Quarterly Portfolio Commentary – First Quarter 2024
Clifford Capital Focused Small Cap Value Portfolio

Summary of the *Focused Small Cap Value Portfolio* Composite Historical Return* (unaudited)

	1st Quarter 2024	1-year	3-year, annualized	5-year, annualized	Since Inception**
Portfolio, gross[1]	-7.86%	12.35%	-0.72%	6.28%	9.19%
Portfolio, net	-8.07%	11.37%	-1.56%	5.36%	8.23%
Russell 2000 Value, total return	2.90%	18.69%	2.17%	8.13%	9.14%

* Individual account performance will differ from the overall Composite.
** Inception Date: April 1, 2016, annualized
Past Performance does not guarantee future results.

Portfolio and Market Observations

The Clifford Capital Focused Small Cap Value Portfolio ("the Portfolio") had a very challenging first quarter in 2024, underperforming its benchmark, which also downwardly affected longer-term results. About one third of the underperformance during the quarter was due to a few disappointing individual stock outcomes (discussed in the Significant Portfolio Changes section). We think the remainder of the underperformance was attributable to some unusually strong market influences/factors that were contrary to our investment style and positioning.

The two strongest market factors during the quarter were Momentum (market outperformer) and Leverage (market underperformer). The Portfolio had relatively low exposure to Momentum and relatively high exposure to Leverage during the first quarter, which we think had a large influence on the Portfolio's underperformance. To be clear, these were intended exposures (our process is inherently anti-Momentum and we see a unique opportunity in some companies with meaningful, but manageable, debt), but these factors were unusually strong during the quarter, leading to a more difficult performance environment than we would have expected.

While we are certainly 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 Portfolio's investments today, and believe the Portfolio 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 Portfolio, gross return represents the performance results for the Focused Small Cap 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 Focused Small Cap Value composite is the Russell 2000 Value index. This index is a capitalization-weighted index which measures the performance of Russell 2000 index companies, respectively with lower price-to-book ratios and lower forecasted growth values. 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.

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). We also noted that within the small cap value universe, companies deemed to have significant leverage (the "Leverage" factor) underperformed during the quarter. These were challenging market conditions for the Portfolio during the quarter.

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 Portfolio 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

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.

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.

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'.

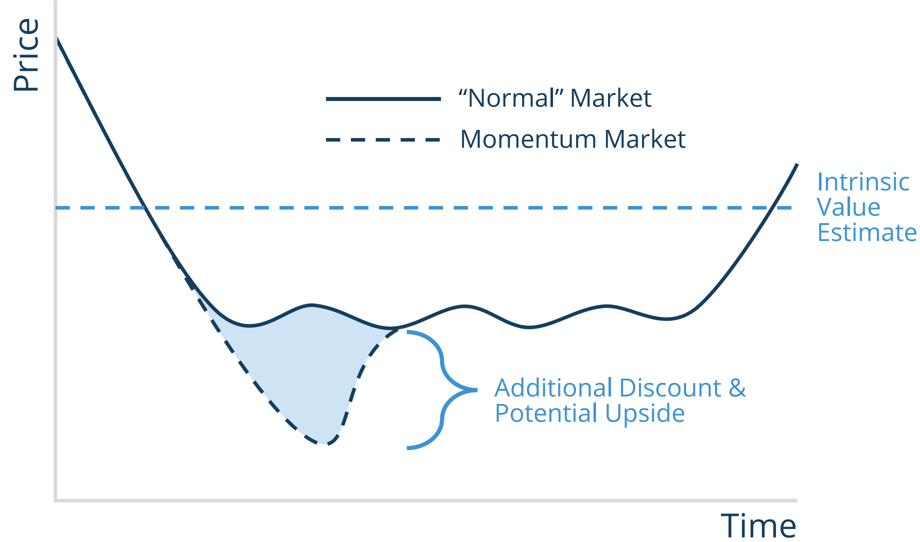
Our conviction and our investment discipline is based on the belief of buying low (when stocks trade at discounts to our estimates of fair value) and selling high (when those discounts are no longer present).

