Clifford Capital Partners Fund

Quarterly Commentary – First Quarter 2024

Performance Summary

		Average Annual Returns as of March 31, 2024					
	1st Quarter 2024	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**Inception** (1/30/2014)	**Total Return, Inception** (1/30/2014)
Institutional Class (CLIFX)	1.10%	12.49%	1.25%	7.19%	8.68%	9.41%	149.34%
Investor Class (CLFFX)	1.00%	12.21%	0.96%	6.91%	8.43%	9.16%	143.73%
Russell 3000 Value[1]	8.62%	20.15%	7.70%	10.15%	8.84%	9.30%	147.01%

		Average Annual Returns as of March 31, 2024					
	1st Quarter 2024	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**Inception** (10/17/2019)	**Total Return, Inception** (10/17/2019)
Super Institutional Class (CLIQX)	1.09%	12.56%	1.33%	n/a	n/a	8.84%	45.83%
Russell 3000 Value	8.62%	20.15%	7.70%	n/a	n/a	10.29%	54.62%

**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.

Fund and Market Observations

The Clifford Capital Partners Fund ("the Fund") had a challenging first quarter in 2024, significantly underperforming its benchmark, which also downwardly affected longer-term results. The underperformance during the quarter was due about equally to 1) some disappointing stock outcomes (discussed in the Significant Fund Changes section), and 2) some unusually strong market influences/factors that were contrary to our investment style and positioning.

While we are disappointed in this quarter's performance, we've seen this type of market action before, and it typically results in many of our favorite names becoming even more deeply undervalued, leading to stronger future results. We believe this time is no different. When the market's winds are blowing strongly against us, we strive to ensure that the course we've charted is still valid, make any corrections necessary, and then hold onto the wheel with resolve. We still have strong conviction in the Fund's investments today, and believe the Fund is positioned for better long-term results.

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, and it carried over into 2024. There was significant investor excitement coming into the year with expectations of as many as six Fed cuts potentially happening in 2024. As inflation numbers remained stubbornly high in early 2024, the odds of significant Fed cuts have dampened, but U.S. stocks continued to rally in the first quarter.

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).

However, unlike the broad-based rally of Q4 2023, stock market strength at the start of 2024 was mostly concentrated in large cap stocks (especially stocks with ties to generative AI), and stocks with strong recent price momentum (the "Momentum" factor).

The Momentum Market

There are many different iterations and measurements of the Momentum factor, but the simplest definition—and a good representation of what we saw driving markets in Q1—is how well a stock has performed relative to its benchmark over the last 12 months, ignoring the last month's results (Bloomberg's calculation). In other words, when Momentum is a strongly performing factor, it means the stocks that have increased the most over the last year are the same ones that continue to do well – price gains leading to more price gains. In early 2024, we noted that it was the stocks with the highest Momentum scores (the stocks that did the very best in 2023) that outperformed the most in the overall stock market and within our benchmark.

The fundamental logic of this type of trading factor doesn't make a lot of sense to value investors like us because a higher price almost always equates to a riskier investment, but Momentum is a well-known and historically strong performing factor.

The Momentum factor had an unusually strong effect on U.S. stock markets in the first quarter – the strongest we can recall at Clifford Capital. Here are a few samples of what we've seen and read about the magnitude of the Momentum factor's outperformance of the overall market during Q1 2024:

- Strongest outperformance in about 30 years;
- Outperformance in the 98th percentile of its long-term history over any 3-month period;
- Hedge fund exposure to Momentum stocks is at all-time highs (going back over 20 years);
- Record high (99th percentile) "crowding" of Momentum stocks among momentum factor investors (i.e. Momentum investors own a record amount of the same stocks).
- MSCI Momentum Index[2] increased 20.3% in Q1, more than double the broad U.S. stock market[3]

Without question, Momentum was a meaningful factor in U.S. stock markets in the first quarter – to an almost unprecedented extent.

Why Did the Fund Underperform in a Momentum Market?

