Clifford CAPITAL FUNDS

Clifford Capital Partners Fund

Quarterly Commentary – Third Quarter 2023

Performance Summary

	3rd Quarter 2023	Year-to-Date	*Average Annual Returns as of September 30, 2023* 1-Year	3-Year	5-Year	Inception (1/30/2014)	Total Return, Inception (1/30/2014)
Institutional Class (CLIFX)	-1.66%	-5.78%	7.17%	9.87%	4.86%	8.56%	121.14%
Investor Class (CLFFX)	-1.68%	-6.10%	6.78%	9.56%	4.60%	8.32%	116.45%
Russell 3000® Value[1]	-3.15%	1.64%	14.01%	11.17%	5.95%	7.84%	107.11%

	3rd Quarter 2023	Year-to-Date	*Average Annual Returns as of September 30, 2023* 1-Year	3-Year	5-Year	Inception (10/17/2019)	Total Return, Inception (10/17/2019)
Super Institutional Class (CLIQX)	-1.60%	-5.74%	7.29%	9.94%	n/a	6.70%	29.25%
Russell 3000® Value	-3.15%	1.64%	14.01%	11.17%	n/a	6.81%	29.64%

**Expense Ratio Gross/Net: CLIFX 1.29%/0.90%; CLFFX 1.50%/1.15%; CLIQX 1.21%/0.82%

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling (800) 628-4077.

**Clifford Capital Partners, LLC (the "Adviser") has contractually agreed to reduce fees and/or reimburse certain Partners Fund expenses until January 31, 2024.

Performance Summary and Market Observations

The Clifford Capital Partners Fund ("the Fund") was slightly negative in Q3 but performed better than its benchmark. We are encouraged by some early signs that the Fund's holdings—especially its Deep Value holdings—are starting to recover, and the market environment is no longer as sharply negative towards our investment style. However, the Fund continues to lag its benchmark so far in 2023, mostly due to its underperformance during the "bank crisis" market rotation over a 3-month period in March-May that we discussed in last quarter's letter.

While 2023 has been disappointing, we believe the difficult market environment earlier this year led to some very compelling investment opportunities, and we continue to think the future looks brighter than the recent past. We have strong conviction in the strategy's individual stocks, and we see solid long-term value in the Fund, despite some headwinds—including much higher interest rates—that we think may affect the overall stock market. Our conviction, as always, is based on the Key Thesis Points™ ("KTPs", which are long-term catalysts for fundamental improvement for every investment in the strategy) we identify through our research, which we think will move our stocks closer to our fair value estimates.

Market and Fund Observations

The biggest factor that affected the U.S. stock market in Q3, in our view, was a rapid increase in market interest rates as the Fed indicated that it was willing to hold interest rates higher than expected for longer than expected. Inflation—while tempered somewhat—has remained stubbornly high and the long-awaited U.S.

1 The Russell 3000® Value Index is a capitalization-weighted index which is designed to measure performance of Russell 3000 Index companies, respectively, with lower price-to-book ratios and lower forecasted growth values. Numbers presented include the reinvestment of dividends (total return).

recession that is expected to kill off high inflation has not materialized just yet, although we have seen signs of recessionary conditions among the companies we follow and within the communities we live in.

The increase in market interest rates that accelerated in August and September was remarkable, and stock and bond markets staggered late in the quarter as market participants contemplated the longer-term effects of higher rates. **Figure 1** shows the yield of the 10-year Treasury (a common rate used to value stocks and other financial assets) since August 1, 2010, when our firm began managing money. The 10-year Treasury has reached the highest levels, by far, since the inception of our firm, and the most recent spike took it well above levels it reached last year during a period of stress for the U.S. stock market.

Figure 1: 10-Year U.S. Treasury Yields
(August 1, 2010 – September 30, 2023)

Data Source: Bloomberg

We think stocks with lower valuations—the essence of value investing—should perform better in periods with higher interest rates. 2022 was a small example of this. When rates rose significantly during 2022, the market's more expensive stocks (Tech in particular) fell much more sharply than value stocks, and the Fund also held up better. As rates declined in early 2023 because of the regional bank crisis, this dynamic reversed, leading to strong headwinds for the Fund and value stocks overall. Now, with rates moving higher again, we've seen some signs of improvement in the performance of our individual stocks and the Fund's results.

