Clifford CAPITAL PARTNERS

Quarterly Portfolio Commentary – Second Quarter 2023
Clifford Capital International Value Portfolio

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

	2nd Quarter 2023	YTD 2023	1-year	3-year, annualized	Since Inception**
Portfolio, gross[1]	2.13%	13.17%	12.12%	14.30%	8.56%
Portfolio, net	1.91%	12.70%	11.18%	13.27%	7.56%
MSCI EAFE Index	2.95%	11.67%	18.77%	8.93%	5.69%
MSCI EAFE Value Index	3.15%	9.28%	17.40%	11.34%	4.93%

* Individual account performance will differ from the overall Composite.
** Inception Date: August 1, 2019, annualized
Past Performance does not guarantee future results.

Performance Summary and Market Observations

The second quarter presented a relatively calm macro environment compared to the previous quarter's mini-banking crisis, but the Portfolio faced significant fluctuations. It went through a roller coaster ride with notable gains in April, followed by a steep decline in May, and then a strong finish in June. Overall, the Portfolio ended with a modest gain for the quarter. The main contributors to market returns were the advancements in Artificial Intelligence (“AI”) and the market situation in Japan.

Artificial Intelligence

Artificial Intelligence gained considerable attention in global stock markets following fiscal first quarter results announcement in May. In conjunction with their first quarter results, NVDA provided second fiscal quarter revenue guidance that exceeded its first quarter revenue by over 50%. Consequently, the stock surged more than 24% upon this news and concluded the quarter with an impressive +52% increase, representing a remarkable +276% gain from its October 2022 low.

Multiple companies engaged in discussions regarding the potential benefits of AI for their businesses. BT Group, for instance, disclosed plans to streamline its workforce from 130,000 to 75,000-90,000 by 2030, with the intention of integrating AI to replace certain positions. BT Group also highlighted the successful deployment of its AI chatbot, Amy, which effectively handled numerous customer inquiries without most individuals realizing it was an AI bot.

This heightened market interest in AI prompted a search for other stocks poised to benefit from this technological advancement, particularly within the tech sector. As a result, stock prices of such companies experienced significant increases. Notably, Portfolio holding Taiwan Semiconductor, the manufacturer of the chips utilized by NVDA, realized notable gains.

The market is optimistic about this new technology, but there may also be risks related to the application of the AI that may have a negative impact in the market.

1 Portfolio, gross return represents the performance results for the International Value composite including the reinvestment of dividends and other account earnings and are net of transaction costs, but do not reflect the effect of advisory fees, which would lower performance. Portfolio, net return includes the deduction of advisory fees, reflects the reinvestment of dividends and other account earnings and are net of transaction costs. Past performance does not guarantee future results.

The benchmark for the International Value composite is the MSCI EAFE Value index. The index captures large and mid cap securities exhibiting overall value style characteristics across developed markets countries around the world, excluding the U.S. and Canada. Index returns include the reinvestment of dividends (total returns). Performance of the composite and the index may 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 fees, and other expenses.

Japan

The Portfolio encountered a challenge in the quarter, especially in May, due to its underweight position in Japan. Warren Buffett's announcement of Berkshire Hathaway increasing its stakes in the five main Japanese trading companies, reaching up to 8.5% with permission to go higher, highlighted the companies' low valuations and their focus on profitability, returns on invested capital, and shareholder returns. These factors, combined with expectations of the Bank of Japan ("BOJ") raising interest rates as inflation took hold, attracted foreign investors to pour capital into Japan, propelling it to its highest level since 1991. However, a weakening yen partially offset this outperformance in dollar terms.

Itochu Corp., one of the five trading firms in which Berkshire Hathaway invested, is an example of a Japanese stock that experienced gains following Berkshire's purchases and the influx of international investors. We initially bought shares of Itochu in August 2019 and sold the position in March 2022 for a considerable gain. Despite the stock's low price-to-earnings (P/E) ratio compared to global standards and its recent surge, consensus earnings estimates for the next five years remain flat. This suggests that investors may be disappointed as earnings growth remains weak in many cases. Additionally, the five-year swap rate, five years out, indicates that Japanese interest rates are projected to remain below 1%, which contradicts the notion of sustainable 2% inflation that would prompt the BOJ to raise interest rates.

Japanese banks are another example of potential overexcitement. Although we have examined several Japanese banks, we are unimpressed with their objective of achieving a 6% return on equity (ROE), which they have now accomplished. We believe better opportunities exist with European banks.