A common algorithmic or factor trading strategy among large hedge funds and other trading-focused investors is what we'll call the "Momentum Trade", which is buying stocks that score highly on the Momentum factor and selling or short selling stocks that score lower on the Momentum factor. When the Momentum Trade is popular, it creates a uniquely challenging environment for Clifford Capital's investment style. Borrowing from our commentary back in the third quarter of 2017, another period when Momentum had been a strong factor:

> Our value investment style at Clifford Capital (especially our buy discipline) is the antithesis of momentum investing. Most momentum investing is based primarily on continuation of short-term trends and how a stock's price has been doing: strong price momentum stocks will be bought, and weak price momentum stocks will be shorted. A stock's price momentum is the most important factor, and its valuation is a secondary consideration.
>
> Valuation is critical to us. Specifically, the relationship between price and value is central to our philosophy and process: we are looking for mispriced stocks where prices are significantly lower than a reasonable estimate of fair value. We typically buy stocks when they are temporarily downtrodden and have lower investor/trader expectations than what we believe—through our proprietary research and analysis—is reasonable. We also become concerned when price momentum becomes strong in our investment holdings and stock prices rise above what we believe they are worth, leading us to trim or sell.

---

[2] MSCI USA Momentum Index is designed to reflect the performance of an equity momentum strategy by selecting stocks with high price momentum, which are selected from the MSCI USA Index, an index of large and midcap U.S. stocks.

[3] The Russell 3000 Index, a proxy for the broad market, increased 10.0% during Q1 2024. 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.

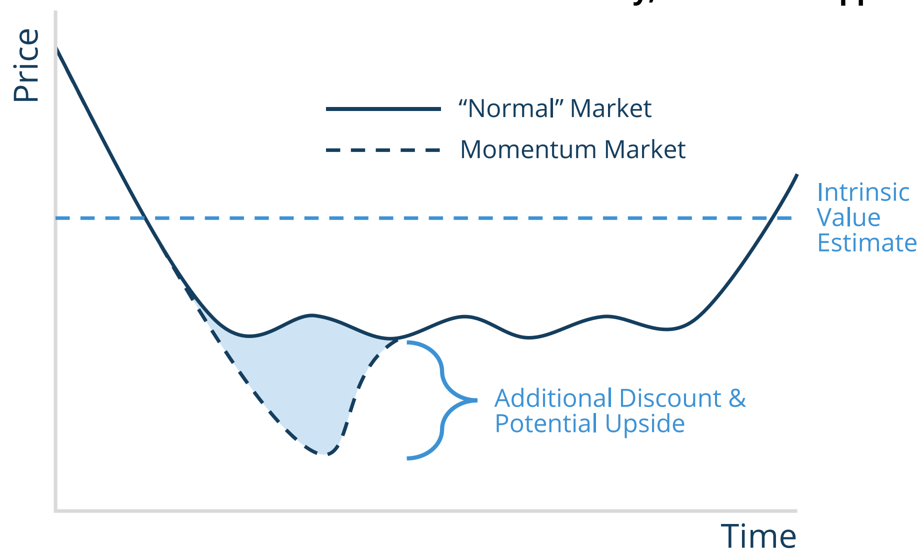
> In short, we are very sensitive to the relationship between price and value and generally believe that investment risk and prices move in opposite directions. Conversely, momentum investing is characterized by the expectation that strong stock price momentum will be sustained – strength begets strength, or 'buy high and sell even higher'.
>
> Our conviction and our investment discipline is based on the belief of buying low (when stocks trade at discounts to our estimates of fair value) and selling high (when those discounts are no longer present).

Simply put, when Momentum is a major factor in the stock market, we would expect to lag when it is strong, and outperform when it is weak, given our price/value discipline. Conversely, we believe that when momentum stocks lose their luster, the Fund will shine more brightly.

It is worth repeating that the Momentum Trade often involves selling or shorting stocks with negative momentum (not just buying stocks with positive momentum). So, in Momentum-driven markets we've observed that out of favor stocks often fall more sharply than we would normally expect them to, sometimes dropping beneath even our most bearish estimates. This can result in investments that we believe are already undervalued falling to even deeper discounts to our fair value estimates. Because price matters more than value in Momentum markets, the cheap get cheaper while the dear become dearer.