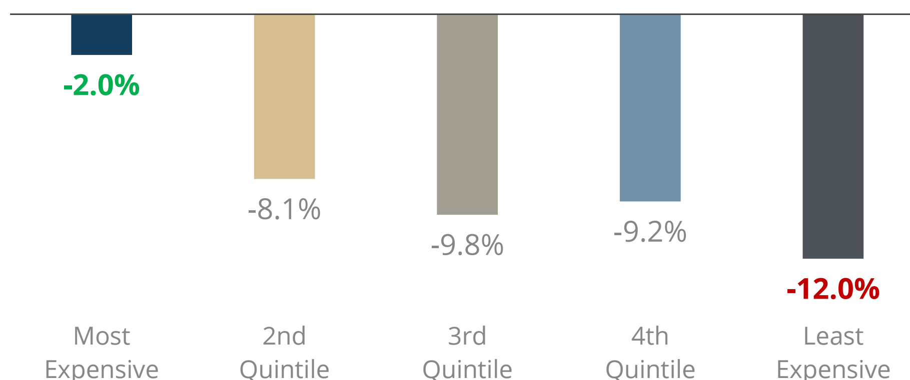
The reason we think stocks with lower valuations should outperform during periods of higher rates is attributable to relatively simple principles of finance. We think the fair value of a stock is the discounted value of all its future free cash flow. Since those free cash flows can only be estimated, investors use a discount rate to account for the uncertainty. All things equal, a higher discount rate (the 10-year Treasury is commonly used as a portion of the discount rate) equates to a lower fair value of a stock. And all things equal, if the free cash flow is lower today and higher in the future—essence of growth stocks—the value declines more sharply with higher rates than it does for stocks with more current free cash flow.

Put more simply, $100 of free cash flow received today is worth more than $100 of free cash flow received years in the future when it is discounted with a higher interest rate. So, paying less for that $100 of current free cash flow today—the essence of value investing—makes financial sense as rates increase, in our opinion.

We Think Higher Rates Have Led to Inexpensive Stocks Beginning to Outperform Expensive Stocks
Repeating some information from last quarter's commentary, we observed that during the heart of the regional bank crisis (the 3-month period from March 1 – May 31, 2023), the U.S. stock market's most expensive stocks

significantly outperformed the least expensive stocks, as measured by the Russell 3000 Index[2] (see **Figure 2**). This 3-month period also corresponded to the Fund's largest period of underperformance relative to its benchmark (CLIFX underperformed by about 7.8% during this 3-month period).

Figure 2: Performance of Russell 3000 stocks by valuation quintile during bank crisis
(March 1, 2023 – May 31, 2023)



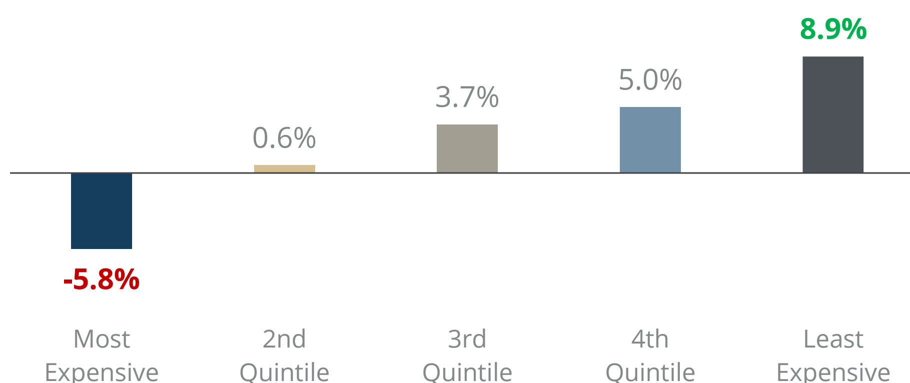
Valuation metric used was the Price to Sales ratio, which is the ratio of a company's or index's current market capitalization to its sales over the prior 12 months as of 12/31/2022. For this chart, the Russell 3000 Index was sorted by highest to lowest price to sales ratio in fifths (quintiles) for 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

As the regional bank crisis abated and interest rates began increasing, we noted that the market's least expensive stocks began outperforming (see **Figure 3**), while the most expensive stocks lagged. We think a good portion of this market action is related to the effects of higher interest rates (and discount rates that we discussed earlier), which favors cheaper stocks.