Comparing three European banks in our Portfolio, they exhibit lower estimated 2023 price-to-earnings ratios (P/Es) compared to their Japanese counterparts. Societe Generale and HSBC offer higher yields, while Societe Generale has a lower price-to-book value. Santander and HSBC demonstrate higher returns on equity ("ROE"). Despite Santander's lower yield, it engages in significant annual stock buybacks. Societe Generale's ROE was particularly low in 2022 due to the sale of its Russian bank at a significant loss, but it otherwise generates a higher ROE compared to Japanese banks. In 2022, Societe Generale delivered a ROE of 7.97%. All three banks anticipate further increases in their ROEs going forward.

Table 1: Largest Japanese Banks compared to Clifford-owned EU Banks

Bank	P/E (trailing)	P/E (forward)	Yield	P/BV	ROE
Mitsubishi UFG	11.7	9.8	3.8%	0.7	6.3%
Japan Post Bank	12.9	12.3	4.4%	0.4	3.3%
Mizuho Financial	10.0	9.1	4.3%	0.6	6.1%
Sumitomo Mitsui Financial	10.0	9.7	4.1%	0.7	6.5%
Societe Generale	13.8	6.1	7.1%	0.3	2.0%
Banco Santander	6.3	5.7	3.8%	0.6	9.7%
HSBC	6.1	5.2	6.4%	0.7	11.7%

Source: Bloomberg, as of 6/30/2023

United Kingdom

During the quarter, Apple achieved a market capitalization of $3 trillion, which is an exceptional milestone. It's worth noting that the entire UK stock market, the third largest globally, is valued at approximately $3.7 trillion. While we recognize Apple as an outstanding company, we find it hard to believe that its worth surpasses the combined value of all publicly traded British companies. This situation exemplifies how investors often follow momentum trends, emphasizing the market's limited focus on fundamentals and its oversight of other promising opportunities beyond what is currently popular.

The negative sentiment towards the UK stems partly from its own decisions, such as the choice to pursue Brexit, which has not delivered many of the promised benefits. This has resulted in a weaker economy, higher inflation, and labor shortages due to reduced legal immigration. Additionally, the country has witnessed five prime ministers ("PMs") in the past six years, including a challenging period under Liz Truss lasting only 50 days. While we hold a positive view of Rishi Sunak, we anticipate that the Labour Party will win the next election, scheduled by January 2025. The leadership change within Labour, with Keir Starmer taking over from Jeremy Corbyn, adds to this expectation.

It's important to note that in British elections, the PM is not directly elected. The PM must be a Member of Parliament ("MP") and is selected from among the MPs through a voting process. The Conservative Leadership makes the final decision, choosing between the two remaining candidates. As both Jeremy Corbyn and Boris Johnson have resigned as MPs, they are ineligible to become the next PM.

Despite the political and economic challenges, the UK is home to many outstanding companies. However, these companies are often overlooked by the market due to the prevailing concerns surrounding the country's politics and economy. As a bottom-up fundamental value investor, Clifford Capital identifies numerous opportunities in the UK by focusing on firms' intrinsic value. Many of these companies possess strong competitive advantages, international operations that are less susceptible to local economic fluctuations, and Key Thesis Points™ for improvement. As a result, the UK holds the highest weight in the Portfolio.

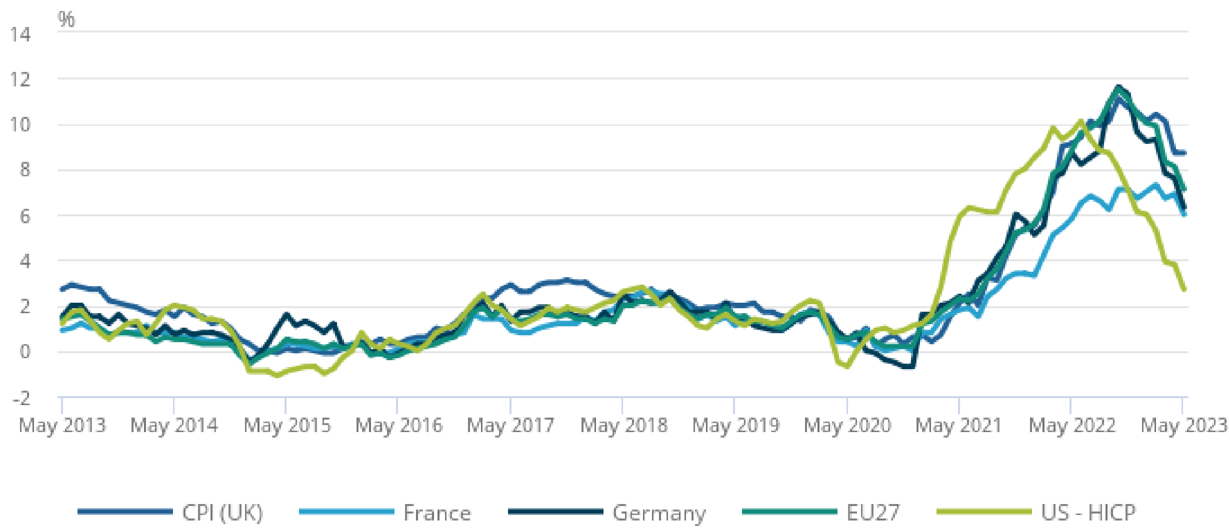
Core Inflation Remains an Issue, Particularly in the UK

We have discussed inflation extensively, and unfortunately, it remains at high levels. While overall inflation has been decreasing, core inflation remains persistently high in Europe, especially in the UK.

