Clifford
CAPITAL FUNDS

Clifford Capital Focused Small Cap Value Fund

Quarterly Commentary – Third Quarter 2022

Performance Summary

	3rd Quarter 2022	Year-to-Date	Average Annual Returns as of September 30, 2022				Total Return, Inception (10/1/2019)
			1-Year	3-Year	5-Year	Inception (10/1/2019)	
Institutional Class (FSVVX)	-8.90%	-22.73%	-21.06%	n/a	n/a	3.23%	10.00%
Russell 2000® Value[1]	-4.59%	-21.13%	-17.72%	n/a	n/a	5.33%	16.86%

	3rd Quarter 2022	Year-to-Date	Average Annual Returns as of September 30, 2022				Total Return, Inception (1/31/2020)
			1-Year	3-Year	5-Year	Inception (1/31/2020)	
Super Institutional Class (FSVQX)	-8.86%	-22.64%	-20.98%	n/a	n/a	3.82%	10.52%
Investor Class (FSVRX)	-8.87%	-22.84%	-21.26%	n/a	n/a	3.50%	9.61%
Russell 2000® Value	-4.59%	-21.13%	-17.72%	n/a	n/a	4.28%	11.81%

**Expense Ratio Gross/Net: FSVVX 3.01%/1.05%; FSVQX 2.93%/0.97%; FSVRX 3.30%/1.30%

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 (800) 628-4077. Short term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns.

**Clifford Capital Partners, LLC (the "Adviser") has contractually agreed to reduce fees and/or reimburse certain Focused Small Cap Value Fund expenses until January 31, 2023.

Performance Summary

The third quarter felt like a roller coaster ride with the stock market increasing sharply at the beginning before plummeting again at the end. The Clifford Capital Focused Small Cap Value Fund ("the Fund") had a tough quarter and underperformed its benchmark—attributable to not increasing as much during the "up" part of the quarter and then roughly matching its benchmark during the downdraft. After this quarter the Fund has also fallen behind its benchmark for the year-to-date period as well. We are disappointed with the Fund's recent performance results—which have also affected its longer-term results—and while we acknowledge that this has been an extremely challenging year for the stock market (as we'll show later, the vast majority of stocks are negative in 2022), we have been surprised by the magnitude of the Fund's negative performance this year. On the bright side, we think the stocks that have detracted the most from the Fund's recent performance are extremely undervalued, in our opinion, which we think is indicative of a brighter future. We also note that, while disappointing, the magnitude of the Fund's underperformance is not overwhelming, given the tremendously attractive valuations we see today in the Fund's holdings, which gives us confidence for the future.

In a continuation of the theme of 2022, we attribute most of the market's weakness to higher interest rates and the Fed beginning to tighten monetary conditions as the country's monetary policymaking officials strive to fight inflationary forces. This sea change in Fed behavior was coupled with extremely high stock valuations in certain subsets of the market coming into the year, which we think has led to outsized losses in many stocks. We

1 The Russell 2000® Value Index is a capitalization-weighted index which is designed to measure performance of Russell 2000 Index companies, respectively, with lower price-to-book ratios and lower forecasted growth values. Numbers presented include the reinvestment of dividends (total return).

also believe investors continue to worry about an economic recession, which most investors believe has started already or will begin in short order.

Core Value and Deep Value Dynamic

The Fund's Core Value stocks outperformed the benchmark during the quarter and during 2022 so far, while its Deep Value investments have meaningfully underperformed. Deep Value underperformance has been a trend over the last five quarters, which has been a headwind to the Fund's overall performance, but our conviction in the Fund's Deep Value stocks remains strong. As you'll see from the table below, the Core Value and Deep Value sleeves tend to perform differently in different environments. During the first roughly 7 quarters of the Fund's existence (October 1, 2019 inception through June 30, 2021), Deep Value stocks performed well, mostly during the recovery from the Pandemic Panic of early 2020. Since then, over the past 5 quarters as inflation has risen and the economy has shown signs of peaking, Core Value stocks have held up well and meaningfully outperformed the benchmark, while Deep Value stocks have struggled.

