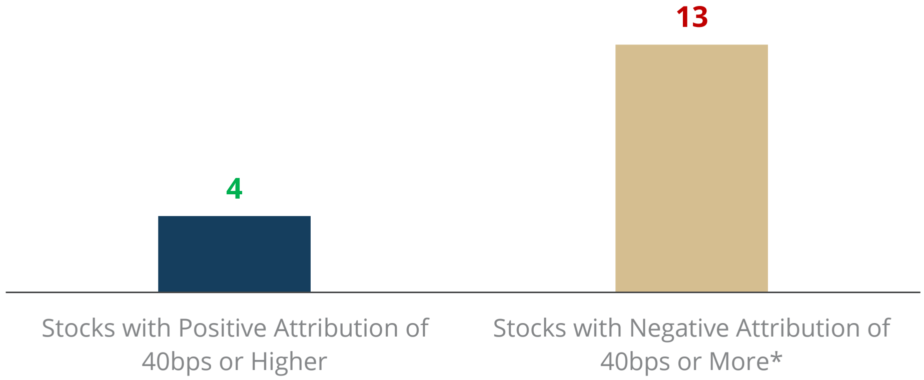
Data Source: FTSE Russell & Bloomberg

Our portfolio decisions are made with a long-term, individual stock focus, and are not based on a top-down view of what market cap segment we think will outperform in any given quarter or year. However, with valuation discrepancies between large caps and small caps this wide within the U.S. stock market (investors are paying an extra ~$2.30 per dollar of sales for large caps vs. small caps, on average), we think smaller companies are more likely to outperform in the future.

Portfolio Headwind #4 – Relatively Few Outperformers So Far in 2023

Quite simply, there haven't been very many stocks within the Portfolio that have strongly outperformed this year to help fully offset the pressures the strategy has faced from its underperforming investments. It's not entirely unusual to see this phenomenon—or the more positive opposite of it—in any given short-term period. But it was unfortunate timing, given the market obstacles the Portfolio has encountered. **Figure 7** shows the number of Portfolio stocks that have contributed or detracted (vs. the benchmark) by at least 0.4% this year.

Figure 7: # of significant outperforming and underperforming stocks within the Portfolio
(January 1, 2023 – June 30, 2023)



* includes not owning META, which detracted by ~150bps alone

Why We Believe this Headwind May Abate

We are stock pickers. Our job is to strive to assemble a portfolio of individual stocks that outperform the market over the long term. While there will be short-term stretches of time that the number of underperformers outweighs the outperformers, we believe our investment philosophy and process is sound and repeatable. We also believe that as we do our job well, we will see far more outperforming stocks than we have so far this year.

Conclusion

Overall, the Portfolio has faced significant performance headwinds—a perfect storm in many ways—that has led to difficult comparisons to our benchmark and peers. That said, we continue to believe that the Portfolio's individual stocks are very attractive going into the second half of the year and we're encouraged by the progress we see in the individual companies' KTPs. We think this bodes well for the long-term future of the Portfolio.

Significant Portfolio Changes

There was one new addition to the Portfolio, Vodafone Group PLC (ticker: VOD).

VOD: Vodafone—a U.K. based international telecommunications firm—has several compelling KTPs in our view and has recently traded at the lowest valuation ratios in its history. We see the potential for significant synergies and cost savings from recent, and expected, strategic actions. We also believe the company's new CEO is highly motivated to change the trajectory of the firm and there are several activist investors that have taken meaningful stakes in the company. We think the presence of several activists makes it much more likely that the company's ample cash flow will be used in shareholder-friendly ways over the next several years.

Individual Stock Performance

Top Contributors[5] – Q2 2023	Largest Detractors – Q2 2023
Cardinal Health (CAH)	CVB Financial (CVBF)
First Citizens Bancshares (FCNCA)	General Mills (GIS)
Liberty Media-SiriusXM (LSXMA)	Westamerica Bancorp. (WABC)
EVERTEC (EVTC)	Sealed Air (SEE)
NCR (NCR)	Big Lots (BIG)

Past performance does not guarantee future results. Source: Bloomberg as of 6/30/2023

Commentary on the Top Two and Bottom Two Contributors and Detractors to the Portfolio's Total Return

CAH: Cardinal Health continues to make good progress improving its operations in its core pharmaceutical distribution business and turning around its smaller underperforming medical products division. Recent earnings results have been better than expected and the stock's valuation discount compared to its larger two rivals has begun to narrow.

