Quarterly Portfolio Commentary – First Quarter 2024
Clifford Capital International Value Portfolio

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

	1st Quarter 2024	YTD 2024	1-year	3-year, annualized	Since Inception**
Portfolio, gross[1]	0.00%	0.00%	3.16%	4.84%	7.36%
Portfolio, net	-0.21%	-0.21%	2.33%	3.96%	6.40%
MSCI EAFE Index	5.78%	5.78%	15.32%	4.78%	7.33%

* Individual account performance will differ from the overall Composite.

** Inception Date: August 1, 2019, annualized

Past Performance does not guarantee future results.

Performance Summary and Market Observations

The first quarter was tough for us. While markets, especially in Japan, kept rising, our portfolio didn't. Some stocks that did well in November and December lost much of their gains in the quarter, which outweighed the gains of others. As a result, our portfolio was basically flat for the quarter while the MSCI EAFE Index had a nice gain. Nonetheless, we're still very enthusiastic about our portfolio's setup and the potential for our stocks.

Momentum

We have observed, and Bloomberg data has confirmed, that recent stock performance has been primarily driven by the momentum factor ("Momentum"). In the first quarter, Momentum was the top performing factor for the MSCI EAFE Index, with nearly a 12% increase for the stocks with the highest 20% of Momentum scores, which was double the index return. As traditional value managers, navigating momentum-driven markets poses challenges for us. We typically invest in individual stocks based on projected future cash flows. Our portfolio usually consists of 50% to 90% Core Value stocks, companies with strong returns on capital and sustainable competitive advantages. These companies often trade at higher multiples, but we only invest when short-term issues have pushed their stock prices down, offering a favorable 3-to-1 upside/downside ratio based on our analysis.

In our view, Momentum has been a significant driver of the Japanese stock market, particularly since Warren Buffett announced his increased positions in major Japanese trading firms last May. This momentum continued in the first quarter, with the Japanese Nikkei Index up almost 20% in local currency terms. Sentiment has been boosted by the Japanese Ministry of Finance's push for companies trading below book value to enhance returns on capital through buybacks and higher dividends, a strategy we support. However, we believe returns on equity and valuation also play crucial roles. We anticipate similar structural changes in Europe with lower stock multiples and higher returns on equity.

Apart from Japan, two sectors driving Momentum are artificial intelligence ("AI") and GLP-1 drugs. Nvidia has led in AI, while outside the U.S., ASML and tech-related stocks have seen success. Our holdings in TSMC benefited from this trend, although we were underweight compared to the benchmark.

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1 Portfolio, gross return represents the performance results for the International Value composite including the reinvestment of dividends and other account earnings and are net of transaction costs, but do not reflect the effect of advisory fees, which would lower performance. Portfolio, net return includes the deduction of advisory fees, reflects the reinvestment of dividends and other account earnings and are net of transaction costs. Past performance does not guarantee future results.

