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

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

	3rd Quarter 2024	YTD 2024	1-year	3-year, annualized	5-year, annualized	Since Inception**
Portfolio, gross[1]	11.47%	11.71%	17.52%	6.80%	8.68%	8.93%
Portfolio, net	11.24%	11.00%	16.54%	5.93%	7.71%	7.96%
MSCI EAFE Index	7.26%	12.99%	24.77%	5.48%	8.20%	7.96%

* 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

During the quarter, market volatility was notable, particularly in Japan and China. Despite this, the Clifford Capital International Value Portfolio (the “Portfolio”) experienced its strongest performance in over a year in both absolute and relative terms, surpassing the MSCI EAFE Index by nearly 4%.

Japan

On July 31, the Bank of Japan raised interest rates by 0.25%, with Governor Kazuo Ueda indicating that further hikes are likely as the economy improves. This increase strengthened the yen, leading to short-term turmoil in the stock market, as there is historically an inverse relationship between the yen's value and stock market performance. A weaker yen, which has persisted for several years, typically benefits Japanese exporters by making their products cheaper abroad. Consequently, the Nikkei 225 Index experienced a significant one-day drop of 12% on August 8, marking one of its largest declines in history.

The strengthening yen also impacted the carry trade, where investors borrow in yen to invest in higher-yielding assets abroad, such as in Mexico and Brazil. Following Gloria Sheinbaum's election as Mexico's president, the peso declined, putting pressure on this trade. The yen's appreciation further compounded losses, prompting short covering and exacerbating concerns in the Japanese market.

Despite the initial drop, the market rebounded the following day, nearly recovering all losses, even amid continued yen strength. By the end of September, the ruling Liberal Democratic Party appointed Shigeru Ishiba as the new Prime Minister, who supports the Bank of Japan’s interest rate normalization. This led to fluctuations in the yen, which impacted stock market performance in subsequent trading sessions (see **Chart 1**).

While the Portfolio’s underweight position in Japan provided some short-term benefits, it ultimately became a disadvantage by the end of the quarter. However, this was more than offset by strong performance from other positions. Our rationale for being underweight in Japan is based on identifying better opportunities elsewhere, given that Japan’s market has largely been influenced by macroeconomic factors. We anticipate potential disappointments in the results of Japanese exporters, as their international sales may not translate as favorably with a stronger yen when earnings are reported.

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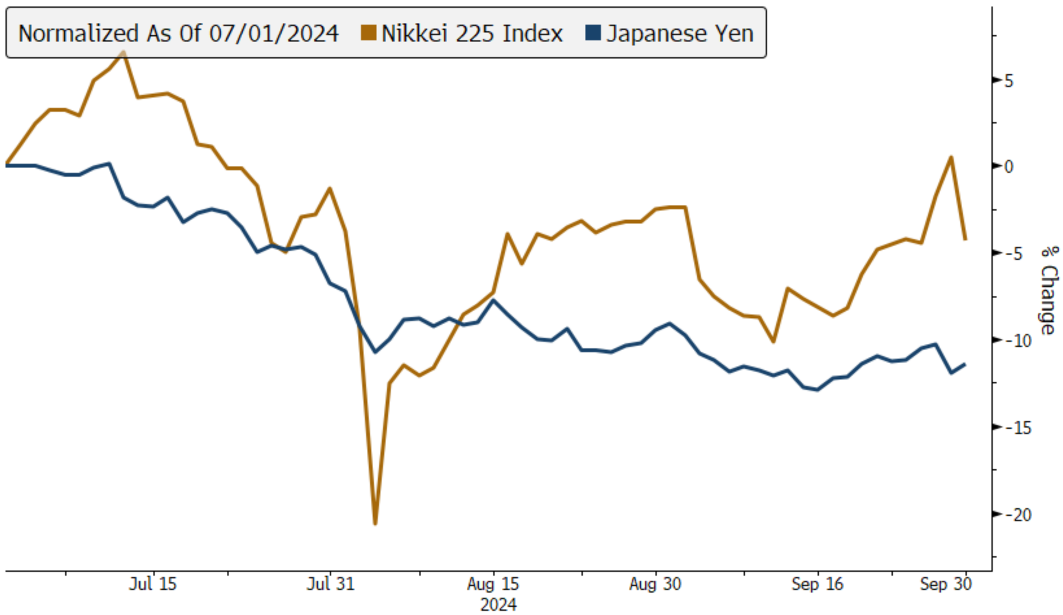
1 Portfolio, gross return represents the performance results for the International Value composite including the reinvestment of dividends and other account earnings and are net of transaction costs, but do not reflect the effect of advisory fees, which would lower performance. Portfolio, net return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

Chart 1: Nikkei 225[2] vs. Japanese Yen[3]

(July 1, 2024 to September 30, 2024)



China

China experienced significant volatility, with disappointing second-quarter GDP results raising concerns about the country's ability to achieve its 5% growth target for the year. Luxury retailers, including current Portfolio holding Swatch, reported sharp declines in sales, with some experiencing year-over-year drops of 30%. The auto sector, including current Portfolio holding Volkswagen, also faced weak sales.

However, on September 24, the Chinese government announced a series of economic stimulus measures, such as interest rate reductions and easing capital requirements for banks. This culminated in President Xi Jinping's approval of these changes, resulting in a substantial rally in the Chinese and Hong Kong stock markets, with the Hang Seng Index[4] rising almost 16% in the five trading days after the announcement. Portfolio holding Ping An Insurance notably surged by more than 30% during this period, prompting us to trim our position. Luxury goods stocks, including Swatch, also benefited from the announcements, with Swatch gaining almost 20% during the rally. Swatch CEO Nick Hayek's comments about the family's consideration of taking the firm private further influenced the stock, although he later clarified that this consideration is not new.

