Clifford Capital Focused Small Cap Value Fund

Quarterly Commentary – Second Quarter 2024

Performance Summary

			Average Annual Returns as of June 30, 2024				
	2nd Quarter	Year-to-Date	1-Year	3-Year	5-Year	Inception (10/1/2019)	Total Return, Inception (10/1/2019)
Institutional Class (FSVVX)	-1.82%	-10.16%	5.68%	-4.56%	n/a	6.29%	33.57%
Russell 2000 Value[1]	-3.64%	-0.85%	10.90%	-0.53%	n/a	7.97%	43.91%

			Average Annual Returns as of June 30, 2024				
	1st Quarter	Year-to-Date	1-Year	3-Year	5-Year	Inception (1/31/2020)	Total Return, Inception (1/31/2020)
Super Institutional Class (FSVQX)	-1.73%	-10.10%	5.76%	-4.48%	n/a	6.93%	34.39%
Investor Class (FSVRX)	-1.82%	-10.16%	5.46%	-4.77%	n/a	6.60%	32.56%
Russell 2000 Value	-3.64%	-0.85%	10.90%	-0.53%	n/a	7.52%	37.69%

**Expense Ratio Gross/Net: FSVVX 2.84%/1.05%; FSVQX 2.61%/0.97%; FSVRX 3.18%/1.30%

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 Focused Small Cap Value Fund expenses until January 31, 2025.

Fund and Market Observations

The Clifford Capital Focused Small Cap Value Fund ("the Fund") outperformed its benchmark during the second quarter with a strong first half of the quarter being partially offset by slight underperformance in the second half. While we were encouraged by improved relative performance results during the quarter, and 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 06/30/24) 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 underperforming slightly 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 2000 Value Index is a capitalization-weighted index which is designed to measure performance of Russell 2000 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 2000 Value Index	-0.7%	-3.0%	-3.6%	-0.9%
Difference	0.0%	8.3%	8.1%	26.6%

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 U.S. consumers (especially lower income Americans) are feeling a significant pinch from years of higher inflation and the burden of higher interest rates. We think investor concern over this weakness has begun to provide opportunities in select consumer-related stocks that we believe are more insulated from the broader pressures.

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: The Fund's Valuation is Much Lower than the Overall 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 2000 Value	13.3	0.93
The Fund *(Institutional Share Class)*	13.2	0.50

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.

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.

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.

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").

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 – 2.88% of the Fund at 06/30/24) received a buyout offer from Waste Management (ticker: WM – 0.00% of the Fund at 06/30/24) at $62/share, which represented a premium of about 38% to where it was trading shortly before the offer. Millicom Intl. Cellular (ticker: TIGO US – 4.59% of the Fund at 06/30/24) received a $24/share offer from its largest shareholder, which is about 50% higher than where it was trading in February before it started showing improved results. DXC Technology (ticker: DXC – 3.57% of the Fund at 06/30/24) also was rumored to have received a buyout offer during the quarter at a 40-50% premium to where it was trading prior to the rumor, 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 three 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. Just over 50% of the Fund's weighting has 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 – 4.42% of the Fund at 06/30/24) 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 – 5.17% of the Fund at 06/30/24) 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

During Q2 we added four new stocks: Core Value stocks Allison Transmission (ticker: ALSN – 2.03% of the Fund at 06/30/24), MSC Industrial (ticker: MSM – 1.50% of the Fund at 06/30/24), and Seneca Foods (ticker: SENEA – 1.46% of the Fund at 06/30/24), and Deep Value stock VF Corp (ticker: VFC – 1.71% of the Fund at 06/30/24).

We sold two stocks: Core Value stock Sealed Air (ticker: SEE – 0.00% of the Fund at 06/30/24) and Deep Value stock Paramount (ticker: PARA – 0.00% of the Fund at 06/30/24).

Purchases
ALSN: Allison Transmission is the market leader in automatic transmissions for large trucks. We think the large truck market should benefit over the next few years from new emissions requirements going into effect in 2027, which we think will frontload demand. We believe ALSN will use the resulting increase in free cash flow to repurchase shares, which we think will lead to higher-than-expected earnings per share growth[7]. The company has reduced its total sharecount by over 50% since 2015 through opportunistic share repurchases, which we applaud.

