Clifford Capital Partners Fund

Quarterly Commentary – Fourth Quarter 2023

Performance Summary

	4th Quarter 2023	*Average Annual Returns as of December 31, 2023* 2023 (1-Year)	3-Year	5-Year	Inception (1/30/2014)	Total Return, Inception (1/30/2014)
Institutional Class (CLIFX)	11.53%	5.08%	6.62%	10.55%	9.53%	146.62%
Investor Class (CLFFX)	11.49%	4.68%	6.33%	10.28%	9.29%	141.31%
Russell 3000 Value[1]	9.80%	11.61%	8.78%	10.82%	8.64%	127.41%

	4th Quarter 2023	*Average Annual Returns as of December 31, 2023* 2023 (1-Year)	3-Year	5-Year	Inception (10/17/2019)	Total Return, Inception (10/17/2019)
Super Institutional Class (CLIQX)	11.61%	5.20%	6.70%	n/a	9.10%	44.25%
Russell 3000 Value	9.80%	11.61%	8.78%	n/a	8.76%	42.35%

**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) 673-0550.

**Clifford Capital Partners, LLC (the "Adviser") has contractually agreed to reduce fees and/or reimburse certain Partners Fund expenses until January 31, 2025.

Performance Summary and Market Observations

The Clifford Capital Partners Fund ("the Fund") had a strong final quarter of 2023, outperforming its benchmark. For the full year, however, the Fund lagged its benchmark due to the very difficult start to the year during the regional bank crisis and the accompanying market rotation away from smaller companies and less expensive stocks (both areas the Fund was highly exposed to). During the final 7 months of the year, market conditions meaningfully improved for small-cap stocks and the least expensive stocks, which was an encouraging development for the Fund, and a hopeful sign for 2024 and beyond.

While the year ended well, 2023 was not a period of smooth sailing. The first 5 months were difficult, primarily due to the regional bank crisis that dominated the 3-month period of March 1 – May 31. Then the final 7 months of the year were much improved, even though there was a sharp market drop during the 3-month period of August 1 – October 31 (a period when the Fund outperformed its benchmark by ~1.3%).

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).

Table 1: Fund and Benchmark Performance

	Jan 1 – May 31	June 1 – Dec 31	Full Year 2023
Fund (CLIFX – Inst. Class)	-10.78%	17.78%	5.08%
Russell 3000 Value Index	-1.65%	13.48%	11.61%
Difference	-9.13%	+4.30%	-6.52%

Source: FTSE Russell and Bloomberg Finance L.P.

Interest rates, inflation, and speculation about the Fed's intentions for monetary conditions were the primary driver of the U.S. stock market in 2023, in our view. However, we were encouraged to see that individual company fundamentals seemed to carry more weight in late 2023 than we've witnessed in the recent past.

We've observed recently that some stock-specific events such as strong earnings reports, strategic transactions, and activist investor engagement are beginning to have longer-lasting positive effects on stock prices. We noted that several positive stock-specific events seemed to be ignored or overlooked during the regional bank crisis earlier this year, and at other times when large cap technology stocks led the U.S. stock market over the past few years. Given our high conviction, concentrated 25-35 stock portfolio, we expect stock-specific events to account for most of our long-term performance results, so we're encouraged that we're starting to see more company-specific moves, rather than whatever trade is currently the most popular in the market.

We believe the Fund's holdings have compelling valuations and solid prospects, which we expect to be recognized over time by market participants. We saw some of this in 2023 and we're hopeful that 2024 will continue this trend.

Quarterly Market and Fund Observations

The biggest story during the quarter was an improvement in U.S. inflation and signals from the Fed in early November that they are finished raising interest rates and will likely begin cutting rates in 2024. Just one quarter ago, we wrote about how market interest rates had spiked higher, and the stock market was deeply concerned about interest rates and inflation remaining "higher for longer". This negative sentiment rapidly reversed into exuberance in early November. Stock and bond prices leaped upward (i.e. bond yields declined – see **Figure 1**) in November and December, fully offsetting weakness in the months preceding Q4 when bond yields spiked, and stocks shuddered.