Across the countries shown in **Figure 1**, total CPI is on a downward trend, with the US leading the decline. However, the UK has been experiencing a slower decrease primarily due to ongoing core inflation.

Figure 1: Annual Inflation Rates Eased in Europe, United States in May 2023

CPI compared with selected G7 and EU annual inflation rates, May 2013 to May 2023

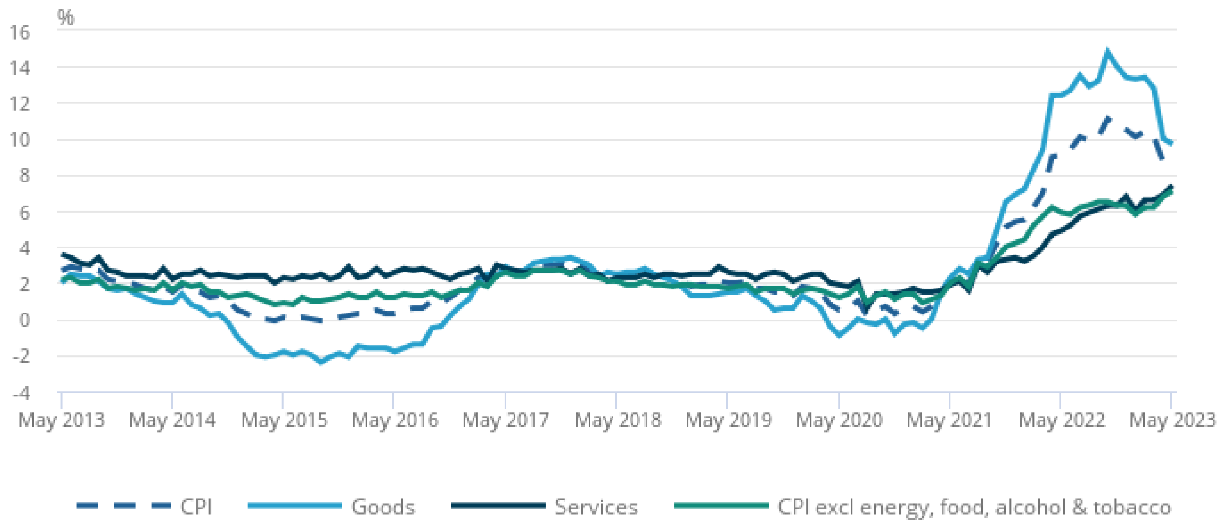


Source: Consumer price inflation from the Office for National Statistics, and Harmonised Index of Consumer Prices (HICP) from Eurostat

Figure 2 clearly illustrates that core CPI is still increasing, primarily driven by robust growth in services inflation. We attribute a significant portion of this inflationary pressure to the labor shortage resulting from Brexit, which has significantly reduced legal immigration. While we anticipate that the UK will encounter significant challenges in controlling inflation, potentially leading to a recession, we maintain our belief in the value of many British companies' stocks. We believe the market is excessively focused on the broader economic issues facing the country and not giving enough attention to individual stocks. Many of these companies either generate substantial revenue from outside the UK, which remains unaffected by the weak British economy, or their stocks have been oversold due to anticipated weakness.

Figure 2: CPI Core and Services Inflation Rates Up in May 2023, While Goods Inflation Eases Slightly

CPI goods, services and core annual inflation rates for the last 10 years, UK, May 2013 to May 2023



Source: Consumer price inflation from the Office for National Statistics

Conclusion

Although we were dissatisfied with the performance in May, we are content with the overall results for the first half of the year. Our confidence in our bottom-up strategy remains strong, as we believe the Portfolio holds hidden gems that the market has overlooked while it chases short-term momentum. 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

We sold one deep value stock, Manulife, and bought one deep value stock, Worldline, during the quarter.

MFC: Manulife generally underperformed our expectations. We decided to move on from the investment and sold the stock to provide capital for additional opportunities with greater potential upside.