MSM: MSC Industrial is a supplier of manufacturing supplies and tools for metalworking and other industrial customers. The company stocks a wide variety (~2 million products) of supplies and is one of the largest direct suppliers in the country. The firm recently reduced its financial guidance because of a botched website rollout and general weakness in the industrial economy, which led to a buying opportunity in our view. We think the website issue is fixable and should lead to much better results relatively quickly. We also think the company is relatively less cyclical than it used to be because of growth in stickier services such as vending machines and in-plant programs that are imbedded in customer processes.

SENEA: Seneca Foods is the largest canned vegetable company in the U.S. and its recent acquisition of the Green Giant brand consolidated its market share even more strongly. We think its enviable competitive position in a slow, but steady, canned vegetable market should result in better margins in the future than it's had in the past. Additionally, inventory levels are currently abnormally high but have a long shelf life with little risk of spoilage or obsolescence, so we expect cash flow to meaningfully expand over the next 12-18 months as this inventory is sold to customers.

VFC: V.F. Corp. is a consumer apparel and footwear company that has several well-known brands such as North Face, Timberland, Vans, Supreme, and Dickies. The company's products are sold through wholesale arrangements in specialty stores, mass merchants, department stores etc., and directly to consumers through its websites and a network of almost 1200 physical stores. After a period where Vans had tremendous popularity, we think VFC had some strategic missteps that led to a degradation of results. In July 2023, the company hired a new CEO, Bracken Darrell, who we think has outlined a solid plan to improve results. We expect a combination of better execution, brand divestments, and cost cuts to result in meaningful debt reduction and higher free cash flow, which we think will increase the value of the shares. We also note that activist investors have a significant presence in this company, and we believe they are aligned with our thoughts on the value inherent in the business and how to unlock it.

Sales
SEE: Sealed Air was a profitable investment for the Fund since inception, but our most recent purchase roughly six months ago was unremarkable. 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.

PARA: Paramount was also a short-lived investment for the Fund. While we made some money in the stock, we were disheartened by the rumored, and actual, actions of Paramount's controlling shareholder, Shari Redstone towards the nonvoting shareholders of the B class of shares that the Fund owned. We believed the likelihood of the nonvoting shareholders being treated unfairly increased significantly as Shari negotiated with Skydance, who was interested in taking over Paramount and its attractive assets. Additionally, we thought the loss of Bob Bakish as CEO was detrimental to our investment thesis, so we sold the stock.

Individual Stock Performance
Contributors: The two greatest contributors during the quarter were Deep Value stocks NCR Atleos and Millicom (both also discussed in the commentary above).

---

7 Earnings per share ("EPS") is the portion of a company's profit allocated to each shareholder, and is calculated as Net Income divided by Basic Weighted Average Shares Outstanding. EPS Growth measures how quickly a company's profitability is increasing on a per-share basis.

NATL: As mentioned in the commentary above, 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.

TIGO: Also as mentioned above, the company received a buyout offer from its largest shareholder at $24/share. We think this price is too low and the company has publicly announced the same sentiment, so we believe the offer will be increased. Fundamental results have also improved with free cash flow coming in stronger than originally expected.

Detractors: The two largest detractors were Deep Value stocks KLX Energy (ticker: KLXE – 2.06% of the Fund at 06/30/24) and Green Plains (ticker: GPRE – 2.18% of the Fund at 06/30/24).

KLXE: The company's most recent earnings were weak because of weather-related issues and some customers cutting back on oil and gas spending. The trajectory had begun to improve towards the end of the quarter, but the stock underperformed alongside other oilfield services companies. Additionally, we believe there was significant technical selling pressure towards the end of the quarter because the company was below the market cap threshold for the Russell 2000 Index. We think this exacerbated the pressure on the stock.

GPRE: Recent earnings were disappointing, and the company's high protein segment (an area we think will generate meaningful profits over the next few years) hit a soft patch. We think the company has several other initiatives that should increase its free cash flow potential over the next 12-18 months (e.g. clean sugar, carbon capture projects, sustainable corn oil yields).

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 Focused Small Cap Value 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 Focused Small Cap Value 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.

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.

New Fund Risk. The Fund is recently formed. Accordingly, investors in the Fund bear the risk that the Fund may not be successful in implementing its investment strategy, may not employ a successful investment strategy, or may fail to attract sufficient assets to realize economies of scale, any of which could result in the Fund being liquidated at any time without shareholder approval and at a time that may not be favorable for all shareholders. Such liquidation could have negative tax consequences.

The Clifford Capital Funds are distributed by Foreside Fund Services, LLC, Member FINRA/SIPC