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

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

	3rd Quarter 2023	YTD 2023	1-year	3-year, annualized	Since Inception**
Portfolio, gross[1]	-3.98%	8.66%	26.64%	14.39%	6.97%
Portfolio, net	-4.15%	8.02%	25.64%	13.40%	6.01%
MSCI EAFE Index	-4.11%	7.08%	25.65%	5.76%	4.28%

* 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

After a strong start to the third quarter in July, losses in August and September led to a disappointing quarter for the Portfolio overall. Although the Portfolio performed better than the MSCI EAFE Index in July and August, it gave back most of those relative gains in September. Despite the challenges late in the quarter, most of which we believe are transitory issues related to higher market interest rates, we think the Portfolio has compelling value.

Japanese banks versus the Portfolio's Financials investments

In the previous quarter, we discussed Japanese banks and our belief they were overpriced compared to European banks and our other Financial Services investments. This gap in valuation widened during the quarter because Japanese banks did well while the banks and other financial stocks in the Portfolio generally struggled (see **Table 1**). The difference in performance between Japanese banks and the financial assets in the Portfolio was a significant reason for our underperformance compared to the index in September.

We continue to monitor our Key Thesis Points ("KTPs", which are long-term catalysts for fundamental improvement for every investment in the Portfolio) and believe that the market may be moving in our direction as Japanese banks saw declines in the last week of September. We believe this is mainly based on assumptions that the Japanese Central Bank will loosen its financial policies and allow interest rates to rise. We agree that this would benefit Japanese banks, but we think much of this is already factored into analysts' estimates, and the banks still appear expensive.

We still have high conviction in our Financials and we believe that they are more attractive than their Japanese counterparts.

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 Index. The index captures large and mid cap securities 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.

Table 1: Performance of Japanese Banks and International Value Portfolio Financials

Japanese Banks	Q3 2023 Total Return	September 2023 Total Return
Japan Post Bank	15.8%	11.3%
Mizuho Financial Group	17.7%	7.4%
MUFG	21.0%	10.8%
Sumitomo Mitsui Bank	21.3%	11.8%
International Value Portfolio Financials	Q3 2023 Total Return	September 2023 Total Return
Aviva	1.6%	3.4%
Banco Santander	1.4%	-2.8%
HSBC	0.8%	5.7%
Ping An Insurance	-8.3%	-2.5%
Societe Generale	-3.2%	-12.1%
Worldline	-20.5%	-11.4%

Source: Bloomberg

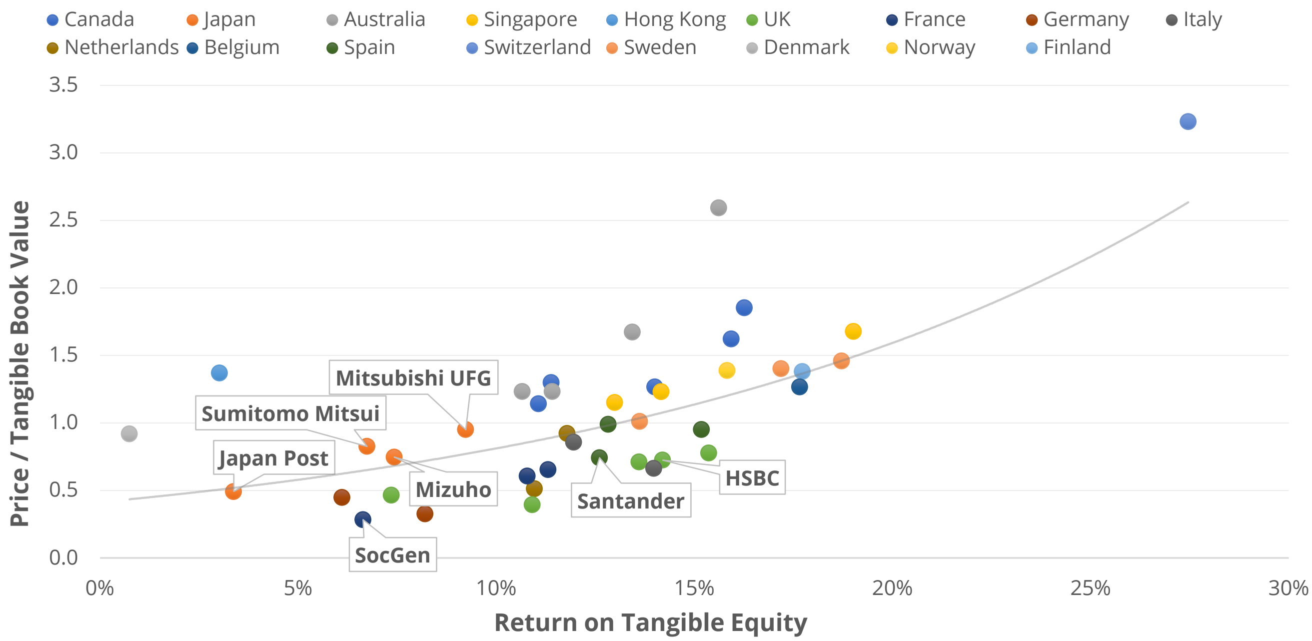
Of note, portfolio holding, Worldline—a financial technology and payments company—was hit hard because the market lost faith in fintech companies after Adyen, a market favorite, gave disappointing projections for the third quarter. Adyen's stock plummeted more than 39% in one day and was down ~55% at quarter end. This drop affected not only Worldline but also other companies in the same sector. We took advantage of the decline in Worldline stock by continuing to build our position. We still have high conviction in the company and think the stock price is very attractive today.