WLN FP: Worldline is one of Europe's largest payment processors. Growing both organically and through acquisitions, the company has helped consolidate European markets, leading to efficiency improvements. We expect the firm will benefit as more transactions occur digitally, leading to increases in margins and revenue. Revenue growth will likely slow as the firm reduces acquisitions and focuses more on organic growth, but we believe this slower, yet still relatively high growth rate is more sustainable, and will drive higher returns on capital.

Individual Stock Performance

Top Contributors[2] – Q2 2023	Largest Detractors – Q2 2023
Societe Generale (GLE FP)	Liberty Global (LBTYA US)
Koninklijke Philips (PHG US)	Nokia (NOK US)
HSBC Holdings (HSBC US)	BT Group (BT/A LN)
Engie (ENGI FP)	Worldline (WLN FP)
Fresenius Medical Care (FMS US)	Vodafone Group (VOD US)

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

GLE FP: We opportunistically added to our Societe Generale position during the mini-banking crisis and the stock recovered nicely during the second quarter. However, we continue to believe it is significantly undervalued. During the quarter long time CEO Frederic Oudea retired. While we appreciate some of things he did, such as combining the two French banks (the benefits of which are still to be realized, in our opinion), the stock declined during his long tenure. We believe a fresh perspective in the C-suite with the appointment of Slawomir Krupa as CEO could lead to a faster turnaround.

PHG: Philips had a difficult 2022. However, after bottoming in November 2022, the stock has almost doubled with continued strong growth in the second quarter, particularly in April as it reported better than expected results. We opportunistically added to our Philips position on multiple occasions while it was out of favor. Despite Philips' solid recovery, we still believe the stock is undervalued.

LBTYA: Liberty Global continues to generate solid free cash flow, which it is using to buy back its stock. In the past six years, the company has bought back over 50% of its shares and continues to buy back more. Despite this favorable use of cash, the stock remains out of favor. We anticipate Liberty Global will continue to generate strong free cash flow and continue to buy back shares. At some point we believe the market will recognize the company is slowly going private and will bid up the stock.

NOK: Nokia reported first quarter results below expectations and announced revenue would likely also be lower in the second quarter as some large telephone companies slowed their 5G rollout. We remain bullish on the long-term rollout of 5G that requires a denser radio network than previous generations. Additionally, 5G buildouts have accelerated in emerging market countries, particularly in India. We agree with management that revenue should pick up in the second half of the year.

Final Comments

Thank you for your investment in Clifford Capital Partners. We remain excited about the Portfolio's positioning and are invested right along with you. We will continue to focus on building long-term wealth through diligent and prudent portfolio management.

Sincerely yours,

Allan C. Nichols, CFA
Portfolio Manager
Clifford Capital Partners, LLC

2 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.

The securities identified do not represent all of the securities purchased, sold, or recommended for advisory clients.

Please contact us at (385) 387-1212 or support@cliffordcap.com to obtain information about (i) the calculation methodology; and (ii) a list showing the contribution of each holding in the representative account to the account's performance during the measurement period.

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

***Risks of Large-Cap Securities.** Prices of securities of larger companies tend to be less volatile than companies with smaller market capitalizations. In exchange for this potentially lower risk, the Fund's value may not rise as much as the value of funds that emphasize companies with smaller capitalizations.*

***Focused Investment Risk.** The International Value strategy is a focused strategy and generally holds stocks of between only 25 and 45 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.*

***Economic and Political Risks.** These effects may be short-term by causing a change in the global markets that is corrected in a year or less, or they may have long-term impacts which may cause changes in the markets that may last for many years. In any given country, some factors may affect changes in one sector of the economy or one stock, but don't have an impact on the overall market. The particular sector of the economy or the individual stock may be affected for a short or long-term.*

Emerging Markets Risk. *Emerging market securities may present issuer, market, currency, liquidity, volatility, valuation, legal, political, and other risks different from, and potentially greater than, the risks of investing in securities of issuers in more developed markets.*

Non-U.S. Investment Risk. *Securities of non-U.S. issuers (including American depository receipts ("ADRs") and other securities that represent interests in a non-U.S. issuer's securities) may be less liquid, more volatile, and harder to value than U.S. securities.*

Foreign Currency Risk. *Foreign securities often are purchased with and make any dividend and interest payments in foreign currencies. Therefore, the portfolio's value could decline solely as a result of changes in the exchange rates between foreign currencies and the U.S. dollar, particularly if the portfolio invests a significant percentage of its assets in foreign securities or other assets denominated in currencies not tightly pegged to the U.S.*

Inflation Risk. *When a substantial portion of the portfolio is held in cash or cash equivalents, there is the risk that the value of the cash account, including interest, will not keep pace with inflation, thus reducing purchasing power over time.*

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.*

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