Great Rotation

In July, a notable shift from megacap growth stocks to small-cap and value stocks occurred in the U.S., and while this trend was less pronounced in Europe, some signs were evident. Unlike the U.S., Europe lacks an equivalent to the Magnificent 7[5] for selling off to invest in value stocks, yet value stocks in Europe experienced a notable uptick

2 Nikkei-225 Stock Average is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange.

3 Japanese Yen is the official currency of Japan.

4 Hang Seng Index is a free-float capitalization-weighted index of a selection of companies from the Stock Exchange of Hong Kong.

5 Magnificent 7 refers to a group of well-known, widely-traded companies in the U.S. stock market. These are Apple, Amazon.com, Google/Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla.

during the month. The Portfolio performed well, returning approximately 6%, compared to a 3% increase in the MSCI EAFE Index.

Telecom stocks in the Portfolio particularly excelled during the quarter, despite previously being a drag on performance due to minimal top-line growth. Key Thesis Points, long-term catalysts uncovered by our bottom-up research, are beginning to gain market recognition. These factors include strong cash flow, and merger and acquisition activities. Vodafone (VOD) has initiated stock buybacks using proceeds from its Spanish operation sale, and its divestiture of the Italian business is nearing completion with regulatory approvals expected shortly. Meanwhile, Liberty Global (LBTYA) is advancing with the spinoff of its Swiss business, anticipated in the fourth quarter, and has been actively buying back about 10% of its stock annually. Since the end of 2017, management has acquired 55% of its outstanding shares, indicating a gradual move toward taking the company private.

Significant Portfolio Changes

During the quarter, we bought one new core value stock, AkzoNobel (ticker: AKZA NA) and one new deep value stock, STMicroelectronics (ticker: STM US). We also sold three deep value stocks: CITIC LTD (ticker: 267 HK), Engie (ticker: ENGIE FP) and Worldline (ticker: WLN FP).

AkzoNobel is the leading European paint and coatings company and the third largest globally, trailing only Sherwin Williams and PPG Industries. Although it is significantly smaller than Sherwin Williams, it trades at half the earnings multiple. AkzoNobel is enhancing its supply chain efficiency through debottlenecking, facility closures, and workforce reductions while also focusing on stock buybacks and debt reduction to improve free cash flow and earnings.

STMicroelectronics is a European semiconductor manufacturer specializing in components for the automotive, industrial, personal electronics, and communications sectors. Its products, often integrated into vehicles and devices, tend to have long lifespans. Despite recent setbacks due to a slowdown in the auto sector, we anticipate strong long-term growth as demand for chips increases, particularly with the shift towards electric vehicles.

CITIC Ltd. was a solid contributor to Portfolio performance. Given the challenges in the Chinese economy and ongoing interest rate cuts by the central bank, which are expected to further compress the bank’s net interest margin, we decided to liquidate our position and deploy the capital elsewhere.

Engie also contributed positively to the Portfolio, but the stock was impacted by President Macron’s call for early elections. With revenues declining due to falling natural gas prices and hedging benefits diminishing, we opted to sell our position.

Worldline still appears inexpensive based on various metrics. However, the company lowered its revenue guidance significantly for the second time in the quarter and replaced its CEO. The unusual stock behavior raised concerns, prompting us to liquidate our position.

Individual Stock Performance

Top Contributors[6] – Q3 2024	Largest Detractors – Q3 2024
Philips NVR (PHG US)	Worldline (WLN FP)
Ping An Insurance Group (2318 HK)	Rentokil Initial (RTO LN)
Ericsson (ERIC US)	Shell PLC (SHEL US)
Liberty Global (LBTYA US)	Schlumberger Ltd. (SLB US)
Sanofi (SNY US)	Volkswagen AG (VOW3 GR)

Past performance does not guarantee future results. Source: Bloomberg as of 9/30/2024

6 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.

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

Philips continues to show signs of recovery. Despite some setbacks, the resolution of its sleep apnea machine issues has shifted market focus back to its fundamentals. The company exceeded second-quarter expectations, aided by an insurance payment that partially covered sleep apnea-related costs. Notably, new orders turned positive for the first time in two years, marking a turnaround after Philips was one of the worst performers in the first quarter of 2024.

Ping An benefited significantly from the rally in the Chinese and Hong Kong stock markets. Both Philips and Ping An have experienced periods of substantial underperformance but are now performing better. As value investors, we often enter positions early, which allows us to average down later, a strategy we applied to both stocks.

Worldline: please see "Significant Portfolio Changes" commentary above.

Rentokil saw a spike in its stock price at the end of the second quarter due to Trian Partners, led by Nelson Peltz, acquiring a position and rumors of private equity interest. However, the company preannounced that third-quarter revenue growth in the U.S. would only be around 1%, below its full-year projection of 2% to 4%. Additionally, increased investment in sales and supplies in anticipation of growth is expected to pressure margins, and the integration of Terminix is taking longer than anticipated. This led to a significant pullback in the stock price. Nonetheless, we remain optimistic that the Terminix acquisition will drive long-term revenue and earnings growth, especially with Trian now having a representative on Rentokil's board, which we believe will facilitate a more efficient integration process.

Final Comments

Thank you for your investment with Clifford Capital Partners. We were pleased with the Portfolio's performance in the third quarter, particularly after experiencing early signs of improvement in April and May, which were disrupted by French President Macron's unexpected call for early legislative elections. With that issue resolved, the Portfolio demonstrated its potential. We remain confident that the portfolio is well-positioned for further growth and has significant upside potential.

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

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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.*

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