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

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

	4th Quarter 2024	1-year	3-year, annualized	5-year, annualized	Since Inception**
Portfolio, gross[1]	-8.28%	2.46%	3.44%	5.15%	6.79%
Portfolio, net	-8.48%	1.59%	2.61%	4.22%	5.83%
MSCI EAFE Index	-8.11%	3.82%	1.65%	4.73%	5.91%

* Individual account performance will differ from the overall Composite.

** Inception Date: August 1, 2019, annualized

Past Performance does not guarantee future results.

The International Value Team

We have recently restructured the International Value Team, adding resources as we believe there are significant opportunities in International Markets. Roger Hill, CEO, and James Harper, former Templeton Portfolio Manager and based in London, have joined the team as portfolio managers, adding significant equity experience and providing different perspectives to the Clifford Capital International Value Portfolio ("the Portfolio"). Allan Nichols remains on the team as a portfolio manager and the three of us intend to build on the performance of the last 5 years, enhancing returns for clients.

At Clifford Capital Partners we dynamically allocate positions to Core Value and Deep Value stocks, depending on opportunities that arise in the market and where we feel we are in the economic cycle. We define Core Value names as high-quality businesses that are able to compound returns and as such tend to be held for longer in the portfolio. Deep Value stocks will be much more opportunistic names that have fallen out of favor for a specific reason or are less well-known stocks that represent outstanding value. They will typically be held for a shorter period as we would expect our Key Thesis Points to play out within a few years. Adding to Deep Value in the depths of the Covid crisis is a good example of how we dynamically allocate to the different types of Value to maximize returns.

Self-reflection is a characteristic we believe can lead to improvement and when we analyze the performance of the Portfolio since inception we are encouraged by the performance of the Core Value sleeve, which we calculate has outperformed the EAFE Index by over 3% annualized. While Deep Value generally adds volatility, we believe it can provide incremental alpha and ultimately enhance returns for the Portfolio. In the first 3 years since inception, this was the case with the Deep Value sleeve outperforming the EAFE index by approximately 20%. Since then, Deep Value has fallen out of favor with markets and a number of stock specific issues have hindered performance of the Deep Value sleeve. Nevertheless, we remain encouraged and reflective that we can find idiosyncratic performance in Deep Value stocks, to complement the compounding power of our Core Value stocks.

Looking forward, we believe this differentiated approach should provide superior returns over time and the new team approach will provide a collaborative but challenging structure as we strive to find powerful compounders and idiosyncratic Deep Value ideas. International Markets have been lackluster compared to US markets for many years and while we are reluctant to call the turn, we are encouraged by the opportunities we are finding and the value we see in the portfolio. We look forward to discussing the Portfolio with you in the year ahead.

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.

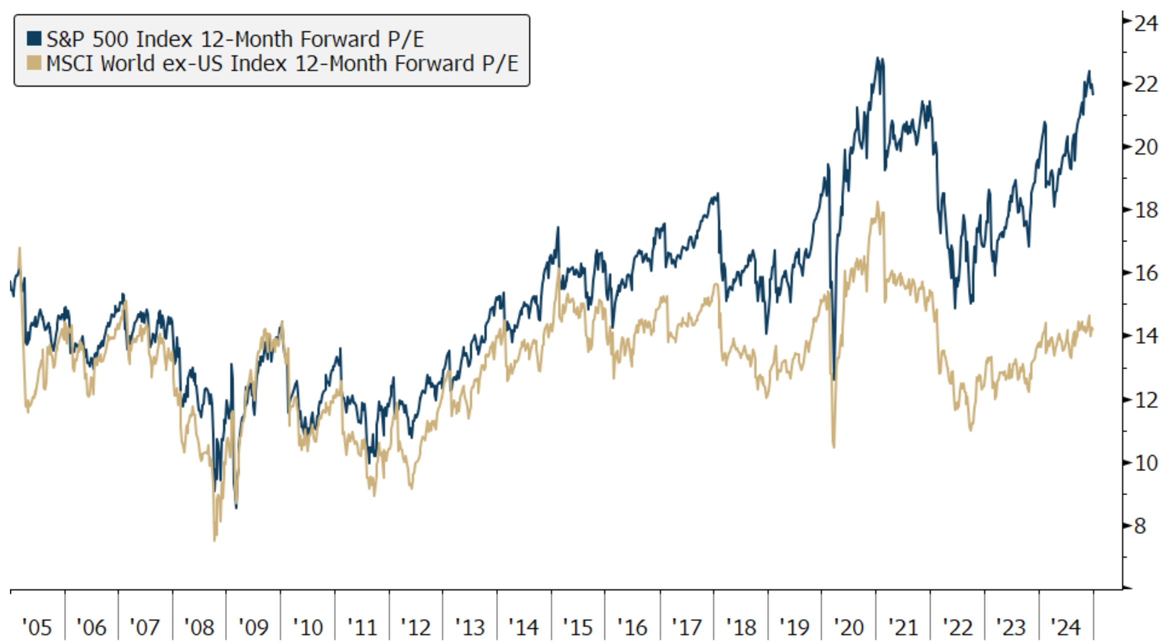
The benchmark for the International Value composite is the MSCI EAFE Index. The index captures large and mid cap securities across developed markets countries around the world, excluding the U.S. and Canada. Index returns include the reinvestment of dividends (total returns). Performance of the composite 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.