Core Value and Deep Value Sleeves Produce Different Performance Streams

	Inception (10/1/19) to June 30, 2021 (*first 7 quarters*)	June 30, 2021 to Sept. 30, 2022 (*last 5 quarters*)	Q3 2022	YTD 2022
FSVVX	53.7%	-28.4%	-8.9%	-22.7%
Fund Core Value stocks*	27.0%	-4.3%	0.1%	-6.4%
Fund Deep Value stocks*	106.4%	-52.7%	-20.5%	-40.2%
Russell 2000 Value	46.4%	-20.2%	-4.6%	-21.1%

** Performance of Core Value and Deep Value stocks are unofficial numbers provided for illustrative purposes only, gross of fees, as calculated from Bloomberg based on our designation of Core Value and Deep Value holdings within the Fund. Fund holdings are subject to change.* **Past performance does not guarantee future results.**

Data Source: Bloomberg

We believe market conditions since the inception of the Fund have not been normal and we do not think the volatility we've seen in our Deep Value stocks is normal either. In the brief few years of the Fund's existence, we have seen a global pandemic that upended the world, and what we believe to be a speculative bubble in Technology and other "new economy" stocks. We think this bubble was spurred by a belief that traditional industries (a good definition for many of the Fund's Deep Value investments) were facing an accelerated pace of competitive disruption and potential obsolescence. While we believe there are elements of truth to this belief (most bubbles are formed on rational ideas that are simply taken too far), we think it has led to some tremendous bargains in companies that are better protected against competitive disruption than investors believe. We think these factors have led to bifurcated performance periods for our Deep Value investments; at times they underperform sharply and trade for extremely low valuations, which inevitably leads to improved performance as investors recognize the value inherent in these companies.

We have been surprised in many cases with how low valuations have become for our Deep Value names while valuations are extremely high for more popular stocks, which suggests that in recent years valuation simply hasn't mattered to many investors. As illustrated later in this commentary, hundreds of stocks today trade for more than 8.5 times sales (not profits, but sales!), which is an extremely high valuation, while several of the Fund's holdings are trading for a small fraction of sales and less than 3 times free cash flow[2] (an extremely low valuation!). We strongly believe that valuation always matters, even if there are relatively long periods of time where investors seem to forget it.

We continue to believe that the Fund's best investment opportunities today lie in its currently underperforming Deep Value stocks, many of which we believe are trading at extremely attractive levels with significant upside potential (all-time low valuations in some cases). As such, we continue to have a higher-than-normal weighting

2 Free cash flow is generally defined as cash flow from operations minus capital expenditures. It is a measure of profitability used to determine how much excess profit a company generates that may be used for distribution among its security holders (i.e. debt payments, dividends, share repurchases, acquisitions).

in Deep Value stocks. This decision was driven by our conviction in the investment merits of each individual investment—a bottom-up focus—and not based on our educated guesses of the direction of the Fed or the economy. We have identified Key Thesis Points™ ("KTPs") for each stock; long term catalysts that we believe will improve the economic prospects of each firm, which we believe will translate into better stock performance.

We also note that 2022 provides a great microcosmic lesson about why we have the mix of Core Value and Deep Value investments in the Fund. Even though the Fund's Deep Value stocks have meaningfully detracted from the Fund's performance, Core Value investments have outperformed, leading to only slightly lower results than the overall benchmark. We also believe that the losses incurred by the Fund's Deep Value investments are temporary and have led to deeply depressed valuations, which we think can lead to strong upside potential when the fundamentals of these businesses begin improving like we believe they will. We view the Fund's Deep Value investments similarly to a beach ball being held underwater: the deeper down the ball goes, the more pressure there is for it to "pop" back to the surface. We believe our KTPs are the catalysts for these "pops".

So far in 2022 there has been significant upheaval in interest rates, investor expectations, and a clear slowdown in economic conditions that has moved investor focus more towards macro concerns rather than the long-term outlook for individual companies. As such, we've observed that some companies' clear progress towards long term KTPs has often been ignored this year. However, we believe most of these macro issues will eventually subside (or become fully discounted by the stock market) and our Deep Value "beach balls" will lead the charge when our investment companies' performance improves, catalyzed, in our opinion, by KTPs.