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 Portfolio 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 Portfolio's first quarter results, we found the Bloomberg momentum score for every Portfolio holding and segmented it by its relative strength. As we expected, stocks with the highest Momentum scores performed well (but were a small subset of the Portfolio during the quarter) while low Momentum stocks lagged, which dragged down the overall Portfolio's 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 Portfolio Weight	Portfolio Average Total Return	Bloomberg 2000 Value Index[4] Total Returns
Strong Momentum[5] stocks	14.3%	17.5%	6.4%
Unexceptional Momentum stocks	48.1%	-2.0%	-1.4%
Weak Momentum stocks	37.6%	-18.3%	-5.3%

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 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.

Leverage Factor Was Another Headwind

While Momentum was the strongest performing factor among small cap value stocks during the first quarter, the largest detracting factor was Leverage. The Leverage factor score is a measure of a company's debt compared to its assets, market value, and book value.

While we found ourselves scratching our heads a bit about Momentum (investing is usually not as easy as simply buying what's been doing well – and in the case of the first quarter, buying what's been doing *best*), we at least understand the logic of companies with higher leverage underperforming during the quarter. Given that

4 Bloomberg US 2000 Value index provides exposure to the smallest 2000 market cap stocks within the Bloomberg 3000 Value index with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth. Clifford Capital notes that the Bloomberg 2000 Value index is a reasonable proxy for the Russell 2000 Value index with similar performance and constituent characteristics.

Total returns for the Strong and Weak Momentum Stocks within the Bloomberg 2000 Value index represent the highest and lowest quintile returns (top and bottom 20% of Momentum rankings, respectively) 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 12, 2024, looking at the overall Momentum score. Deviations from the Russell 2000 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 2000 Value at 13.7 and a price to book ratio of 7.97 compared to 1.40, respectively.

interest rates may remain higher than expected because of a less accommodating Fed, companies with larger debt loads would be at a disadvantage to companies with more solid balance sheets.

While we agree with the logic overall, we do not think all companies with leverage are created equally, and we continue to think there are some wonderful opportunities to own some leveraged companies that have solid financial health, strong cash flows, and the ability to service their debts. We think that many leveraged companies were sold in a "basket trade" during Q1, driven by algorithms and factor-based traders without regard to the fundamental differences between the companies. As support for this "basket trade" thesis, we observed that some of our underperforming investments during the quarter had a higher Leverage factor score (as calculated by Bloomberg, so the weighting of Higher Leverage stocks in **Table 2** is overstated, in our opinion) even with a pristine balance sheet, because of company-specific idiosyncrasies such as extremely low asset or equity levels because of prior share repurchases or an asset-light business model. Put simply, we believe there were a few babies being thrown out with the bathwater by factor-driven parents.

Like the Momentum trade, we think this can lead to even greater discounts to a reasonable fair value estimate, and more future upside (similar to the dynamic shown in **Chart 1**) for select investments. Many of the Portfolio's investments that have a higher Leverage factor score are trading at the lowest price multiples that we've seen in our careers, because of the general disdain for leveraged companies today. And we believe they continue to be solid investments.

Table 2: Leveraged Companies Underperformed in Small Cap

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

	Average Portfolio Weight	Portfolio Average Total Return	Bloomberg 2000 Value Index[7] Total Returns
Lower Leverage[8] stocks	16.5%	-1.3%	3.6%
Unexceptional Leverage stocks	36.0%	-1.2%	-0.6%
Higher Leverage stocks	47.5%	-13.1%	-5.1%

Source: Bloomberg Finance L.P. and Internal Calculations

We have high conviction in our investments with higher Leverage scores, even though they underperformed strongly during the quarter. Notably—and as we discussed in our last quarterly commentary—we believe these companies are particularly attractive mergers and acquisition ("M&A") candidates because of their low valuations today. We would not be surprised to see several deals over the next few years at substantial premiums to these companies' current stock prices. And we've seen signs of interest already: 11 of the 13 stocks held at March 31 that have higher Leverage scores have had some activist investor or M&A interest over the past two years. More importantly, for every investment in the Portfolio we have identified Key Thesis Points that we believe will improve the fundamentals of the business, leading to improved performance and improved valuation levels. And ultimately, we think solid fundamentals will outweigh market factors over the long term.

