

**FUND OBJECTIVE:** The fund seeks to achieve long-term capital appreciation.

**PORTFOLIO MANAGERS**



John Flynn  
With Pzena since 2005  
In Industry since 2000



Evan Fox  
With Pzena since 2007  
In Industry since 2007



Benjamin Silver  
With Pzena since 2001  
In Industry since 1988

**OVERALL MORNINGSTAR RATING™ ★**

As of 09/30/22, Institutional Class shares rated 1 star among 440 Small Value funds, based upon risk-adjusted returns derived from a weighted average of the performance figures associated with 3-, 5- and 10-year (if applicable) Morningstar Ratings metrics.

The Morningstar rating is for The Pzena Small Cap Value Fund – Institutional Share Class; other classes may vary. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund’s monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) As of September 30, 2022 the Institutional Class shares of the Fund were rated 2-Stars and 1-Star against the following numbers of Small Value funds over the following time periods: 440 funds in the last three years and 412 funds in the last five years. © 2022 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

**PERFORMANCE SUMMARY**

	QTD	YTD	One Year	ANNUALIZED		
				Three Year	Five Year	Since Inception 4/27/16
PZISX - Institutional Class	-8.65%	-21.47%	-17.77%	5.11%	1.58%	4.56%
PZVSX - Investor Class	-8.62%	-21.52%	-17.96%	4.89%	1.32%	4.27%
Russell 2000® Value Index - Total Return	-4.61%	-21.12%	-17.69%	4.72%	2.87%	6.75%

PZISX Expense Ratio: Gross: 1.17%, Net: 1.00% PZVSX Expense Ratio: Gross: 1.52%, Net: 1.35%\*

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 844.PZN.1996 (844.796.1996).

\*Contractual fee waivers through 6/28/23

**PORTFOLIO CHARACTERISTICS**

	Small Cap Value	Russell 2000® Value Index
Price / Earnings (1-Year Forecast)	8.8x	9.0x
Price / Book	1.1x	1.2x
Median Market Cap (\$B)	\$1.6	\$0.8
Weighted Average Market Cap (\$B)	\$2.5	\$2.1
Number of Stocks	47	1,394

**TOP 10 HOLDINGS**

Associated Banc-Corp.	3.8%
Old National Bancorp of Indiana	3.8%
Belden, Inc.	3.5%
CNO Financial Group, Inc.	3.4%
Webster Financial Corp.	3.4%
Dana, Inc.	3.1%
Orion Engineered Carbons S.A.	3.0%
Umpqua Holdings Corp.	3.0%
Axis Capital Holdings, Ltd.	2.9%
Celestica, Inc.	2.9%
Total	32.8%

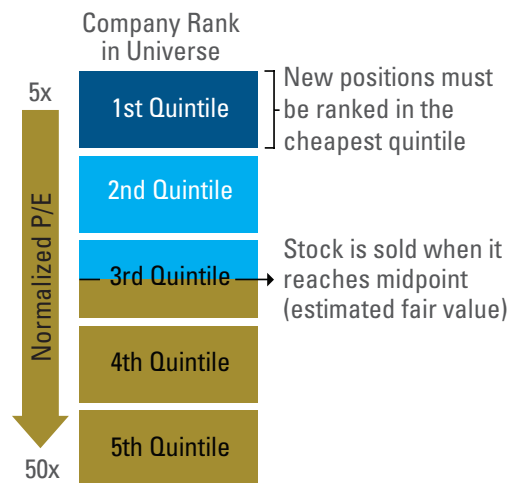
**SECTOR WEIGHTS**

SECTOR	Small Cap Value	Russell 2000® Value Index
Basic Materials	6%	4%
Consumer Discretionary	13%	13%
Consumer Staples	5%	3%
Energy	7%	5%
Financials	30%	29%
Health Care	3%	12%
Industrials	26%	13%
Real Estate	2%	11%
Technology	8%	5%
Telecommunications	0%	1%
Utilities	0%	5%

Sector weights adjusted for cash - may appear higher than actual. Number may not add to 100% due to rounding.

## INVESTMENT PROCESS

- Universe: 2000 U.S. companies (ranked 1001-3000 based on market capitalization)
- Fundamental research conducted on companies considered the most undervalued based on price relative to normalized earnings
- Co-Portfolio Managers construct a portfolio of deeply undervalued businesses requiring unanimous consent



## PORTFOLIO COMMENTARY

Inflationary pressures and concerns over monetary policy potentially triggering a recession drove market uncertainty throughout the quarter. Declines were consistent across market caps but small cap stocks held up slightly better in the quarter, though they still lagged over the past year. Within the small cap cohort, value stocks underperformed their growth peers, reversing the trend over recent quarters. Our portfolio underperformed the Russell 2000 Value Index, with all segments finishing in the red.