We noted that the Fund's overall performance also improved during this June 1 – September 30 period, led by its least expensive Deep Value stocks. CLIFX was up ~5.6% during this four-month period, about 2.3% higher than its benchmark.

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



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Data Source: FTSE Russell & Bloomberg

[2] 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 ~96% of the value of U.S. equities.

Higher Rates also Affected Companies with Higher Debt Loads and "Bond Proxies"

We are encouraged that the stock market is beginning to reward its least expensive constituents, but we also noted that the recent jump in interest rates had a negative effect on certain subsets of the U.S. stock market and some of the Fund's stocks.

Two notable observations were: 1) the stocks of U.S. companies with significant debt underperformed during the quarter (**Table 1**), and 2) some stocks with higher dividend yields that we think may have been used as "bond proxies" struggled as well (**Table 2**). These trends were particularly strong in August and September when market interest rates surged.

Table 1: Performance of Russell 3000 Index Stocks with Higher Debt

	Total Return (simple avg) **for Q3**	**Total Return in August & September**
Significantly Levered Stocks *(more net debt than market cap)*	-7.8%	-14.2%
Stocks with No Leverage *(more net cash than debt)*	-4.5%	-11.3%
Median Russell 3000 Stock	-5.5%	-10.7%
Russell 3000 Index *(cap-weighted, official return)*	**-3.3%**	**-6.6%**

For this table, the Russell 3000 Index constituents were ranked highest to lowest by a measure of net debt to market capitalization, as of 12/31/2022. The total return datapoints presented on the table are the average performance (simple mean) from July 1, 2023 – September 30, 2023 and August 1, 2023 – September 30, 2023, respectively for the indicated leverage segments.

The market's aversion to companies with leverage is logical as interest costs are generally increasing and existing debt will need to be repaid or refinanced at higher rates. However, we do not think all leveraged companies are created equally and we think many can handle higher rates with relative ease. Only about 14% of the Fund is invested in companies with more debt than market cap as of September 30 (and we think some of the debt is misclassified/misunderstood for some of those holdings), so our exposure to heavily indebted companies is relatively low. However, we believe these companies are among our most attractive ideas today.

As contrarian investors, we think there are solid investment opportunities in select companies that have meaningful, but manageable, debt loads, whose stock prices have fallen to compelling prices because of the market's aversion to debt in a rising interest-rate environment. Some of these stocks have underperformed recently alongside higher interest rates, but we believe our KTPs are still valid and will overcome the pressures of higher interest rates.

Table 2: Performance of Russell 3000 Index "Bond Proxy" High Dividend Yield Stocks

	Total Return (simple avg) **for Q3**	**Total Return in August & September**
Dividend Yield over 3% *(as of 12/31/22)*	-6.8%	-11.1%
Dividend Yield under 1% *(as of 12/31/22)*	-3.6%	-9.6%
Median Russell 3000 Stock	-5.5%	-10.7%
Russell 3000 Index *(cap-weighted, official return)*	**-3.3%**	**-6.6%**

For this table, the Russell 3000 Index constituents were sorted by highest to lowest dividend yield, as of 12/31/2022. The total return datapoints presented on the table are the average performance (simple mean) from July 1, 2023 – September 30, 2023 and August 1, 2023 – September 30, 2023, respectively for the indicated dividend yield segments.

We noted that stocks with high dividend yields underperformed stocks with lower yields during Q3. This was surprising because we expect stocks with higher dividend yields to hold up better in market downdrafts,

especially because they are often found among the market's more stable sectors such as health care, real estate (REITs), utilities, and consumer staples – areas of the market that are often considered 'defensive' sectors.

We think some investors have held higher dividend yielding stocks as bond proxies during the low interest rate environment over the past decade, given the generally stable fundamentals and cash flows of many of these companies. As market interest rates increased, these bond proxies became relatively less attractive, and we believe some market participants sold them and moved into bonds and cash, given higher interest rates. We attribute much of this price action to investor sentiment and positioning, rather than fundamental, observable changes in company results.

Several of the Fund's Core Value stocks in these bond proxy sectors declined more than we believed was warranted in Q3, given their solid fundamental results. We would normally expect Core Value stocks—especially those in the bond proxy sectors—to hold up well in difficult market environments, so this was a challenge for the Fund during Q3.

We think this 'bond proxy' selloff was a headwind to our Core Value stocks during the quarter and the Core Value sleeve underperformed, based on our calculations. As always, there were a few stock-specific events as well—some negative and some positive—that also affected performance results, but we attribute the majority of the quarter's underperformance in the Core Value sleeve to the 'bond proxy' dynamic.