7 Bloomberg US 2000 Value index provides exposure to the smallest 2000 market cap stocks within the Bloomberg 3000 Value index with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth. Clifford Capital notes that the Bloomberg 2000 Value index is a reasonable proxy for the Russell 2000 Value index with similar performance and constituent characteristics.

Total returns for the Strong and Weak Momentum Stocks within the Bloomberg 2000 Value index represent the highest and lowest quintile returns (top and bottom 20% of Momentum rankings, respectively) as calculated by Bloomberg, and the total return for the Unexceptional Momentum Stocks represents the simple average returns of the 2nd through 4th quintiles.

8 Using Bloomberg Finance LP's factor analysis (TLTS function) for each holding as of April 12, 2024, looking at the overall Leverage factor score. Deviations from the Russell 2000 Value benchmark greater than or less than 0.50 standard deviations were considered "Higher" and "Lower", respectively.

Conclusion
It was a difficult quarter for the Portfolio and our investment strategy. The Portfolio was adversely positioned against the two strongest market trading factors during the quarter, 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 Portfolio'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 Portfolio today. Importantly, we also believe that the Portfolio 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 Portfolio to outperform.

Significant Portfolio Changes
During Q1 we added Core Value stock Dolby Laboratories (ticker: DLB) and Deep Value stocks Global Medical REIT (ticker: GMRE), Green Plains (ticker: GPRE), and Paramount Global (ticker: PARA).

We sold four Core Value stocks: Compass Minerals (ticker: CMP), CVB Financial (ticker: CVBF), Forward Air (ticker: FWRD), and Westamerica Bancorp. (ticker: WABC). We also sold two Deep Value stocks: Big Lots (ticker: BIG) and VOXX International (ticker: VOXX).

Purchases
DLB: Dolby is a repeat holding for the strategy. The company specializes in licensing audio and visual technologies that enhance consumer entertainment experiences. The company's balance sheet is excellent, valuation is attractive, and we think its growth initiatives are at an inflection point. We think the company's newer innovations are near the point where they will meaningfully increase the company's results beyond expectations. We also think the company is an attractive M&A candidate, which is not part of our Key Thesis Points, but is something we would not be surprised to see.

GMRE: Real estate investment trusts underperformed during the quarter and as we researched several of them, we were impressed with Global Medical's management team and their ability to acquire medical office buildings at attractive prices—a strategy that we believe will be lucrative given the current turmoil in real estate assets. We think the company has unique qualities that should allow it to maintain its ample dividend and grow it over time.

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.

PARA: We've been watching the streaming, direct-to-consumer media space for several years, waiting for pessimism to reach its peak, which we believed would lead to some companies trading at undervalued prices. We think we are at that point now, and Paramount has done an admirable job building its streaming business into something sustainable (including using cash from a timely and wise equity raise in 2021 when the stock temporarily spiked on meme stock excitement and technical trading from a hedge fund blowup). We believe the company has reached an inflection point where the company's cash flows and profits should begin growing again in 2024, which we think will eventually result in a re-rating of the business. While a sale of the business is a distinct possibility (the company is in talks with potential acquirers at the time of this letter), we do not think it's the best outcome for the company, but could potentially provide a relatively quick return.

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 strategy. 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 Portfolio 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 Portfolio. 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 strategy.

VOXX: VOXX International received a negative arbitration judgment that was material to the company and reduced its liquidity enough that we decided to move on from the stock. The company has historically been conservatively financed, given the cyclicality of its core businesses (consumer electronics and auto supplier), so this negative development in a down cycle led us to move to the sidelines, given less flexibility in the balance sheet. VOXX was a profitable investment for the strategy.