The Case for International Markets

In professing our view that International Markets represent excellent value and are due a period of outperformance we feel like the "Boy Who Cried Wolf". In the fable, the boy consistently warns his villagers that the wolf is coming, but after multiple false warnings they don't ever believe him. When the wolf actually does come, they ignore his warnings and the wolf attacks. We, and others, have been professing the valuation gap of International markets Vs the US for years and yet the performance gap continues to widen. Geopolitical uncertainty, economic sluggishness and a lack of technology champions have all led to underperformance of international markets on a global stage. Sentiment remains cautious, with a recent compendium of strategist views, composed by Bloomberg, highlighting universal preference for the US equity market. Some observers are starting to think about overseas opportunities but based on our estimates the ratio of negative to positive views is about 4:1 for international equities. That makes EAFE markets a contrarian play, and as contrarian investors we are excited by the valuation opportunities in front of us.

We highlight just two valuation charts below to show the scale of the valuation opportunity we face. **Chart 1** shows how the Price to Earnings Ratios of the US and World ex-US have diverged over the last 20 years. Having trading at similar multiples going into the GFC, the US has seen a steady re-rating and now stands at a significant premium to the rest of the world. **Chart 2** shows the relative total returns of the US vs the Rest of the World and we are truly in unprecedented territory.

Chart 1: S&P 500[2] vs. MSCI World ex-US[3] Price to Earnings Ratio[4]
(January 1, 2005 to December 31, 2024)



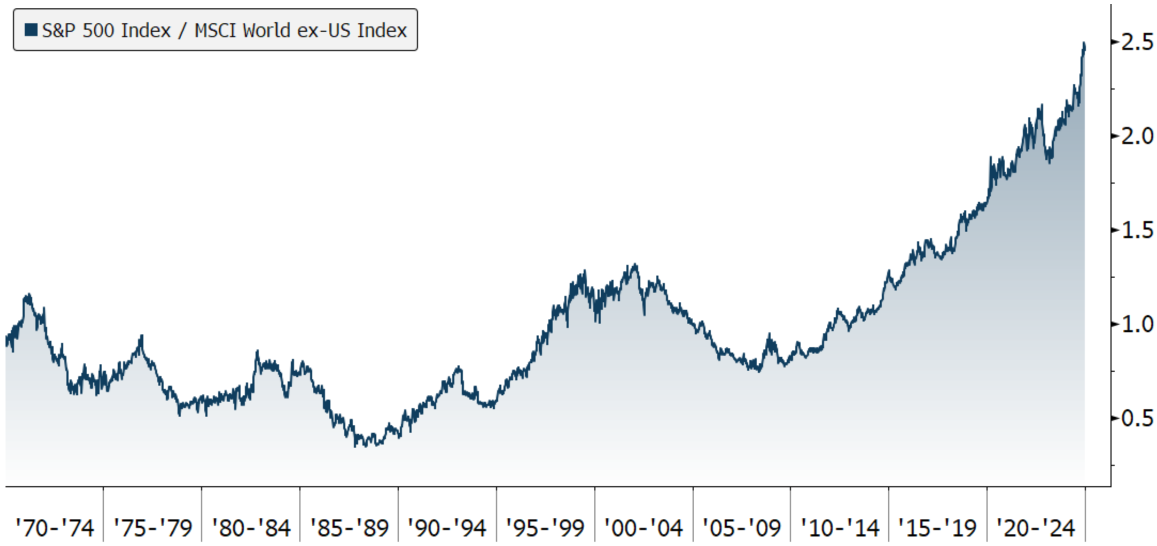
2 The S&P 500 is a gauge of large-cap U.S. equities and includes 500 leading companies which captures approximately 80% coverage of available market capitalization.

3 The MSCI World ex-US Index is a widely recognized benchmark designed to measure the equity market performance of developed markets outside the United States.