Societe Generale also saw its stock drop significantly in September after its new CEO, Slawomir Krupa, announced plans to strengthen the company's financial position by retaining more capital. We believe this strategy makes sense as the stock is trading at around 26% of its tangible book value. This suggests that the market doesn't have much faith in the value of the company's assets. Over time, we think the additional capital should convince the market to assign a higher value relative to its tangible book value. However, in the short term, the company doesn't plan to increase its already significant dividend, currently yielding over 7%, or buy back large amounts of its stock. The market was hoping for more of both with the new CEO, but he's taking a more cautious approach. While this doesn't change our KTPs, it may increase the time to see them realized.

Ping An—the smallest position among the three Financials stocks that were down in the quarter—faced difficulties during the quarter due primarily to weakness in the Hong Kong and Chinese markets. We think Ping An is still a very attractive investment.

We recently performed an analysis of roughly 40 major banks in developed markets[2], comparing them based on each bank's return on equity[3] as a percent of tangible book value[4] versus their tangible book value. The results are found in **Figure 1**.

Figure 1: International Banks Comparison



Source: Bloomberg

According to our analysis, banks above the line are considered overvalued, and banks below the line are considered undervalued (trendline is the average). The analysis shows that Japanese banks, along with Australian and Canadian banks, appear fairly valued or slightly overvalued. In contrast, many European banks, including those in the Portfolio, appear undervalued. Additionally, it suggests that the potential benefits from the Japanese Central Bank's easing of interest rates are already priced into Japanese banks.

Central Banks

One of the interesting things we noticed during the quarter was how different Central Banks worldwide are handling their interest rates. In Japan, they've made only small adjustments, allowing rates to go from 0% to 0.1% to 0.5% to 1%, with an average rate of about 0.7%. Meanwhile, central banks in the U.S., Europe, the UK, and some other European countries have been increasing rates more aggressively, although many of them are now signaling that they might stop soon. On the other hand, some Latin American central banks, which began raising rates a year before Western ones, are now lowering them. For example, Brazil has reduced rates twice by 50 basis points each time and plans to keep doing so for at least the rest of the year. China has also cut its rates.

This shows that not all global economies are moving at the same pace. Several Latin American countries, experienced in dealing with inflation and acting early to control it, now believe inflation is under control. For instance, Brazil raised rates to 13.75%, a higher level than inflation attained, which made their monetary policy quite restrictive. In contrast, Western central banks have only recently reached restrictive levels, even after their

2 Clifford Capital analyzed a sample of the largest banks of countries in the developed world, as defined by MSCI. U.S. banks are excluded from the analysis. The banks analyzed should not be considered an exhaustive list.

3 Return on Equity (ROE) is a measure of the profitability of a business in relation to its equity, calculated as Net Income divided by Shareholder's Equity (Total Assets minus Total Liabilities).

4 Tangible Book Value (TBV) measures a company's equity after removing any intangible assets. Generally speaking, the TBV of a company is what common shareholders can expect to receive if the firm goes bankrupt and all of its assets are liquidated at their book value.

rapid rate hikes, as they've finally surpassed the rate of inflation. This means that Western central banks will likely need to keep these relatively high rates for some time to control inflation, while Brazil and other Latin American countries still have room to cut rates.

Japan and China, however, have their own unique situations. Japan is expected to make its monetary policy more flexible to allow interest rates to go up. After almost 30 years of deflation, Japan worries that the current inflation might not last, so they've kept rates low to keep stimulating the economy and maintain inflation. China, on the other hand, is concerned about falling into deflation, so they've cut rates to boost the economy and avoid the deflation trap that Japan experienced.

