Clifford Capital Partners Fund

Quarterly Commentary – Second Quarter 2024

Performance Summary

	2nd Quarter 2024	Year-to-Date 2024	*Average Annual Returns as of June 30, 2024* 1-Year	3-Year	5-Year	10-Year	Inception (1/30/2014)	Total Return, Inception (1/30/2014)
Institutional Class (CLIFX)	-3.65%	-2.59%	6.83%	-1.42%	6.97%	7.97%	8.78%	140.24%
Investor Class (CLFFX)	-3.58%	-2.73%	6.62%	-1.69%	6.70%	7.73%	8.54%	134.73%
Russell 3000 Value[1]	-2.25%	6.18%	12.93%	5.14%	8.89%	8.10%	8.96%	141.45%

	2nd Quarter 2024	Year-to-Date 2024	*Average Annual Returns as of June 30, 2024* 1-Year	3-Year	5-Year	10-Year	Inception (10/17/2019)	Total Return, Inception (10/17/2019)
Super Institutional Class (CLIQX)	-3.57%	-2.57%	7.00%	-1.33%	n/a	n/a	7.50%	40.54%
Russell 3000 Value	-2.25%	6.18%	12.93%	5.14%	n/a	n/a	9.18%	51.14%

**Expense Ratio Gross/Net: CLIFX 1.18%/0.90%; CLFFX 1.59%/1.15%; CLIQX 1.08%/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") underperformed its benchmark during the second quarter with a strong first half of the quarter being overtaken by a weak second half. While we saw some encouraging developments with several investments—including some M&A interest—our strategy and style continued to be mostly out of favor during the first half of 2024.

The Momentum trade (stocks with strong price momentum outperforming stocks with weak price momentum) we discussed in our last letter was not as strong of a factor during the first half of the quarter, but it regained strength around the time that Nvidia (ticker: NVDA – 0.00% of the Fund at June 30, 2024) and other stocks related to artificial intelligence ("AI") began reporting earnings in mid-May. We observed a strong shift back towards Momentum during the second half of the quarter. When Momentum is a leading factor in the stock market, we would expect our performance to lag when it is strong, and outperform when it is weaker, given our price/value discipline (we tend to buy stocks with weak momentum and often trim/sell as momentum strengthens and stocks move near our fair value estimates).

This pattern was consistent with what we observed during the quarter. The Fund significantly outperformed its benchmark during the first half of the quarter (first 32 trading days ended on May 14, 2024) before significantly underperforming during the last half of Q2. Like we said last quarter, we do not attribute all of the outperformance/underperformance to the Momentum factor, but we believe it was a major contributing factor.

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: Momentum Picked Up in the Back Half of Q2

Total Returns for periods indicated

	1st Half of Q2 (April 1 – May 14)	2nd Half of Q2 (May 15 – June 28)	Q2 2024	YTD 2024
MSCI USA Momentum Index[2]	-0.7%	5.3%	4.5%	25.7%
Russell 3000 Value Index	-0.9%	-1.3%	-2.3%	6.2%
Difference	0.2%	6.6%	6.8%	19.5%

Source: Bloomberg Finance L.P. and Internal calculations

In addition to the Momentum factor, we saw increased signs of weakness during the quarter—both within and outside of the Fund—in consumer-related companies. Recent economic data has shown that the U.S. consumer is feeling a significant pinch from years of higher inflation and the burden of higher interest rates. Most of the Fund's direct exposure to the consumer is in its four Consumer Staples companies, and this sector was attributable for all of the Fund's underperformance to its benchmark during the quarter.

We still have high conviction in our Consumer Staples investments. We believe the consumer weakness affecting these companies is modest (these firms do offer "consumer staples" that are less discretionary after all), and all of our Staples stocks have ample dividend yields. We expect results from these companies to be steadier than expected, which we think should be good enough for the stocks to outperform over the longer term.