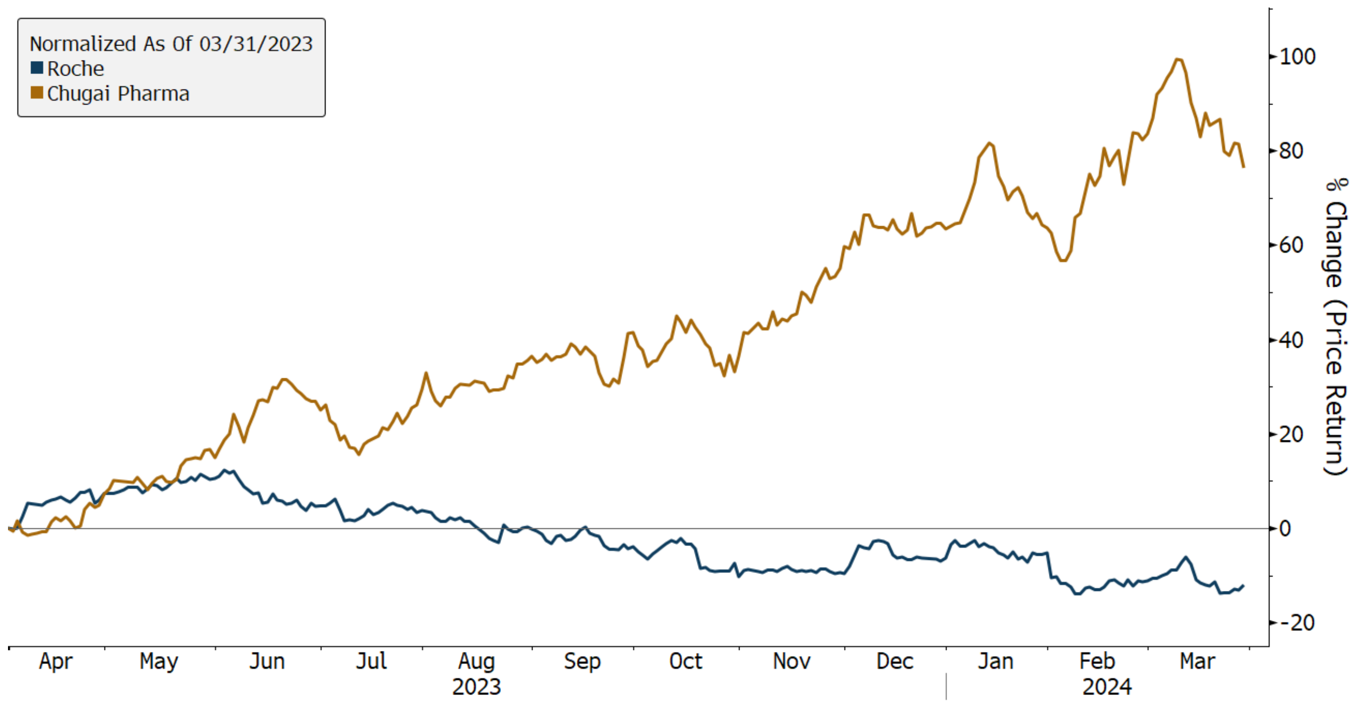
The benchmark for the International Value composite is the MSCI EAFE Index. The index captures large and mid cap securities across developed markets countries around the world, excluding the U.S. and Canada. Index returns include the reinvestment of dividends (total returns). Performance of the composite and the index may not be comparable due to differences amongst them including, but not limited to, risk profile, liquidity, volatility and asset composition. An investor cannot invest directly in an index. Moreover, index performance does not reflect the deduction of advisory fees, transaction fees, and other expenses.

In the GLP-1 sector, Novo Nordisk and Eli Lilly have been major beneficiaries, despite historically high multiples due to their diabetes franchises. We've found opportunities in pharma companies trading at multi-year low valuations and have increased our overweight position in the sector.

For instance, Chugai Pharmaceuticals' stock surged over the last year due to its GLP-1 drug Orforglipron, licensed to Lilly. Orforglipron's oral administration could improve patient reception, with successful phase 2 trials and ongoing phase 3 trials. Chugai, 60% owned by Roche, saw its stock rise while Roche's fell. This disparity, along with Roche's acquisition of Carmot Therapeutics, highlights the market's focus on trends rather than valuation. Despite Covid-related sales declines, Roche's core diagnostic business continues to grow, and we expect improved performance throughout 2024, contrary to overly pessimistic sell-side analyst views (see **Chart 1**).

Chart 1: Roche, Chugai Pharmaceuticals Price Return

(April 1, 2023 to March 31, 2024)



Foreign Exchange

Another factor we believe has impacted Japan and Switzerland is foreign exchange rates. Japan's central bank adjusted its interest rate from a range of -0.01% to 0.0% to a range of 0.0% to 0.01%, ending its negative interest rate policy. However, the effect on the yen was a surprise; market expectations (including ours) were for the yen to strengthen against the dollar. Although there was some strengthening prior to the announcement, the yen weakened again toward its historic low after the change. While a weaker yen benefits exporters, who continued to perform well, it poses challenges for the rest of the country, facing higher import costs, notably for gasoline.

Japanese bank stocks resumed their ascent, seemingly anticipating significant earnings and return on capital growth from a 10 bps rate adjustment. We believe restructuring efforts have already been factored into their stock prices, with major Japanese banks up considerably since October 2022.

Unlike Japanese exporters that have benefited from the weak yen, Swiss exporters have struggled due to the strong Swiss franc. The focus in both cases has been on reported earnings growth rather than growth in local currencies.

Our investment in Roche, a pharmaceutical giant, has been affected by reduced revenue from diagnostic equipment sales during Covid and the impact of translating sales back into the strong franc. Despite revenue growth in local currencies in 2023, Roche experienced a 7% decline in francs. Management projects mid-single digit earnings growth in local currency terms for 2024, but flat growth in francs. However, the Swiss central bank's surprise interest rate cut on March 21st weakened the franc by about 1% against the dollar. While this affects the translation of Roche shares into dollars, it should be offset by improved sentiment on the stock when sales are translated back into the weakened franc, assuming the currency weakness persists.