Figure 1: 10-Year U.S. Treasury Yields

This "Fed is Done" rally in the last two months of 2023 was rapid and violent to the upside and was broadly positive to the market and the Fund, but it particularly benefited some of the market's weakest companies. For example, within the Russell 3000 Index[2], which is a proxy for the entire U.S. stock market, unprofitable companies and companies with significant leverage strongly outperformed the overall index during the last two months (see **Table 2**). We think these types of companies are more sensitive to interest rates (and are generally riskier), so we see logic in the market's reaction to the expectation of looser financial conditions. However, similar to the interest-rate driven selloff in August – October, we attribute much of this market price action to knee-jerk investor sentiment and positioning, rather than fundamental, observable changes in company results.

Table 2: Riskier Companies Outperformed in November and December

	Total Return in Nov. and Dec. 2023
Unprofitable Companies* *(stocks with negative 12-month profit margin)*	32.4%
Highly Levered Companies** *(companies with more net debt than market cap)*	28.1%
Median Russell 3000 Stock	20.5%
Russell 3000 Index *(cap-weighted, official return)*	15.1%

* Companies within the Russell 3000 Value index as of 12/31/22 that had a negative reported trailing 12-month profit margin as of December 31, 2023.

** 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 are the average performance (simple mean) from November 1 – December 31, 2023 for the indicated dataset.

Source: FTSE Russell & Bloomberg Finance L.P.

Even though we think the market's initial reaction to the prospect of lower interest rates was disproportionately beneficial to lesser-quality companies, we believe lower market interest rates would be helpful to a broad swath of U.S. stocks, including higher quality companies. So, we expect markets to differentiate between companies more idiosyncratically now that the initial "relief rally shock" has been recognized.

Looking Back and Looking Forward. Interest rates and inflation were the story over the past two years, will 2024 be known as the year of the deal?

Looking Back: In our Q4 commentary two years ago, we observed how growth stocks were much more popular than value stocks and how a large portion of the stock market looked historically expensive to us. We believed at the time that higher interest rates, potentially driven by sticky inflation, could also be a future benefit to less expensive stocks. While this seemed like a prediction, it was really just an observation that inflation was already baring its teeth and that the Fed would likely be forced to confront it with higher interest rates. Quoting from that Q4 2021 commentary:

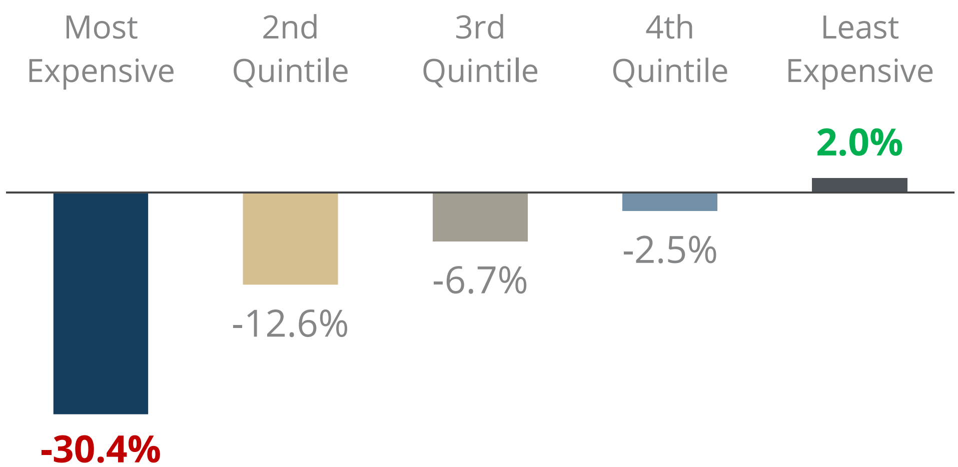
> *We've also discussed in prior letters how we think some of the market's preference for growth stocks was due to a long period of low interest rates, led by loose monetary policies and conditions. We believe that higher interest rates (perhaps driven by inflation and the Fed's reaction to inflationary pressures) could increase investor interest in investments trading at reasonably low multiples to current, or near-term cash flows, rather than stocks trading at high multiples of cash flows that are lower (or nonexistent) today but are expected to grow rapidly in the future. We believe the former is a decent description of a "value" stock while the latter is a reasonable description of a "growth" stock.*

As shown earlier in **Figure 1**, market interest rates indeed rose significantly, and interest rates and inflation were the dominant theme over the past two years. During this two-year period, the market's most expensive

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.

stocks struggled while the cheapest stocks outperformed, as measured by Russell 3000 Index constituents (see **Figure 2**).