We're disappointed in performance results thus far in 2024, but we still have strong conviction in the Fund's investments. We believe there are risks brewing in today's momentum-driven stock market, which has led to well-publicized market concentration and expensive stocks within megacap U.S. stocks, especially AI-related companies. While we think generative AI has exciting potential, we believe the excitement over this 'potential' may be outrunning the ultimate economics implied in many of the stock prices.

Table 2: Fund Valuation Looks Much Different than Its Benchmark and the Market

(as of June 30, 2024)

	Price to Earnings[3]	Price to Sales[4]
Magnificent 7 Index[5]	39.6	8.22
Russell 3000 Index[6] (proxy for entire U.S. stock market)	25.4	2.59
Russell 3000 Value	18.5	1.63
The Fund *(Institutional Share Class)*	14.6	0.76

Source: Bloomberg Finance L.P.

We believe the Fund provides much lower valuations and strong diversification if AI excitement wanes and/or the Momentum factor were to reverse. We've seen this pattern historically, and we think the Fund is positioned very well for a weakening or reversal in the Momentum factor's strength.

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 Price to earnings ratio represents the current stock price divided by the prior 12 month's earnings per share, excluding extraordinary items and excludes companies without positive earnings for comparative reasons.

4 Price to sales ratio represents the current stock price divided by the prior 12 month's sales per share.

5 The Bloomberg Magnificent 7 Total Return Index is an equal-dollar weighted equity benchmark consisting of a fixed basket of 7 widely-traded companies, commonly known as the "Magnificent 7". These are Apple, Amazon.com, Google/Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla, all of which are 0.00% of the Fund as of 6/30/2024.

6 The Russell 3000 index is a capitalization-weighted index which measures the performance of Russell 3000 index companies, which represent ~98% of the investable U.S. stock market.

More importantly than a potential Momentum reversal (something outside of the control of our investment companies or us), we see our investments making solid progress towards their Key Thesis Points™ (or "KTPs"), which we believe will result in better-than-expected fundamental results. Additionally, we've seen increased mergers and acquisitions ("M&A") activity and significant actions from activist investors, which we believe can also catalyze better performance results.

Contrarian Investing, the "Low Momentum Basket", and Why We See a Brighter Future

Despite the difficulties so far this year, we see excellent value in the Fund today, so we are encouraged for the future. While valuation is not a good predictor of short-term returns, we think it's a strong predictor of long-term returns. Especially when low valuations are coupled with potential catalysts (our KTPs) that we think will drive results to better-than-expected levels.

There are times that popularity or trading factors, like Momentum, drive stock returns more than anything else. But we believe valuation always matters. Even the best company in the world could be a bad investment at too high a price, while a mediocre company could be an excellent investment at a low enough price.

Buying unpopular stocks with low expectations (and often low Momentum) is the essence of a contrarian's investment philosophy, and we believe this contrarian mindset is a key differentiator for our investment process. We don't expect the stocks we own to be unpopular forever—that's why Key Thesis Points™ are so important to our process—but we firmly believe that some of the best investment bargains occur because of investors' impatience or frustration with companies that are temporarily struggling or are unpopular compared to whatever is considered exciting and new (or stocks that have been performing well) at the moment.

Speaking generally, contrarian value stocks have experienced difficult times in the recent past, so news headlines are not positive. Their stock prices have usually underperformed, so analyst expectations are low, and many investors feel frustrated or burned by the stock. There's often uncertainty about how a company may turn things around, and the stock market does not like uncertainty. These conditions are difficult on the psyche of investors, but they are a very fertile field for a value investor to find deeply undervalued bargains. We think this year's Momentum market is no exception for producing such bargains.

This type of contrarian investing requires cogent analysis, conviction, patience, and importantly, the temperament to persist when it feels like you're swimming against the current. It also requires humility to recognize when you may have gotten some things wrong and adjust. We strive to accomplish all of the above at Clifford Capital. The recent past has been an uncomfortable test of our resolve as contrarians, but we have conviction in our process and in the Fund today.

Our experience also shows that when investor sentiment inevitably shifts more positively towards these contrarian value investments that the stocks often make a rapid recovery, leading to large gains.

