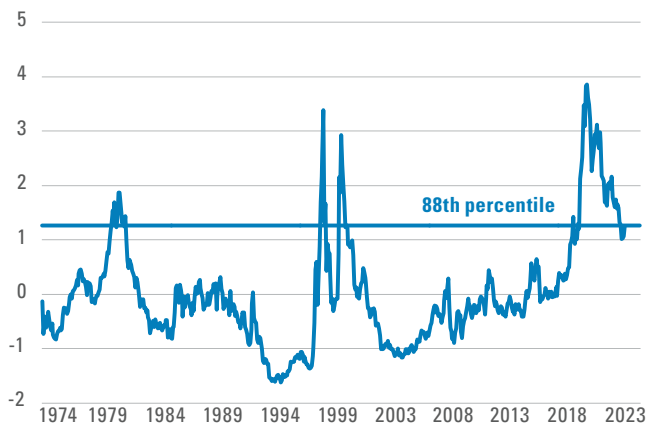


THE CASE FOR INTERNATIONAL VALUE

International value stocks marginally led their growth peers across many regions during 2023. While value is certainly working for intuitive reasons, such as the high interest rate regime across markets, the cohort remains very attractively valued relative to growth. The price-to-book spreads between the cheapest and most expensive quintiles of stocks in non-US developed markets reflect just how far growth stocks ran up during the “easy money” years prior to the pandemic.

Exhibit 1 EAFE Valuation Dispersion Remains Wide



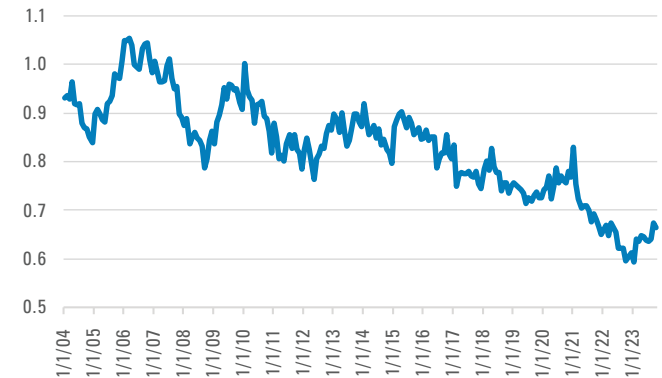
Data through December 31, 2023. Source: Sanford C. Bernstein & Co., Pzena analysis Dispersion between cheapest and most expensive quintiles based on price to book; equal-weighted data. Universe is the MSCI EAFE

International Value Remains Cheap

Despite the strong performance of international equities in 2023, the valuation disparity between US and non-US equities remains wide. The broad US market is particularly expensive relative to the rest of the world, largely reflecting the well-documented rise of the “Magnificent Seven”¹ in 2023. The relative cheapness of international equities is currently at a historically rare level; on a forward earnings basis, the MSCI EAFE Value Index has only been cheaper than the Russell 1000 Value Index 3% of the time over the past 20 years.²

Exhibit 2

MSCI EAFE Value/Russell 1000 Value (Forward Price to Earnings)



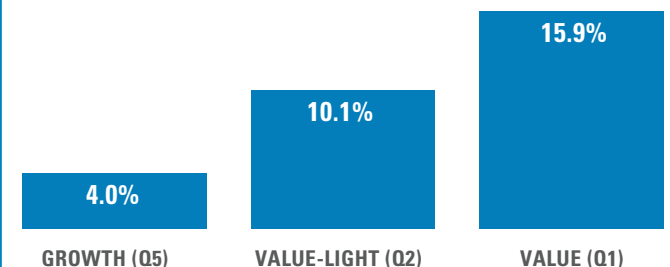
Source: FactSet, Pzena analysis
Forward price/earnings data from January 31, 2004-December 31, 2023

Deep Value Reigns Supreme

Given the compelling opportunity, we believe it is an excellent time to consider allocating to international value. Foregoing investment in non-US markets means passing over idiosyncratic opportunities in a broad investment universe consisting of over 1,500 companies. Additionally, despite a wealth of empirical evidence supporting its track record, some investors are reluctant to embrace value and instead turn to indexing or “value-light” strategies; such strategies may sidestep the most contentious and volatile stocks, but in so doing, sacrifice the core tenets of the value philosophy and the historical performance advantage of value.

Exhibit 3

International Average Rolling 5-Yr Returns (1990-2023)



Source: Kenneth R. French data, Pzena analysis of equal weighted returns from July 1990 through December 2023, segregated by price-to-book quintiles. Universe is developed markets ex-US.

¹Amazon, Apple, Alphabet, Meta Platforms, Microsoft, Nvidia and Tesla
²Source: FactSet, Pzena analysis

The Pzena Advantage

We utilize our proprietary screening tool StockAnalyzer to identify the cheapest 20% of the investment universe, and we subsequently assign research priority to the most interesting companies from that quintile. At the conclusion of our research process, we have an educated estimate of normalized earnings, as well as a thesis for how company management could turn around the business. We build concentrated portfolios of undervalued businesses, which are typically experiencing issues we deem to be temporary.

We believe that our focus on fundamental research, paired with a disciplined process to uncover potential ideas across a broad universe, has contributed to the Pzena International Value strategy's strong long-term performance.

Investment Performance: Pzena International Value Composite

	4Q 2023	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 11/1/08
Pzena International Value Composite - Gross*	6.4%	19.4%	19.4%	7.6%	9.3%	4.8%	9.1%
Pzena International Value Composite - Net*	6.3%	18.7%	18.7%	7.0%	8.7%	4.3%	8.5%
MSCI EAFE Index**	10.4%	18.2%	18.2%	4.0%	8.2%	4.3%	6.9%
MSCI EAFE Value Index**	8.2%	19.0%	19.0%	7.6%	7.1%	3.2%	6.0%

Returns through December 31, 2023

Past performance is not indicative of future returns. Returns could be impacted, positively or negatively, by currency fluctuations, where applicable.

*Gross rates of return are presented gross of investment management fees and net of the deduction of transaction costs. An investor's actual return will be reduced by investment management fees. Net Returns are derived using a model fee applied monthly to Gross returns. Pzena uses the highest tier fee schedule, excluding performance fees, to illustrate the impact of fees on performance returns. As product fees change, the current highest tier schedule will be in effect.

**The information provided is for equity returns including dividends net of withholding tax rates as calculated by MSCI. All performance numbers are preliminary and subject to change.

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