Individual Stock Performance

Top Contributors[9] – Q1 2024	Largest Detractors – Q1 2024
Qurate Retail Preferred Stock (QRTEP)	WW International (WW)
Western Union (WU)	Douglas Elliman (DOUG)
Urban Outfitters (URBN)	Forward Air (FWRD)
Millicom Int'l Cellular (TIGO)	KLX Energy (KLXE)
Liberty Energy (LBRT)	Big Lots (BIG)

Past performance does not guarantee future results. Source: Bloomberg as of 3/31/2024

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

QRTEP: Qurate Retail's earnings results were better than expected as its turnaround efforts are beginning to bear fruit. The company's free cash flow is meaningfully improved, leading to higher common—and preferred—equity prices. We think the business will continue to improve, and the ample dividend yield of the preferred stock today should remain protected.

WU: Western Union's efforts to grow its digital transaction business (as an alternative to its core store-based transfer business) have been successful recently, and the company's revenue trends are improving. We think the valuation of the stock is still very attractive, given significant skepticism about the relevance of the Western Union brand globally. We think its brand is a competitive differentiator as it continues to move more towards digital transactions, combined with the convenience of store-based money transfers for customers without access to technology. The company has also been an active buyer of its own stock, which we think will support the shares and result in higher-than-expected earnings per share over time.

WW: Weight Watchers stock declined sharply during the quarter as the excitement about its GLP-1 weight loss offering waned, concerns about the company's debt load increased as it became apparent the Fed would not aggressively lower interest rates, and we think it became a popular short sale candidate in the Momentum trade in 2024. Despite the significant stock decline, we saw fundamental improvements in the company's business during the last few quarters, and we believe the company has ample time to turnaround its business results before any debt comes due for refinancing or repayment (nearest major maturity is 4 years away). Specifically, we think the company's offering of GLP-1 medicine combined with a behavioral approach will be very attractive to insurance providers and corporations who are debating whether to issue GLP-1 benefits to employees. We still think the company's brand, and its core weight loss offerings are a solid combination with the new GLP-1 drugs, and we expect meaningful customer growth over the next two years.

DOUG: Douglas Elliman—a high end real estate brokerage—was one of the top performers last quarter but fell significantly as the Fed excitement waned during the quarter, leading to skepticism about a recovery of the housing market in the U.S. during 2024. Additionally, concerns about upcoming potential changes to the economics of real estate commissions has led to uncertainty about the future revenue model for realtor businesses. We believe DOUG remains a very compelling investment today. The company's stock is trading just slightly above its net cash (with no debt), thus ascribing little value to one of the best brands in high-end real estate brokerage. We think the company's business model is differentiated, given its focus on expensive homes where commissions have almost always been negotiated by sellers/buyers, so the company has less risk than

9 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.

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You may obtain information about (i) the calculation methodology; and (ii) a list showing the contribution of each holding to the overall performance of the representative account during the reporting period discussed in this Commentary by contacting us at (385) 387-1212 or support@cliffordcap.com.

many other real estate brokerage businesses. We also see nascent signs of improvement in the housing market for expensive real estate. Finally, like WW, we think DOUG has been caught on the bad side of the Momentum trade, which we think can reverse quickly when that factor becomes less popular.

Final Comments

Thank you for your investment with Clifford Capital. This was a difficult quarter, but we're encouraged for the future. We will continue to focus on building long-term wealth through disciplined portfolio management.

Sincerely yours,

Ryan Batchelor, CFA, CPA
Principal and Portfolio Manager
Clifford Capital Partners, LLC

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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 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.*

***Focused Investment Risk.** The Focused Small Cap Value strategy is a focused strategy and generally holds stocks of between only 25 and 35 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.*

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.*

***Price-to-Book Ratios.** Ratio 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.*

***Price-to-Earnings Ratios.** Ratio 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.*

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