On the other hand, the Japanese yen is currently at its lowest point against the dollar since 1990. The government has hinted at intervening in currency markets, as it has in the past two years at similar levels. This suggests the yen may not depreciate in 2024 as it did in 2023, potentially denying Japanese exporters a similar benefit from currency movements this year.

Significant Portfolio Changes

Trading activity within the portfolio was higher than normal. We sold one deep value stock, Taiwan Semiconductor Manufacturing Company (TSMC), and one Core Value stock, Schneider Electric (SU FP). We also acquired two new Core Value stocks, Sanofi (SNY) and Reckitt Benckiser (RKT LN), and one Deep Value stock, Swatch (UHR SW).

TSMC: Taiwan Semi and Schneider were both influenced by Momentum trading. The recent surge in artificial intelligence (AI), exemplified by Nvidia's remarkable stock price increase in the past year, has driven momentum. TSMC manufactures chips for Nvidia, and though it hasn't seen the same gains, it was approaching our fair value estimate. Since TSMC is headquartered in Taiwan, classified as an emerging market by MSCI, we consider it a Deep Value company. Following our policy, we sold TSMC as it reached our target price, and used the capital for other available investment opportunities.

SU FP: Schneider Electric is an outstanding company, but its stock became overvalued, in our view. Despite strong performance and margin growth from its electrical equipment sales, particularly high-margin software, we believe the stock's valuation exceeded its fundamentals. While Momentum could drive the stock further, we no longer found the risk reward compelling and, with other compelling opportunities available, decided to move on.

SNY US: Sanofi, a major French pharmaceutical company, boasts several promising drugs in its portfolio. Despite challenges, including an anticipated drop in earnings for 2024, Sanofi trades at attractive multiples and offers a dividend yield of over 4%. Despite being overlooked due to the current excitement over GLP-1 drugs, Sanofi's diverse pipeline and potential spin-off of its consumer business make it an appealing investment option.

RKT LN: Reckitt Benckiser, a consumer products company, experienced a downturn following the peak of the Covid-19 pandemic, as lower sales of its Lysol cleaning products and Enfamil baby formula, and other noteworthy but temporary events negatively impacted its stock price, leading to an attractive entry point, in our opinion. We see an opportunity for growth, with revenue expected to rise annually and the potential for margin expansion. Additionally, the stock's attractive dividend yield and stock buyback program enhance its investment appeal.

UHR SW: Swatch, a leading Swiss watchmaker, faces challenges from a slowdown in Chinese demand. Despite this, Swatch boasts a strong balance sheet and diverse product offerings, including its renowned Omega brand. While Chinese sales may be sluggish in the near term, we anticipate growth to resume in the future, making Swatch an intriguing investment opportunity.

Individual Stock Performance

Top Contributors[2] – Q1 2024	Largest Detractors – Q1 2024
Rolls-Royce Holdings (RR/ LN)	Philips NVR (PHG US)
Banco Santander (SAN US)	Worldline SA (WLN FP)
Airbus SE (AIR FP)	Continental AG (CON GR)
Telefonica SA (TEF US)	Bayer AG (BAYN GR)
BAE Systems (BA/ LN)	BT Group PLC (BT/A LN)

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

RR/LN: Rolls-Royce had another strong quarter, benefiting from its exclusive engine contract with Airbus for the A350 wide body airplane. Airbus' increasing order book and production rate provide visibility for the future, while higher profitability is driven by increased flying time on existing planes and ongoing company restructuring. Despite trimming our position, we believe there's further upside potential in the stock.

SAN US: Santander rebounded from allegations of violating Iran funding restrictions, with strong year-end results showcasing geographic diversification benefits. While its auto financing business normalized in 2023, offset by growth in Latin America and Europe, Santander's overall performance improved. We maintain a positive outlook on Santander's stock, and it remains our largest position.

PHG US: Philip's stock rallied at the end of 2023 but declined in early 2024 after missing earnings and facing regulatory challenges on its sleep apnea products. While this may impact divisional sales in 2024, overall revenue growth is anticipated in other business areas. We consider the stock undervalued and maintain a positive outlook.

WLN FP: Worldline's stock declined in the first quarter despite a previous rebound. Despite disappointment with its recent performance, we still see significant upside. Worldline completed a review of its client relationships and doesn't anticipate further disruptions due to cybersecurity compliance issues, which was a major contributor to its declines last year. Economic recovery signs in Germany also suggest the market may have overreacted to Worldline's business slowdown.