While this may be frustrating to our short-term performance results, it also leads to the potential for higher potential upside, assuming our estimated fair value has not changed (see **Chart 1** as an illustration).

Chart 1: Momentum Markets Can Lead to Volatility, But Better Opportunities



For illustration purposes only.

To quantify the effects of the Momentum factor on the Fund's first quarter results, we found the Bloomberg momentum score for every Fund holding and segmented it by its relative strength. As we expected, stocks with the highest Momentum scores outperformed, while low Momentum stocks lagged, which dragged down the Fund's overall results. (see **Table 1**)

Table 1: Low Momentum Stocks Dragged Down the Portfolio in Q1

(performance for the period January 1, 2024 – March 31, 2024)

	Average Fund Weight	Fund Average Total Return	Bloomberg 3000 Value Index[4] Total Returns
Strong Momentum[5] stocks	26.2%	10.3%	9.3%
Unexceptional Momentum stocks	36.4%	2.8%	1.8%
Weak Momentum stocks	37.4%	-7.8%	-3.0%

Source: Bloomberg Finance L.P. and Internal Calculations

Why Do We Believe Momentum Won't Continue to Dominate?

We think it's improbable that Momentum will continue to have as much strength as it did in the first quarter. The magnitude of Momentum's outperformance was abnormally high (see the bullet point statistics shown above), so statistically speaking, the odds of it repeating are naturally low. This is especially true, in our opinion, now that we've seen an abundance of articles and research highlighting how strong the Momentum factor has been, which we think will lead the sophisticated practitioners of Momentum trading (i.e. big hedge funds) to start reducing their exposure before there's a potential 'rush for the exit'.

More importantly, we think many of the market's highest Momentum stocks have become very expensive[6], especially in the face of stickier than expected inflation and potentially a less accommodative Fed policy, both of which are enemies to expensive (high valuation multiple) stocks where cash flows in the future matter more than current cash flows. We think the conditions that lead to Momentum stocks performing well (high investor expectations and excitement, strong recent gains, and a general apathy to valuation levels) often result in overvalued stock prices, which are dangerous to the long-term investor.

We believe the danger of overvaluation is real even when (or maybe *especially* when) there is an exciting new technological advancement or disruptive product leading to the 'next big thing', such as generative artificial intelligence ("AI") and GLP-1 weight loss drugs today. We've seen that excitement over the very real potential of these developments often leads to speculative fervor and a rise in Momentum trading. It's hard to argue against the logic of the enthusiasm—these products/services have the potential to change our lives—but we believe investor expectations often overshoot the eventual economic realities that eventually face every company in our hyper-competitive business world.

Large Caps Led the Charge

Finally, we also observed that Momentum was strongest among the market's large cap stocks in the first quarter. And even ignoring the Momentum factor within it, higher market cap size was the second strongest performing market factor during the quarter. Large caps were simply the place to be in early 2024. (see **Table 2**)

4 Bloomberg US 3000 Value index provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth. Clifford Capital notes that the Bloomberg 3000 Value index is a reasonable proxy for the Russell 3000 Value index with similar performance and constituent characteristics.

Total returns for the Strong and Weak Momentum Stocks within the Bloomberg 3000 Value index represent the highest and lowest quintile returns as calculated by Bloomberg, and the total return for the Unexceptional Momentum Stocks represents the simple average returns of the 2nd through 4th quintiles.

5 Using Bloomberg Finance LP's factor analysis (TLTS function) for each holding as of April 11, 2024, looking at the overall Momentum score. Deviations from the Russell 3000 Value benchmark greater than or less than 0.50 standard deviations were considered "strong" and "weak", respectively.

6 At March 31, 2024 the MSCI USA Momentum Index traded at a price to earnings ratio of 35.0 compared to the Russell 3000 Value at 18.5 and a price to book ratio of 7.97 compared to 2.49, respectively. Price to Earnings Ratio is used to compare a stock's market price to its earnings per share. It is calculated by dividing the current price of the stock by the last 12 months' earnings per share. Price to Book Ratio is 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.

