

**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 12/31/22, Institutional Class shares rated 2 stars among 453 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 December 31, 2022 the Institutional Class shares of the Fund were rated 2-Stars and 2-Stars against the following numbers of Small Value funds over the following time periods: 453 funds in the last three years and 426 funds in the last five years. © 2023 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	20.85%	-5.10%	-5.10%	6.87%	5.40%	7.39%
PZVSX - Investor Class	20.78%	-5.22%	-5.22%	6.60%	5.11%	7.09%
Russell 2000® Value Index - Total Return	8.42%	-14.48%	-14.48%	4.70%	4.13%	7.78%

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)	9.9x	9.8x
Price / Book	1.3x	1.3x
Median Market Cap (\$B)	\$1.9	\$0.8
Weighted Average Market Cap (\$B)	\$2.8	\$2.3
Number of Stocks	46	1,383

**TOP 10 HOLDINGS**

CNO Financial Group, Inc.	4.3%
Associated Banc-Corp.	3.2%
Webster Financial Corp.	3.2%
Celestica, Inc.	3.1%
Steelcase, Inc.	3.1%
Old National Bancorp of Indiana	3.1%
Olin Corp.	3.0%
Terex Corp.	3.0%
Orion Engineered Carbons S.A.	2.9%
Axis Capital Holdings, Ltd.	2.9%
Total	31.8%

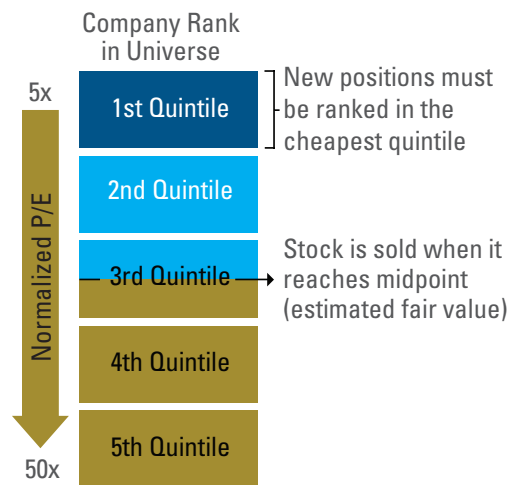
**SECTOR WEIGHTS**

SECTOR	Small Cap Value	Russell 2000® Value Index
Basic Materials	7%	4%
Consumer Discretionary	14%	13%
Consumer Staples	4%	3%
Energy	6%	6%
Financials	30%	28%
Health Care	3%	10%
Industrials	27%	14%
Real Estate	1%	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

Equities rebounded in the 4th quarter as supply chain woes began to dissipate and investors began to anticipate a more dovish Fed, but markets remained down for the year. Small cap stocks were up slightly less than large cap stocks and underperformed slightly for the full year, but value outperformed markedly during the quarter and for the year across market caps. The Pzena Small Cap Value Fund handily outperformed the Russell 2000 Value Index with positive contribution from all sectors in the quarter. The sectors that contributed the most were industrials, financials, and consumer discretionary.

The top individual contributor was auto axle supplier Dana as the stock responded well to better-than-expected results and reaffirmed full year guidance. The company is still dealing with production inefficiencies due to industry shortages but has been managing through them and will benefit as supply chains improve. Another top contributor was aerial work platform and materials processing company Terex Corporation, which had strong revenue growth from both pricing and volumes. The company's backlog is strong going into next year and gives them increased visibility into next year's revenue profile. Pipe and valve distributor MRC Global reported robust revenue growth and margin expansion and expectations for continued strength in 2023 with particularly robust revenue growth in downstream, upstream, and gas utilities end markets.

No sectors detracted for the quarter, but the biggest individual detractor was automotive parts manufacturer Motorcar Parts of America, which reported disappointing net income as higher interest

rates negatively impact their receivables discount program. The company is working to put through pricing, but lags have left them negatively exposed to the higher rate environment. Another detractor was nutritional supplement seller USANA Health Sciences which was down due to challenged sales in Asia from lockdowns and continued economic weakness in those markets. Finally, X-ray tube manufacturer Varex Imaging declined as production delays continue to drag on revenues and higher costs negatively impact gross margins.

We continued to build our position in door manufacturer Masonite, as well as specialty chemical producer Koppers, while opportunistically adding to our position in P&C insurer Argo Group. We funded these positions by trimming oil equipment manufacturer TechnipFMC and signal transmission company Belden, as well as exiting server manufacturer Super Micro, all on strength.

Valuation spreads narrowed during the quarter with strong performance for value and the fund. We continue to diligently research companies that are underappreciated by the market and are currently seeing a range of opportunities, especially from companies where the market fears the impact of a potential recession.

**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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