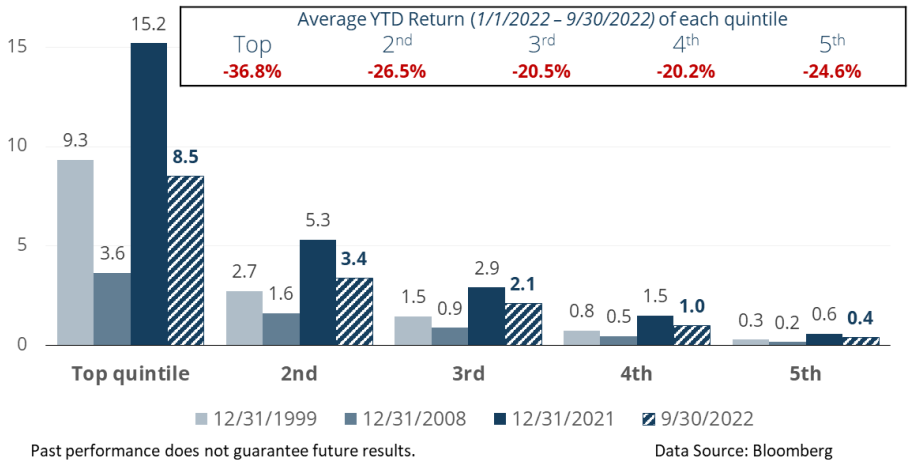
Another Update on Market Valuations – Are We There Yet?

In our last three commentaries, we've shown a chart of the valuation levels of the Russell 3000 Index[3] (generally considered to be a proxy for the entire U.S. stock market) which illustrated that the market was more expensive coming into 2022 than it was at the end of 1999 (near the end of the dotcom bubble), and significantly higher than it was at the end of 2008, (near the end of the Great Financial Crisis and what, in hindsight, was a great buying opportunity). We segmented the Russell 3000 Index constituents into five equal groups (quintiles) ranked on their price to sales ratio, which we believe is a simple valuation metric, but one that is less vulnerable to fluctuations in earnings/cash flow. The price to sales ratio is a simple answer to the question, "how many dollars are stock investors paying for each dollar of sales generated by a company?"

2022 has not been kind to U.S. stock investors (Russell 3000 declined 24.6% during the first nine months of the year) and a common question we've heard from investors is "are we close to the bottom??" – the stock market equivalent of every parent's ubiquitous road trip question, "are we there yet??" Given the stock market downdraft, we've updated this chart again as of September 30 to show how much valuations have declined so far this year.

3 The Russell 3000® Index is a capitalization-weighted index which is comprised of the stocks within the Russell 1000® and the Russell 2000® Indices. This index of securities represents approximately 98% of the investable U.S. equity market. Numbers presented include the reinvestment of dividends (total return). An investor cannot invest directly in an index. Moreover, index performance does not reflect the deduction of advisory fees, transaction charges, and other expenses.

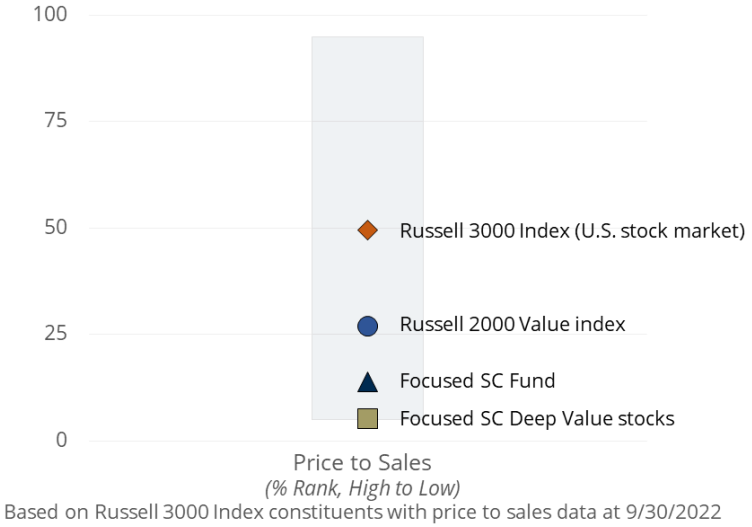
Price to Sales Ratios[4] at the end of 1999, 2008, 2021 and September 30, 2022
(most expensive to least expensive quintiles)



Past performance does not guarantee future results. Data Source: Bloomberg

U.S. stocks are definitely *cheaper* than they were at the beginning of the year, but we don't view valuations of the overall stock market as very *cheap* overall. Even after 2022's meaningful downdraft, most of the market quintiles are still close to the price/sales level at the end of 1999, near the peak of the dotcom bubble. Of note, the most expensive stocks continue to be the worst performing quintile of the stock market in 2022 (not a surprise to us), but the least expensive quintile has not meaningfully outperformed either (which *has* been a surprise to us).