Figure 2: Performance of Russell 3000 stocks by valuation quintile over the last two years
(January 1, 2022 – December 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 12/31/2021. 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 92% of total Index constituents were included). The datapoint presented on the chart is the median performance from Jan. 1, 2022 – Dec. 31, 2023 of the stocks within each quintile (~563 stocks per quintile).

Source: FTSE Russell & Bloomberg Finance L.P.

Even including the last two months of 2023 when the market's most expensive quintile was the strongest performing subset of the Russell 3000, cheaper stocks meaningfully outperformed more expensive stocks over the last two years during a period of higher interest rates.

We think the data in **Figure 2** may be surprising to many stock market observers because it has been mostly obscured by a handful of relatively expensive, mega cap technology stocks that have performed spectacularly well in 2023. Namely, the "Magnificent 7": Apple (ticker: AAPL), Alphabet/Google (tickers: GOOG and GOOGL), Amazon.com (ticker: AMZN), Meta Platforms (ticker: META), Microsoft (ticker: MSFT), Nvidia (ticker: NVDA), and Tesla (ticker: TSLA) – none of which are owned by the Fund as of December 31, 2023. Despite the rally in 2023 among these select behemoths, many of the market's most expensive stocks at the end of 2021 still have a long way to go to make up for their losses over the past two years.

We think the Fund also benefited somewhat from this move towards the market's cheapest stocks, but we believe we should have done better. During this two-year period, the Fund was up about 1.0% (CLIFX total return from 12/31/21 – 12/31/23), about 1.7% lower than its benchmark. There were a few individual stocks that materially detracted from the Fund's performance over the past couple of years. Despite these laggards (most of which we still own and have high conviction in), we've felt the underlying positive effects of improved market sentiment towards our strategy and style in the recent past, and we're very encouraged about the Fund's prospects. 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 their fair value estimates.

Looking Forward: We believe there will be a significant increase in shareholder activism and mergers and acquisition ("M&A") activity in the U.S. stock market and among the Fund's holdings over the next few years. And we wouldn't be surprised to see several deals among the Fund's holdings in 2024. Given the market's almost universal consensus that the Fed has finished its interest rate increase cycle, we think private equity and other strategic and financial investors will be more emboldened to engage in M&A because the costs of financing should be much less uncertain. Of course, there is always a risk that interest rates and debt markets may not cooperate as smoothly as the market expects (the last several years have provided many surprises that upended capital markets!), but we do think the odds are very high today that the Fed won't be aggressively raising rates anytime soon.

By our reckoning, the debt markets were essentially frozen at least four times over the past two years because of various factors: the Russian invasion of Ukraine in early 2022; high inflation leading to several aggressive federal funds rate increases (0.50% twice and 0.75% four times) beginning in May 2022 through the end of the year; the regional bank crisis in early 2023; and a sudden rise in long-term interest rates in the late summer/early fall of 2023. Additionally, we felt an underlying fear in the market that inflation may spiral, and the Fed might become even more aggressive, which had a chilling effect on deal making.

Now, we think that even if the Fed does not cut rates in 2024, buyers will have more confidence to do M&A because there is little perceived risk of a rapid increase in interest rates. Rate stability is good enough, in our opinion, to keep the debt markets open for business.

We have already seen evidence in early 2024 of an increase in announced M&A, and we recently read that global shareholder activism reached an all-time high in 2023, so we think there are already a lot of agitators for change receiving attention in corporate board rooms today.

Almost half of the Fund's individual stocks have either a rumored or confirmed activist investor presence or M&A interest as of the end of 2023. As such, we would not be surprised to see an increase in deals in 2024 and beyond, which we would expect to be a benefit to the Fund, assuming the deal prices are reasonably close to our fair value estimates.