Table 2: Large Cap Stocks Outperformed Small Cap Stocks in Q1

(performance for the period January 1, 2024 – March 31, 2024)

	Total Return *(official)*	Equal Weighted Total Return *(average stock)*
Bloomberg 1000 Value Index[7] *(large cap value proxy)*	9.4%	7.2%
Bloomberg 2000 Value Index[8] *(small cap value proxy)*	2.0%	-0.6%

Source: Bloomberg Finance L.P. and Internal calculations

As we've discussed in the past, we think smaller-cap stocks are poised to outperform larger stocks over the next several years, so we believe there will be an eventual change in leadership. We won't rehash the arguments that we've made in recent commentaries, but we still firmly believe that smaller-cap companies trade at much lower valuations than large cap stocks, and their prospects are as good or better as most larger companies.

A potential catalyst to cast a spotlight on the attractive valuations of smaller companies is mergers and acquisition activity, which we expect to occur over the next several years at substantial premiums to their current stock prices. For the Fund's stocks, we've also identified Key Thesis Points that we believe will improve the fundamentals of the businesses we've invested in, leading to improved performance and improved valuation levels.

The Fund continues to be positioned toward smaller-cap companies. As of March 31, 2024, about 38% of the Fund is in companies smaller than $15 billion market cap and almost 2/3 of the strategy has a market cap below $50 billion. We continue to find more attractive value in the market's smaller companies today, and we are positioned to take advantage of it.

Conclusion

It was a difficult quarter for the Fund and our investment strategy. The Fund did not keep up with a strong Momentum and large cap-driven market, and there were some individual stocks (discussed below) that we wish we would have avoided. That said, we've been through this type of environment before, and we're very encouraged by the substantial value we see in the Fund's holdings. In many cases, the factor trades that dominated the market in the first quarter have led to even more attractive potential for our holdings, in our opinion, so we see solid value in the Fund today. Importantly, we also believe that the Fund is very well positioned for an eventual reversal in the Momentum trade (in many ways we resemble an anti-Momentum strategy), in which we would expect the Fund to outperform.

Significant Fund Changes

There were three new holdings added to the Fund, and we completely sold five stocks. The additions were all Deep Value stocks: Glacier Bancorp (ticker: GBCI – 2.88% of the Fund at 3/28/24), Green Plains (ticker: GPRE – 1.84% of the Fund at 3/28/24), and Walgreens Boots Alliance (ticker: WBA – 2.77% of the Fund at 3/28/24).

We sold four Deep Value stocks: Big Lots (ticker: BIG – 0.00% of the Fund at 3/28/24), Compass Minerals (ticker: CMP – 0.00% of the Fund at 3/28/24), CVB Financial (ticker: CVBF – 0.00% of the Fund at 3/28/24), and Forward Air (ticker: FWRD – 0.00% of the Fund at 3/28/24) as well as Core Value stock Westamerica Bancorp. (ticker: WABC – 0.00% of the Fund at 3/28/24).

7 Bloomberg US 1000 Value Index provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth from within the Bloomberg US 1000 Index, which is a market-cap weighted benchmark of the 1000 highest market cap US companies.

8 Bloomberg US 2000 Value Index provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth from within the Bloomberg US 2000 Index, which is a market-cap weighted benchmark of the lower 2000 smallest market cap US companies from within the Bloomberg US 3000 Index.

Purchases
GBCI: Glacier is a conglomeration of smaller community banks spread throughout the Western U.S. and we think it is one of the best regional banks in the country with a strong operational and credit culture (especially important today, given concerns over commercial real estate loans). Unlike the two banks we sold during the quarter (CVBF and WABC), we think GBCI would benefit significantly from stable or lower Fed Funds rates, and we think earnings are poised to grow significantly over the next few years. Additionally, Glacier has a long—and successful—history with small bank acquisitions, which we think will accelerate in a profitable way over the next several years.

GPRE: Green Plains is the fourth largest ethanol producer in the U.S., but our investment thesis revolves around recent innovations that are producing higher-value products than its core ethanol business. We see four different potential paths for these new products, which should allow the company to significantly increase its profitability. Each path has the potential to roughly double the company's profit potential, so we're encouraged by the odds of success, given the company's options.