Conclusion

We were encouraged by the Fund's improved performance versus its benchmark in Q3, and we think higher interest rates may be the catalyst needed to spur a more normalized environment for value investing. We were also encouraged that the Fund's Deep Value stocks performed relatively well in a tough market posting a positive return, based on our internal calculations, which mostly offset the losses from the Core Value sleeve, and was responsible for the Fund's outperformance of its benchmark.

We see significant value in the Fund's individual stocks today, and we remain encouraged by the progress we see towards our individual companies' KTPs, which we think will catalyze future results. We're disappointed with the modest losses in the strategy so far in 2023, but we continue to believe the long-term outlook for the Fund is very compelling.

Significant Fund Changes

There were four new additions to the Fund: Core Value stocks Walt Disney Co. (ticker: DIS – 2.48% of the Fund at 9/30/2023), Fidelity National Information Services (ticker: FIS – 3.29% of the Fund at 9/30/2023), and Kenvue Inc. (ticker: KVUE – 2.49% of the Fund at 9/30/2023), and Deep Value stock, Forward Air (ticker: FWRD – 2.75% of the Fund at 9/30/2023).

We also sold four stocks (all 4 have a 0.00% weighting at 9/30/2023): Deep Value stocks First Citizens Banc. (ticker: FCNCA) and Qurate Retail (ticker: QRTEA) and Core Value stocks AutoZone (ticker: AZO) and Haleon PLC (ticker: HLN).

Purchases

DIS: Disney's stock has been out of favor lately with a variety of industrywide, and stock-specific challenges that have led to a very attractive stock price, in our view. We think the company's Disney+ streaming segment will reach profitability sooner than expected, given a heightened managerial focus on profitability over subscriber growth. We also believe the company has extremely attractive assets that may be monetized with the proceeds used to repurchase the company's inexpensive shares. We also believe the company's brand power is still extremely strong among its family-focused consumer, despite recent challenges.

FIS: Fidelity National Information Services is a solid financial technology company with a long history in core banking services. We think its core business has attractive financial attributes including extremely high retention rates and recurring revenue streams that make its earnings more predictable than many other companies. We

think there is opportunity for meaningful debt reduction and share repurchases from the upcoming sale of a majority stake in its payment subsidiary, Worldpay. We believe the stock is very attractive today.

FWRD: Forward Air announced a transformational merger with privately held Omni Logistics during the quarter and the stock fell precipitously, leading to our buying opportunity. We think FWRD offered too high a price, but most of the deal will be financed with a fixed number of FWRD shares, so the deal price became much more reasonable after the stock had fallen. We think the merger cost synergies are easy to accomplish and should add significant free cash flow. Additionally, we think there's a possibility the merger may fail (several shareholders oppose the deal and Omni may not want the lower price, given FWRD's stock price reaction), which we think may result in a quick rebound in FWRD stock, or the potential for share repurchases at attractive levels if the stock does not rebound. We think with or without a deal, FWRD's stock is attractive today.

KVUE: Kenvue is the consumer health business that was spun out from Johnson & Johnson (ticker: JNJ – 2.94% of the Fund at 9/30/23) during the quarter. We received shares in KVUE at a discount from the spin-off and we also purchased more stock in the open market. We think the company's underperforming Beauty segment has potential for improvement over the next few years and we think the company's ample free cash flow will be used to reduce debt, which should benefit shareholders.

Sales

AZO: AutoZone is an excellent business run by capable managers and has been performing well, but we felt that its valuation more than fully reflected its qualities and we saw a few potential stumbling blocks for its business in the next couple of years, so we sold it to provide capital for more attractive ideas. AutoZone was a solid investment for the Fund.

FCNCA: We sold First Citizens near our fair value estimate in early July. The company's acquisition of the remnants of Silicon Valley Bank was very accretive, in our opinion, but also entailed significant integration risks, so we sold the stock after it had increased materially from the acquisition.

HLN: We sold Haleon stock to purchase more Kenvue, which we believe is a similar company with a more attractive valuation.