Final Comments

We appreciate your investment in Clifford Capital Partners. While the last quarter was tough, we have confidence in the Portfolio's future prospects and new positions. Our enthusiasm stems from its current positioning, and we are invested right alongside you. We will continue to focus on building long-term wealth through diligent and prudent portfolio management.

Sincerely yours,

Allan C. Nichols, CFA
Portfolio Manager
Clifford Capital Partners, LLC

2 Portfolio holdings are from a representative account managed within the investment composite. The representative account is selected based on account characteristics that Clifford Capital believes accurately represent the investment strategy as a whole. Should these characteristics change materially, Clifford Capital may select a different representative account. Holdings may change daily and may vary among accounts, which may contribute to different investment results.

The securities identified do not represent all of the securities purchased, sold, or recommended for advisory clients.

Please contact us at (385) 387-1212 or support@cliffordcap.com to obtain information about (i) the calculation methodology; and (ii) a list showing the contribution of each holding in the representative account to the account's performance during the measurement period.

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Identifying undervalued securities and other assets is difficult, and there are no assurances that such a strategy will succeed. Any fair value estimates are subject to actual known and unknown risks, uncertainties, and other factors that could cause actual results to differ materially from those projected. Information is as of the period stated in this letter and is subject to change. Clifford Capital Partners undertakes no obligation to update this information if circumstances or management's estimates or opinions should change.

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Information about Risk

***Risks of Investing in Equity Securities**. Overall stock market risks may affect the value of an equity portfolio. Factors such as domestic economic growth and market conditions, interest rate levels, and political events affect the securities markets. When the value of the portfolio investments goes down, the portfolio decreases in value and you could lose money.*

***Risks of Mid-Cap Securities.** Investing in the securities of mid-cap companies generally involves substantially greater risk than investing in larger, more established companies.*

***Risks of Large-Cap Securities.** Prices of securities of larger companies tend to be less volatile than companies with smaller market capitalizations. In exchange for this potentially lower risk, the Fund's value may not rise as much as the value of funds that emphasize companies with smaller capitalizations.*

***Focused Investment Risk.** The International Value strategy is a focused strategy and generally holds stocks of between only 25 and 45 companies. Focused strategies may invest a larger portion of their assets in the securities of a single issuer compared to a more diversified strategy. Focusing investments in a small number of companies may subject the portfolio to greater price volatility and therefore a greater risk of loss because a single security's increase or decrease in value may have a greater impact on the portfolio's value and total return.*

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

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

***Economic and Political Risks.** These effects may be short-term by causing a change in the global markets that is corrected in a year or less, or they may have long-term impacts which may cause changes in the markets that may last for many years. In any given country, some factors may affect changes in one sector of the economy or one stock, but don't have an impact on the overall market. The particular sector of the economy or the individual stock may be affected for a short or long-term.*

Emerging Markets Risk. *Emerging market securities may present issuer, market, currency, liquidity, volatility, valuation, legal, political, and other risks different from, and potentially greater than, the risks of investing in securities of issuers in more developed markets.*

Non-U.S. Investment Risk. *Securities of non-U.S. issuers (including American depository receipts ("ADRs") and other securities that represent interests in a non-U.S. issuer's securities) may be less liquid, more volatile, and harder to value than U.S. securities.*

Foreign Currency Risk. *Foreign securities often are purchased with and make any dividend and interest payments in foreign currencies. Therefore, the portfolio's value could decline solely as a result of changes in the exchange rates between foreign currencies and the U.S. dollar, particularly if the portfolio invests a significant percentage of its assets in foreign securities or other assets denominated in currencies not tightly pegged to the U.S.*

Inflation Risk. *When a substantial portion of the portfolio is held in cash or cash equivalents, there is the risk that the value of the cash account, including interest, will not keep pace with inflation, thus reducing purchasing power over time.*

Definitions

Core Value Stocks. *We define Core Value stocks as high-quality companies with sustainable competitive advantages and long-term records of strong returns on capital. These companies tend to have stable and predictable cash flows as well as steady growth in the intrinsic value of their stock.*

Deep Value Stocks. *We define Deep Value stocks as opportunistic investments in deeply discounted shares of businesses that do not meet the high requirements of a Core company. Deep Value investments are deemed by us to have high potential returns with acceptable downside risks. These investments may be considered traditional value stocks with low price multiples, and low near-term investor and analyst expectations.*

About Us

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