Low Momentum Basket

Last quarter we spent most of our commentary discussing the Momentum factor and its effects on the market and on the Fund. We noted that a commonly employed trading strategy, the "Momentum Trade", often involves selling or shorting stocks with negative momentum (not just buying stocks with strong price momentum). So, we've observed that out of favor stocks with weak recent performance often fall into the low momentum trading group that is sold/shorted (the "Low Momentum Basket"). Most of the Fund's Consumer Staples stocks, for example, are in this Low Momentum Basket, which has exacerbated their recent declines, in our opinion.

These stocks often drop more sharply than we would normally expect them to because of this Momentum trading strategy. As contrarians, this hurts our investments that are still out of favor, and may lead to short-term performance challenges, but it can also result in the Low Momentum Basket stocks falling to even deeper discounts to our fair value estimates. This is where we see tremendous opportunity today. Ultimately, we expect our investments that currently reside in the Low Momentum Basket to eventually be removed from that basket, as their stock prices improve.

Two ways we see our stocks being removed from the Low Momentum Basket (with or without a reversal of the Momentum factor) are: 1) M&A and activist investor actions, and 2) Key Thesis Points™.

Catalysts for Stocks Bouncing Out of the Basket
Coming into 2024 we believed that we'd see a meaningful uptick in M&A. We've already observed an increase in deals overall in the U.S., but in the second quarter the Fund also participated. Stericycle (ticker: SRCL – 3.96% of the Fund at June 30, 2024) received a buyout offer from Waste Management (ticker: WM – 0.00% of the Fund at June 30, 2024) at $62/share, which represented a premium of about 38% to where it was trading shortly before the offer. DXC Technology (ticker: DXC – 2.75% of the Fund at June 30, 2024) also was rumored to have received a buyout offer during the quarter, which mitigated some of the stock's year to date losses. While we aren't particularly fond of the prices offered (or rumored) for these two companies, the deals are a microcosm of how we think undervalued Low Momentum Basket stocks can quickly be removed from the basket. Quite simply, we think many of the Fund's stocks are too cheap to ignore, and they are beginning to receive more interest from strategic and financial buyers. Over 40% of the Fund (and about 2/3 of its small and mid-cap stocks) have activist investor or M&A interest at the end of June, and we expect more to come.

The Fund also benefited from the actions of activist investors during the quarter. Pitney Bowes (ticker: PBI – 4.27% of the Fund at June 30, 2024) showed substantial progress in improving its business during the last quarterly earnings report, much of which we attribute to the efforts of its new board of directors, which was installed under Hestia Capital's activist influence. We expect more changes to come, including the resolution of its money-losing e-commerce segment that we expect to be sold, restructured, or shut down in the near term. Resolving this segment should result in a substantial increase in free cash flow and a higher stock price, in our opinion.

While activists may accelerate changes, and M&A can result in quick pops in stock prices, the most common way we'd expect our stocks to move out of the Low Momentum Basket is by making substantial progress on the Key Thesis Points™ that we've identified through our research. We believe these KTPs will improve the fundamental results of the businesses we've invested in, leading to improved stock price performance. NCR Atleos (ticker: NATL – 4.30% of the Fund at June 30, 2024) is an example of this during the quarter. The company's progress in cutting costs, deleveraging the business, and growing its ATM-as-a-service business (all elements of our KTPs) started to gain recognition during the quarter, and the stock appreciated strongly.

Conclusion
We're disappointed with performance so far this year, but highly encouraged by the value we see in the Fund. We think other investors, including activists and M&A participants, are also becoming more aware of the substantial value of the Fund's holdings, and we've seen an uptick in interest. While the Momentum trade continues to be a unique headwind to our contrarian investment process, we've been through this before, and we think performance should improve markedly when/if the Momentum factor dissipates.

We continue to believe the Fund provides strong diversification against what is most popular in today's stock market, and we think the long-term future of the strategy looks much brighter than the recent past.

Significant Fund Changes
There were two new holdings added to the Fund: Core Value stock Solventum (ticker: SOLV – 2.63% of the Fund at June 30, 2024), which was spun out of 3M Co. (ticker: MMM – 3.82% of the Fund at June 30, 2024), and Deep Value stock Warner Bros. Discovery (ticker: WBD – 3.22% of the Fund at June 30, 2024).