We believe our investment process of seeking companies trading at a discount to a reasonable fair value estimate coupled with KTPs, is a similar process employed by many private equity firms and other M&A buyers. As such, we're not surprised that many of our holdings are being targeted by activists or potential buyers. To be clear, we never have a KTP that is predicated, or dependent, on the speculation of M&A. Our KTPs are catalysts that we've identified that we think will improve the fundamentals of the companies we invest in (e.g. higher cash flows, higher earnings per share[3], improved balance sheet), which we think will subsequently improve their stock prices. We simply believe these KTPs and attractive valuations may entice other investors—including those who prefer M&A.

Conclusion
While 2023 was a tough year overall, we were happy that it ended better than it began, and we're encouraged by the Fund's potential coming into 2024. We see strong value in the Fund's investments today, and its individual stocks each have KTPs that we believe will translate into better future results and potentially accretive M&A transactions.

Significant Fund Changes

There were two new holdings in the Fund, and we completely sold one stock. NCR Corporation split into two separate publicly-traded Deep Value companies: NCR Atleos (ticker: NATL – 3.62% of the Fund at 12/31/23), which we retained as a new holding, and NCR Voyix (ticker: VYX – 0.00% of the Fund at 12/31/23), which we sold. We also added a new position in Core Value stock Pfizer (ticker: PFE – 2.59% of the Fund at 12/31/23).

Purchases
PFE: Pfizer's stock was significantly out of favor in 2023 as this pharmaceutical giant struggled with reduced demand for its Covid vaccines and related drugs, and market skepticism about its growth prospects. We think the company's aggressive cost cuts (~$4B) provide it with capital to fund promising new cancer treatments for its recently acquired Seagen business, and cushion to meet its modest earnings guidance. We believe Pfizer remains one of the best pharmaceutical businesses in the world and the skepticism around its stock was excessive, leading to an attractive buying opportunity.

3 A company's net profit divided by outstanding shares of its common stock.

NATL: This position was added because of a split-off rather than a new purchase, but we also added to the Fund's position in NCR Atleos during the quarter, based on our belief that the company has several avenues for future growth. Atleos is the ATM-focused business of legacy NCR Corp., an area that produces significant cash flow. We believe the company's ATM-as-a-service business has strong potential to increase cash flow and margins over time, and we also expect significant debt repayment that should benefit shareholders.

Sales
VYX: NCR Voyix is the self-checkout and restaurant management software business of legacy NCR Corp. We think this is a decent business, but we did not identify enough Key Thesis Points to justify continuing to own it.

Individual Stock Performance

Contributors: The two greatest contributors during the quarter were Deep Value stock Pitney Bowes (ticker: PBI – 4.70% of the Fund at 12/31/2023) and Core Value stock Westamerica Bancorp (ticker: WABC – 3.73% of the Fund at 12/31/2023).

PBI: Pitney Bowes announced early in the quarter that its embattled CEO would be stepping down, which was one of the key steps desired by the new members of the board of directors, who are part of an activist investor group that is one of the largest shareholders of the company. The company's most recent earnings report also showed signs of progress.

WABC: Westamerica Bancorp continues to post strong earnings results as a direct result of the company's funding cost advantages over other regional banks, and its low exposure to riskier loans. We think WABC is much different—and much higher quality—than most of its regional bank peers.

Detractors: The two largest detractors were Deep Value stocks Schlumberger (ticker: SLB – 2.40% of the Fund at 12/31/2023) and Forward Air (ticker: FWRD – 2.25% of the Fund at 12/31/2023).

SLB: Schlumberger declined during the quarter alongside oil prices. Oil prices have been volatile lately because of geopolitical concerns and economic concerns. We think fossil fuel production trends—the key driver of SLB's business—should remain relatively robust because energy companies have been less enthusiastic than normal during this most recent up cycle, so we expect a less volatile "boom and bust" cycle for energy.

FWRD: Forward Air—a relatively new holding to the Fund—modestly declined during the quarter as there is still significant uncertainty over its pending merger with privately-held Omni Logistics. While the original terms of the deal were untenable, in our view, we think the significant drop in FWRD's stock before we purchased it significantly reduced the dilution of the transaction. As such, we would prefer the deal not to occur, but even if it does, we think FWRD's stock is very attractive today.

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) 673-0550, 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