The biggest individual detractor was office furniture manufacturer Steelcase, which traded down after the company lowered guidance on slower return-to-office trends and companies delayed buying decisions due to economic uncertainty. Steelcase remains a leader in the space; it is well-positioned for increased spending on office space, and its shares remain attractively valued even on conservative growth assumptions. Consumer products company Spectrum Brands fell during the quarter after the Department of Justice (DOJ) challenged the planned sale of its home improvement segment on antitrust concerns. Spectrum and its acquisition partner, ASSA ABLOY, are contesting the decision, but there is a wide range of outcomes for the stock, as Spectrum will have zero debt and is grossly undervalued if the deal occurs, but will be highly levered if the transaction is blocked. Door and window manufacturer JELD-WEN fell after the CEO tendered his resignation to the Board of Directors, while housing sentiment has declined with rising rates.

The top contributor was high-end server manufacturer Super Micro Computer, which rose after reporting a strong earnings beat on positive operating leverage efficiencies and robust demand growth across end markets and geographies. Signal transmission company Belden was also higher on double-digit growth across all segments,

which highlighted the company's exposure to compelling secular end markets. Another top contributor was oil service equipment manufacturer TechnipFMC, which displayed strong order flows and book-to-bill ratios, as higher energy prices are driving energy capital expenditures.

We initiated a position in Masonite, a leading global manufacturer of interior and exterior doors. The stock traded down as the real estate market began to cool with declining housing starts and higher interest rates, creating an attractive buying opportunity. We also added Adient, a leading global supplier of auto seating. Adient's stock had fallen after the prior CEO prioritized share gains but mispriced parts of the business and increased leverage; the current management team has refocused the business on profitability and cash flow, presenting an attractive valuation for a company that should benefit from an easing of auto manufacturing bottlenecks. Another addition, Koppers, manufactures wood treating chemicals. The stock's valuation is currently depressed on concerns of residential construction being above-trend, but we believe the stock is cheap even if the wood deck business declines. We funded the purchases by selling out of truck company Ryder and oil service company NexTier Oilfield Solutions as they approached our estimates of fair value and trimmed our positions in the aforementioned Super Micro and Belden on relative valuation.

Despite the economic uncertainty gripping the market, the portfolio consists of strong businesses with healthy balance sheets, and management teams executing on their strategies to deliver value to shareholders.

**Price / Earnings (1-Year Forecast)** is a measure of the price-to-earnings ratio (P/E) using forecasted earnings for the P/E calculation. **Price / Book** is a valuation ratio of a company's current share price compared to its book value. **Median Market Cap** is the point at which half of the market value of a portfolio is invested in stocks with a greater market cap, and consequently the other half is invested in stocks with a lower market cap. **Weighted Average Market Cap** is the average firm market capitalization weighted by security weight. **Normalized P/E** is a ratio that measures a company's share price relative to Pzena's estimate of what a company earns across a typical business cycle. **EBITDA**, or earnings before interest, taxes, depreciation, and amortization, is a measure of profitability. **Dividend Yield**: ratio that indicates how much a company pays out in dividends each year relative to its share price. **RBC Ratio** means the risk-based capital ratio. **SG&A**: selling, general & administrative costs—also sometimes referred to as operating expenses.

The Russell 2000® Value Index is an unmanaged index that measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth rates. The index is reconstituted annually so that stocks that have outgrown the index can be removed and new entries can be added. One cannot invest directly in an index.

**Mutual fund investing involves risk. Principal loss is possible. Investments in small-cap companies involve additional risks such as limited liquidity and greater volatility than larger companies. Investments in foreign securities involve political, economic and currency risks, greater volatility and differences in accounting methods. These risks are greater for investments in Emerging Markets. The fund may have emphasis on a specific sector which could adversely affect a fund to a greater extent than if its emphasis was less. The Fund emphasizes a "value" style of investing, which targets undervalued companies with characteristics for improved valuations. This style of investing is subject to the risk that the valuations never improve or that the returns on "value" securities may not move in tandem with the returns on other styles of investing or the stock market in general.**

*The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The summary and statutory prospectus contain this and other important information about the investment company, and may be obtained by calling 1.844.PZN.1996 (1.844.796.1996), or visiting [www.pzenafunds.com](http://www.pzenafunds.com). Read it carefully before investing.*

Fund holdings, Sector exposure and characteristics are as of the date shown and are subject to change at any time. As a result, the Fund's current and future holdings, Sector exposure and characteristics may vary substantially from the information shown. No recommendation is made regarding the advisability of buying or selling any security.

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