4 Calculated as Index Price divided by Index estimated earnings next year (12-months forward).

Chart 2: S&P 500 to MSCI World ex-US Ratio

(Total returns, January 1, 1969 to December 31, 2024)



State of International Markets

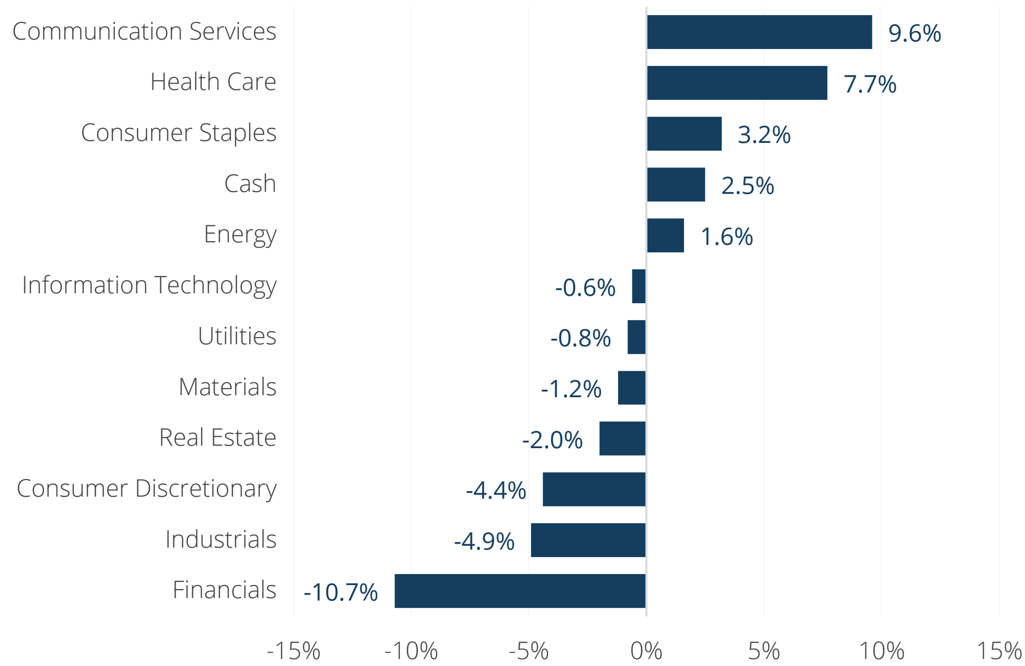
EAFE markets delivered modest absolute total returns in 2024, returning 3.82% in US$ terms. The year saw several political changes in Europe as major countries such as UK, France and Germany all held elections leading to uncertainty over political and economic policies. Inflation has largely been brought under control although its lingering effect on the consumer is notable. Interest rate policy has started to shift to be more accommodating as inflationary pressures ease but the path to lower interest rates feels like a long one as central banks remain cautious about moving too quickly. The European Central Bank is perhaps most advanced in their desire to stimulate the flagging economies of Europe, but the Bank of England is taking a measured approach as wage inflation and recent tax changes by the Labour Government are putting pressure on company profit margins. The Bank of Japan stands out in markets as they look to reflate the economy with rates easing above zero for the first time in nearly 10 years.

The uncertainty of the geopolitical tensions, low growth, inflation that is now easing and a lack of leadership in technology have all led to International Markets underperforming global markets and remaining heavily out of favor. The election of Donald Trump to President has not helped these pressures as the President elect has pushed his America first agenda and indicated a desire to impose tariffs on goods coming into the US. Whether this move proves to be a negotiating tactic, or an actual policy remains to be seen, but markets have been quick to discount the negative impact of this potential policy with EAFE markets down 8.1% in Q4. We do not claim to know what will happen in the year to come but it is fair to suggest that a lot of bad news is already baked into EAFE markets, and any positive changes could see a marked impact on sentiment and fundamentals.

Outlook and Positioning

With a change in team structure comes an opportunity to encourage fresh perspectives and as such we are reviewing every stock in the portfolio. We currently are positioned quite defensively with significant overweight positions in Communication Services and Healthcare. Sector weights may change as we find new ideas, but we are driven by stock idea generation and not views on sectors per se. We see significant value in the portfolio today with material upside versus our downside estimates but also see many unloved areas of the markets starting to present us with stocks at prices we haven't seen in years.

Chart 3: IV Portfolio Sector Weights vs. EAFE
(as of December 31, 2024)



Performance Summary and Market Observations

During the quarter, performance was marginally behind the benchmark with positive contributions coming from Industrials (Airbus and Rentokil), Financials (Societe Generale and HSBC), Materials (underweight a poorly performing sector) and Information Technology (Nokia and Ericsson). Detractors in the quarter were Healthcare (Philips & Bayer) and Communication Services (Vodafone, BT & Telefonica).