We sold two Deep Value stocks: Liberty Media Sirius XM (ticker: LSXMA – 0.00% of the Fund at June 30, 2024) and Sealed Air (ticker: SEE – 0.00% of the Fund at June 30, 2024).

New Holdings

SOLV: Solventum is a health care business that was spun out of 3M during the quarter. The bulk of the company's revenues come from medical and surgery products and services, with some additional revenues from dental goods and purification and filtration products. The company has relatively slow and steady growth, but generates strong cash flow, which we think will be used to rapidly pay down debt. Between debt paydown and cost savings, we expect free cash flow to grow at double digits over the next few years, which is not reflected in the stock price, in our view.

WBD: Warner Bros. Discovery is an entertainment company anchored by its Warner Bros. movie production studio and many television and cable networks, such as HBO, Discovery, TNT, and CNN. We think the company has a rich content library and has some of the world's best production studios, which are both very valuable. The company—and its industry—faces a shifting landscape as consumers continue to move towards streaming content rather than watching it on linear or cable television. We think WBD's Max streaming offering is compelling and has strong long-term promise, which will partially offset the loss of free cash flow from the traditional linear revenue model. We think the company will continue to use its ample free cash flow to reduce debt, which we believe could add 35-40% to the value of the equity in the next 2 years. We also think that consolidation in the entertainment industry is necessary and healthy, and we expect WBD to benefit from it either as a consolidator, or as a takeout candidate.

Sales

LSXMA: We sold Liberty Sirius XM as we felt that the valuation of the standalone Sirius XM (ticker: SIRI – 0.00% of the Fund at June 30, 2024) was no longer attractive enough to justify holding the Liberty tracking stock. We still expect the two companies to merge before the end of the year, as planned, and the discount we received by holding LSXMA instead of SIRI had narrowed to the point where we had better opportunities elsewhere.

SEE: While this was a profitable investment for the Fund since inception, Sealed Air was a recent disappointment. We expected the company's results to steadily improve in the second half of 2024, continuing into 2025 as SEE's customers finished rationalizing their excess inventories. However, we obtained new information that suggested this inventory destocking was unlikely and client demand was weak, so given that one of our main KTPs was disproven, we sold the stock.

Individual Stock Performance

Contributors: The two greatest contributors during the quarter were Deep Value stocks NCR Atleos and Pitney Bowes, both discussed earlier.

NATL: As mentioned in the commentary earlier, NCR Atleos showed substantial progress in its last earnings report. We also think that the stock benefited from additional sell side analyst coverage to help generate more interest in the company.

PBI: Pitney Bowes has made substantial progress in improving cash flows through cost cuts and investing in areas with growth potential. We expect further strategic action later this year, which we think will move the stock even closer to its fair value estimate.

Detractors: The two largest detractors were Deep Value stock Walgreens Boots Alliance (ticker: WBA – 2.30% of the Fund at June 30, 2024) and Walt Disney Co. (ticker: DIS – 3.59% of the Fund at June 30, 2024).

WBA: Walgreens is new to the Fund this year and the stock remains very out of favor. The company lowered its guidance for 2024 in late June and did not announce any significant asset sales or major strategic pivot, which led to a major drop in its stock price. We think investors have essentially given up on Walgreens recently, and it is a great example of a Low Momentum Basket stock where the stock price fell much more than we thought was possible. We believe the price of WBA's stock today reflects almost zero equity value for WBA's U.S. retail pharmacy business (its largest segment), and we expect the firm to complete some strategic actions with its other segments, which should significantly reduce the company's debt and lead to a higher stock price.

DIS: Disney's quarterly earnings were solid, but the company guided to a relatively weak upcoming quarter, which took some of the wind out of the stock's sails (it was one of the top performers last quarter). We still see substantial value in Disney's stock, as we expect free cash flow to meaningfully grow as its streaming business reaches sustained profitability.

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.

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