Even as a bottom up manager, we think interest rate policy is an important consideration in investing, and recent increases in interest rates in major global economies have had a big effect on global stock markets. We have found investment opportunities because of this new interest rate environment, and we think the Portfolio is well positioned for a period of higher interest rates.

Significant Portfolio Changes

In addition to several trims and adds throughout the quarter, we fully sold one Core Value Stock, Kao (ticker: 4452 JP) and bought one new Deep Value stock, Volkswagen preferred (ticker: VOW3 GR).

4452 JP: Kao's second-quarter results made it clear that some of our initial KTPs were no longer valid. Specifically, we thought that Kao's premium brand names would give it strong pricing power. Kao managed to increase prices for its global brands in the U.S. and somewhat in Japan, but it actually had to lower prices in the rest of Asia. This happened because it couldn't compete with cheaper Chinese products in Asia. Not only did prices go down, but so did the sales volume. In contrast, other high-quality consumer product companies like Procter & Gamble, Nestle, Unilever, and Clorox were able to raise prices significantly with only a small decrease in sales. Therefore, following our discipline to sell when KTPs are proven invalid, we liquidated our position in Kao.

VOW3 GR: Volkswagen is a major player in the global auto industry, offering a wide range of car brands, from affordable options like Skoda, to its mass market Volkswagen brand, to upscale choices like Audi, high-performance vehicles such as Porsche and Lamborghini, and luxury cars under the Bugatti name. It's also a big player in the commercial truck business through its stake in Traton. In our opinion, the combined value of its holdings in Porsche and Traton is worth more than Volkswagen itself.

Volkswagen has a type of stock in Germany called preferred shares, which are different from the preferred shares found in the U.S. They don't come with voting rights but offer higher dividends. In Volkswagen's case, they are more liquid and usually trade at a lower price than regular common shares.

Volkswagen's stock has taken a hit recently due to increased competition in China from electric car companies like Tesla and local brands like Nio and BYD. However, Volkswagen is fighting back with its own electric vehicles. It has also invested in Chinese companies like Xpeng, FAW, and SAIC to speed up its development and production of electric cars in China. What's unique about Volkswagen is that, like Tesla, it handles nearly everything in-house, including design, software, batteries, engines, and vehicle frames.

Individual Stock Performance

Top Contributors[5] – Q3 2023	Largest Detractors – Q3 2023
Rolls-Royce Holdings (RR/ LN)	Worldline SA (WLN FP)
SLB - f.k.a. Schlumberger (SLB US)	CITIC Ltd. (267 HK)
Shell PLC (SHEL US)	Roche Holding AG (ROG SW)
KAO Corp. (4452 JP)	Philips NVR (PHG US)
Banco Santander (SAN US)	Bayer AG (BAYN GR)

Past performance does not guarantee future results. Source: Bloomberg as of 9/30/2023

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

RR/ LN: Rolls-Royce had a strong third quarter, especially after an impressive second quarter earnings report. Their turnaround has been better than we anticipated, and we now believe they can do even better than we initially thought. As a result, we've increased our estimate of what the company is worth. However, because the stock has already nearly doubled in value from its low point in October 2022, and the reward to risk ratio is less compelling, we've reduced our investment in it.

SLB: SLB (formerly known as Schlumberger) faced a setback in the first quarter but has now regained its winning position as oil prices rose. We think this success will continue for several years because the world still relies on oil and natural gas during the prolonged shift to renewable energy. SLB has already secured many long-term contracts, especially in the Middle East and deep-water locations, supporting our belief that the company's growth isn't only a short-term reaction to current high oil prices.

WLN FP: As discussed earlier, sentiment in the fintech sector has soured. Despite this, we think that Worldline's current low valuation doesn't make sense if the company can get close to meeting its management's, and our internal, expectations. Therefore, we've been increasing the Portfolio's weighting in the stock.

267 HK: CITIC Ltd. has been a good investment with a rising stock price and sizable dividends. We sold a portion of our holdings when the price was high in May and June. But lately, the stock has faced challenges due to reduced interest in investing in China and falling interest rates there. CITIC Ltd. has a big investment in CITIC Bank, and the lower interest rates are affecting its net interest margins. However, the bank is making up for it by earning more from non-interest fees. We expect this trend to continue. Also, the other parts of CITIC Ltd.'s business are doing well.

Final Comments

We appreciate your investment in Clifford Capital Partners. While the last quarter was tough, we have confidence in the Portfolio's future prospects. Our excitement stems from its current positioning, and we are invested right alongside 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

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.

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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