For 2024 the portfolio was 136bps behind the benchmark with the majority of the underperformance coming from Worldline (-160bps) in the first quarter and being underweight the Japanese banks in particular. By sector, the main contributors were Communication Services, Consumer Staples, and Information Technology. Detractors were Financials as mentioned, Consumer Discretionary (Continental, Volkswagen & Swatch), and Healthcare (Bayer). After a difficult first quarter the portfolio has trended upward delivering robust performance from March 31 through the end of the year. We are encouraged by this outperformance and continue to be positioned in what we consider to be, companies with valuation dislocations that may bolster outperformance into the new year.

Significant Portfolio Changes

During the quarter, we bought one new Core Value stock, **Nidec** (ticker: 6594 JP), and one new Deep Value stock, **Smith & Nephew** (ticker: SNN US). We also sold one Core Value stock, **Aviva PLC** (ticker: AV/ LN), and received one Deep Value stock, **Sunrise Communications** (ticker: SNRE US), as a spin off from Liberty Global (ticker: LBTYA US).

Nidec is one of the world's leading manufacturers of motors. They range from small precision motors to automotive motors and motors for home appliances. Their founder Mr. Nagamori retired in 2021 which coincided with a slowing in the EV marketplace that has led to a de-rating of a market leading business and presented us with a valuation that we hadn't seen since the Covid trough.

Smith & Nephew develops and markets advanced medical devices. The group is involved in orthopedics, endoscopy, and advanced wound management. They hold strong market share positions in all their divisions and their products should all benefit from an ageing and more active population. Recent changes in procurement policies in China led to some pricing weakness which presented us with an opportunity to purchase S&N at an attractive price.

Aviva is a UK based general insurance and life assurance company offering motor, home, fire, marine and aviation insurance as well as offering a variety of financial services ranging from life insurance to savings products and fund management services. In December 2024 Aviva announced the planned £3.7bn takeover of Direct Line. Having made a number of acquisitions and disposals over the last few years Aviva has repositioned themselves back towards their core market of the UK and this deal solidifies that position. Nevertheless, we consider the UK market to be highly competitive and the 70%+ premium paid does not represent good value in our opinion.

Sunrise Communications is a Swiss communications services business, offering fixed line and cellular services to consumers and businesses. Sunrise was spun out of Liberty Global in Q4 and as such represents a smaller holding in the portfolio.

Individual Stock Performance

Top Contributors[5] – Q4 2024	Largest Detractors – Q4 2024
Societe Generale SA (GLE FP)	Bayer AG (BAYN GR)
Ericsson (ERIC US)	Philips (PHG US)
Liberty Global (LBTYA US)	Sanofi (SNY US)
HSBC Holdings (HSBC US)	Vodafone Group (VOD US)
Fresenius Medical Care (FMS US)	Roche Holding AG (ROG SW)

Past performance does not guarantee future results. Source: Bloomberg as of 12/31/2024

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

Societe Generale continues to perform well with solid performances across all their business segments. Cost levels are under control whilst maintaining prudent risk management, leading to improved levels of profitability. Their Tier 1 ratio also remains solid at around 13% and the valuation of the stock remain extremely inexpensive, trading at less than 0.4x P/B and under 6x P/E for 2025.

Ericsson performed well in the quarter after beating quarterly expectations. They have benefited from a n 80% rise in their North American network's sales with a large radio access network contract from A&T being particularly helpful. These sales helped push gross margins up above expectations and the value that we identified in the stock continued to be released.

Bayer is a business that has been struggling for some time with a protracted lawsuit over glyphosate, which is used in their weedkiller Roundup. In Q4 Bayer reiterated guidance for 2024 but lowered their expectations for next year as the litigation cases continue. Lower demand in crop science is pressurizing prices and their other markets are growing more slowly as the consumer feels the pinch due to higher inflation. There is some positive news however as the glyphosate litigation cases are predominantly being settled in Bayer's favor and there is finally an end to this saga in sight. When this will occur is hard to say but all evidence points to sometime in 2025 and in the meantime, Bayer trades on an expected P/E of 4.5x 2025, a considerable discount to its 10-year average of 10.5x and historic norm of nearer 15x.

Philips has been a strong performer this year as fundamentals continue to show signs of recovery. This recovery hit a stumbling block in Q4 after they, and the healthcare industry in general, were affected by a significant slowdown

5 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.

in Chinese demand. This led to Philips cutting FY cash flow guidance and the stock retraced some of the year's performance.

Final Comments

Thank you for your investment with Clifford Capital Partners. The portfolio performed in line with the market in Q4 despite significant political changes and fluctuating economic expectations, particularly in Asia. We are defensively positioned but are excited about the opportunities that increased market volatility is presenting us. We continue to see significant intrinsic value in the portfolio and believe we are well positioned going into 2025.

We will continue to focus on building long-term wealth through diligent and prudent portfolio management.

Sincerely,

International Value Team
Clifford Capital Partners, LLC

Disclaimers & Disclosures

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 Portfolio'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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