WBA: Walgreens and its pharmacy peers have been in the market's doghouse, given uncertainty about the future of the pharmacy reimbursement model and weakness in the retail segment of the pharmacy stores. We think highly of the company's new CEO, who we think is preparing the company to adapt to reimbursement changes, and planning several strategic opportunities that we think will meaningfully improve the company's financial position and its earnings trajectory. We also expect the company to spin-off or sell the Boots business (UK-based pharmacy and retail stores) in the next couple of years, which should provide significant cash to pay down debt.

Sales
BIG: Big Lots was one of three stocks we sold this quarter (CMP and FWRD are the other two) that we consider to be investment mistakes. We had expected significant improvements in the company's business to begin in the second half of 2023 leading to much better earnings and cash flows, and while we did witness incremental improvements, they simply weren't large enough to meaningfully improve the company's financial health. Additionally, events occurred in the first quarter that led us to lose trust in the senior management team, and we sold the stock shortly thereafter.

CMP: Compass Minerals was another disappointing investment for the Fund. Two of the company's most promising initiatives (Lithium extraction from the Great Salt Lake, and a nascent fire retardant business that was a viable competitor to a legacy monopoly that supplied the U.S. Forest Service) were both shuttered during the quarter. Investments in these two initiatives resulted in the remainder of Compass (deicing salt and specialty fertilizer – both excellent businesses) being saddled with excess debt and an uncomfortable financial position. Given the balance sheet weakness and lack of strategic flexibility, we sold the stock. We think the company will likely eliminate its dividend and focus on paying down debt for the next several years, which will take time.

FWRD: Forward Air was relatively new to the Fund and turned out to be a quick disappointment. Forward Air's controversial acquisition of Omni Logistics—that led to what we believed to be a solid investment opportunity—was consummated in the first quarter of 2024 for a lowered price. However, despite the lower value of the deal, it ended up being much more value-destructive than we—and the market—expected, leading to a significant market price decline and the CEOs of both companies losing their jobs. The company's balance sheet went from extremely strong to very weak overnight because of the deal and the earnings power of the combination appears to be much less attractive than originally believed. As such, we sold the stock as soon as these new revelations came to light.

CVBF: CVB Financial was a profitable, but unspectacular, long-term investment for the Fund. After a significant recovery from the regional bank crisis lows in 2023, we sold CVBF in early 2024 as we believed the company would be less likely to benefit from a flat, or lower, interest rate environment because its high-quality low-cost deposit base is more of a competitive advantage in a higher interest rate environment. We also believed that despite being an excellent underwriter with a solid credit history, continued concerns about commercial real estate could be a near-term headwind to the stock.

WABC: Similar to CVBF, Westamerica has a tremendously low-cost deposit base (lowest in the country), that becomes relatively less valuable as interest rates flatten or decline. The company's earnings grew strongly in 2022 and 2023, but we expect less impressive future results, so we moved on. The stock was a profitable long-term investment for the Fund.

Individual Stock Performance

Contributors: The two greatest contributors during the quarter were Core Value stocks Walt Disney Co. (ticker: DIS – 4.21% of the Fund at 3/28/24) and American Express (ticker: AXP – 5.15% of the Fund at 3/28/24).

DIS: Disney has shown substantial improvements in its earnings and cash flows in recent quarters, and we believe pressure from activist investors has led to increased focus on operational excellence, including significant expense savings. We continue to think the company's streaming business will be profitable in the next 12-18 months, leading to substantial earnings growth.

AXP: American Express has performed well since the global pandemic with better-than-expected spending growth leading to higher-than-expected earnings. Its well-heeled customer base is also holding up well economically, so credit losses remain very low, despite expectations for the contrary.

Detractors: The two largest detractors were Deep Value stocks Forward Air (ticker: FWRD – 0.00% of the Fund at 3/28/24) and Big Lots (ticker: BIG – 0.00% of the Fund at 3/28/24). Both of these were discussed in the Significant Fund Changes section above.

Final Comments

Thank you for your investment in the Fund. This was a difficult quarter for sure, but we remain encouraged for the future. 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