QRTEA: We sold Qurate during the quarter as the stock's significant declines—many of which were a result of supply chain issues and a fire in its largest warehouse—led to an increased risk of a highly dilutive event for common shareholders, given the company's high debt load. This was a disappointing investment for us. While we recognized the risks of buying a company with substantial debt, we did not anticipate the stock declining as much as it did. While it's small comfort, given the magnitude of recent losses in the stock, we did note that since 2020 we received over 80% of our original purchase price back in the form of special cash dividends and a preferred stock that we sold above par. This helped mitigate some of the long-term effects of the stock price decline.

Individual Stock Performance

Contributors: The two greatest contributors during the quarter were Deep Value stock Perdoceo Education (ticker: PRDO – 3.14% of the Fund at 9/30/2023) and Deep Value stock Liberty Energy (ticker: LBRT – 3.07% of the Fund at 9/30/2023).

PRDO: Perdoceo—a for-profit higher education firm—posted better-than-expected results and also initiated a substantial initial dividend. More than half of the company's market capitalization as of the end of Q3 is held in net cash and we think the company is performing well despite operating in a tough regulatory environment.

LBRT: Liberty—an oilfield services provider—is performing well and benefited from higher oil prices during the quarter. We still believe LBRT is benefiting from its bargain acquisition of Schlumberger's (ticker: SLB – 3.62% of the Fund at 9/30/2023) U.S. operations, which is manifested in the company's increasing free cash flow. Our Key Thesis Points remain valid, and we think the stock continues to be undervalued.

Detractors: The two largest detractors were Deep Value stock Big Lots (ticker: BIG – 1.44% of the Fund at 9/30/2023) and Core Value stock RTX Corp. (ticker: RTX – 2.75% of the Fund at 9/30/2023).

BIG: Even though Big Lots stock continues to languish, we saw signs of improvement in its most recent quarterly earnings report and we believe that upcoming quarters will show continued progress. Importantly, the company posted positive free cash flow in Q2 (even though it posted negative EPS) and increased its available liquidity with a sale/leaseback transaction of some of its owned real estate. We think several of the biggest issues facing the company are beginning to normalize, which should result in better results than the market currently expects. The stock has fallen more than we expected it could, given negative reported earnings and some debt, and is a relatively small position in the Fund today, but we still believe it can have a meaningful positive impact on the Fund as its results continue to show improvement.

RTX: RTX—formerly known as Raytheon—announced a costly manufacturing defect in one of its Pratt & Whitney engines during the quarter, which will result in reduced free cash flow over the next two years as they fix the issue for their airline customers' planes (we estimate the total costs to be in the range of $4-6 billion). While disappointing, we think the market reaction (stock declined 26% during the quarter – a loss of about $38 billion of market cap) was excessive for this issue, which will easily be covered with the company's ample free cash flow.

Final Comments

Thank you for your investment in the Fund. We have high conviction in the Fund's stocks, and we are invested alongside you. We appreciate your support, and we will continue to strive to prudently manage your money.

Sincerely yours,

Ryan Batchelor, CFA, CPA
Principal, Chief Investment Officer
Clifford Capital Partners, LLC

The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling (800) 628-4077, or by going to the Clifford Capital Funds website at cliffordcapfunds.com and clicking on the "Prospectus" link. Read it carefully before investing.

Fund holdings are subject to change at any time and should not be considered a recommendation to buy or sell any security.

Definitions

Core Value Stocks. Investments in companies the Adviser believes are high-quality companies that earn high returns on capital. These stocks will represent 50-75% of the Partners Fund's holdings.

Deep Value Stocks. Opportunistic investments in companies the Adviser believes are deeply-undervalued. These stocks, plus the Fund's cash holdings, will represent the remaining 25-50% of the Partners Fund.

Free Cash Flow. A measure of financial performance calculated as operating cash flow minus capital expenditures. Free cash flow represents the cash a company is able to generate after laying out the money required to maintain or expand its asset base.

Information about Risk

Risks of Investing in Equity Securities. Overall stock market risks may affect the value of the Fund. Factors such as domestic economic growth and market conditions, interest rate levels, and political events affect the securities markets. When the value of the Fund's investments goes down, your investment in the Fund 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.

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 Fund is a focused fund and generally holds stocks of between only 25 and 35 companies. Focused funds may invest a larger portion of their assets in the securities of a single issuer compared to a more diversified fund. Focusing investments in a small number of companies may subject the Fund to greater share 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 Fund's value and total return.

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

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

The Clifford Capital Funds are distributed by Foreside Fund Services, LLC, Member FINRA/SIPC