FCNCA: During its first earnings report after purchasing Silicon Valley Bank from the FDIC in March, it became apparent how good of a deal FCNCA received, with book value per share essentially doubling during the quarter. We think the benefits of the deal are now fully reflected in the stock price and subsequent to quarter-end we sold the stock as it neared its fair value estimate.

CVBF: CVB Financial underperformed again in the second quarter as regional bank stress affected many California-based banks, especially those that have a concentration in business customers. We continue to think CVB is misunderstood and is a very high-quality bank in a good position to pick up market share from weaker competitors in California. We also believe CVB will be an active acquirer of other banks, which we think will increase its earnings potential.

GIS: General Mills posted slightly disappointing earnings results in its most recent earnings report, led by its customers ordering less product as they work through existing inventory. The company has proven that it has strong pricing power and a formidable distribution network, which we expect it to leverage with its pet food division that has stronger long-term growth prospects.

Final Comments

Thank you for your investment with Clifford Capital. We will continue to focus on building long-term wealth through disciplined portfolio management.

Sincerely yours,

Ryan Batchelor, CFA, CPA
Principal and Portfolio Manager
Clifford Capital Partners, LLC

5 Portfolio holdings are from a representative account managed within the investment composite. The representative account is selected based on account characteristics that Clifford Capital believes accurately represent the investment strategy as a whole. Should these characteristics change materially, Clifford Capital may select a different representative account. Holdings may change daily and may vary among accounts, which may contribute to different investment results.

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You may obtain information about (i) the calculation methodology; and (ii) a list showing the contribution of each holding to the overall performance of the representative account during the reporting period discussed in this Commentary by contacting us at (385) 387-1212 or support@cliffordcap.com.

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Information about Risk

***Risks of Investing in Equity Securities**. Overall stock market risks may affect the value of an equity portfolio. Factors such as domestic economic growth and market conditions, interest rate levels, and political events affect the securities markets. When the value of the portfolio investments goes down, the portfolio decreases in value and you could lose money.*

***Risks of Small-Cap and Mid-Cap Securities.** Investing in the securities of small-cap and mid-cap companies generally involves substantially greater risk than investing in larger, more established companies.*

***Focused Investment Risk.** The All Cap Value strategy is a focused strategy and generally holds stocks of between only 25 and 35 companies. Focused strategies may invest a larger portion of their assets in the securities of a single issuer compared to a more diversified strategy. Focusing investments in a small number of companies may subject the portfolio to greater price volatility and therefore a greater risk of loss because a single security's increase or decrease in value may have a greater impact on the portfolio's value and total return.*

***Sector Risk**. The portfolio may emphasize investment in one or more particular business sectors at times, which may cause the value of portfolio to be more susceptible to the financial, market, or economic events affecting issuers and industries within those sectors than a strategy that does not emphasize investment in particular sectors.*

***Management Style Risk.** Because the strategy invests primarily in value stocks (stocks that Clifford Capital believes are undervalued), the strategy's performance may at times be better or worse than the performance of stock funds or strategies that focus on other types of stock strategies (e.g., growth stocks), or that have a broader investment style.*

Definitions

***Core Value Stocks.** We define Core Value stocks as high-quality companies with sustainable competitive advantages and long-term records of strong returns on capital. These companies tend to have stable and predictable cash flows as well as steady growth in the intrinsic value of their stock.*

***Deep Value Stocks.** We define Deep Value stocks as opportunistic investments in deeply discounted shares of businesses that do not meet the high requirements of a Core company. Deep Value investments are deemed by us to have high potential returns* *with acceptable downside risks. These investments may be considered traditional value stocks with low price multiples, and low near-term investor and analyst expectations.*

Price-to-Book Ratios. *Ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share.*

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