We still think owning stocks in companies on the lower end of the valuation spectrum is a prudent discipline. As you can see from the chart below, the Fund and its Deep Value stocks continue to be valued in the lowest quintile of the overall U.S. stock market based on price to sales, well below its benchmark.



Based on Russell 3000 Index constituents with price to sales data at 9/30/2022

4 Price to Sales ratio is the ratio of a company's or index's current market capitalization to its sales over the prior 12 months as of the date of the analysis. For this chart, the Russell 3000® Index was sorted by highest to lowest price to sales ratio in fifths (quintiles) for all index stocks with available price/sales data for each time period (about 90%, 95%, and 92% of total Index constituents were included for 1999, 2008, and 2021, respectively). 9/30/2022 data was obtained from the same constituents as at 12/31/2021 for comparability. The datapoint presented on the chart is the median price/sales ratio for each quintile.

We think there are multiple ways for extremely inexpensive stocks to become worth more. Borrowing from last quarter's commentary:

> *We think owning stocks with lower valuations is always prudent, but especially today in an environment where many investors are taking a more skeptical view of the future. From a pragmatic viewpoint, we think companies with lower valuations have more options to improve their stock prices. For example, share repurchases made at low valuations can result in material share count reductions and earnings per share accretion, dividend yields become more meaningful, and we believe activist investors and strategic/financial buyers become more interested in cheaper companies, leading to mergers and acquisitions activity.*

We have already seen some of these types of actions happen—or rumored to be happening soon—among our favorite inexpensively-valued holdings.

So Why Haven't Cheap Stocks Held Up Better?

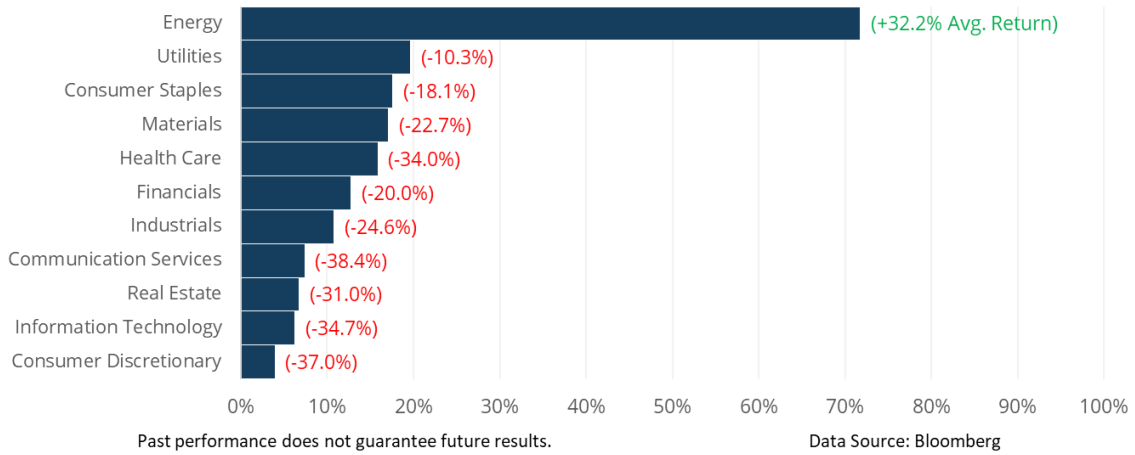
We have observed that many of the market's least expensive stocks are in companies that have more economic sensitivity, so recession worries have weighed on their stock prices. Additionally, many inexpensively valued companies have meaningful debt, and investors are (correctly) concerned about the effect of higher interest rates on their borrowing costs and their ability to refinance existing debt when the time comes (we discuss this some more below).

We understand the logic of investors being wary of recession and debt in today's environment, but we also think there are several investment opportunities that have arisen because of the rapidity and violence of the market's reactions to these areas. As contrarians, we think market participants have become less discerning of individual companies' financial position (current assets, debt maturity schedule, cash flow prospects, etc.) and their long-term prospects, choosing instead to run away from areas of concern in what we view as a knee-jerk reaction in many cases. To be clear, we think investors have every right to be concerned about recession and debt loads; we simply think some companies are less concerning than others, and as contrarians we're seeking out the inexpensively valued ideas that we believe are significantly mispriced today because of these worries.

Other Market Observations

- ***Almost everything outside of Energy is down – a fertile field for finding undervalued investments.*** As shown below, more than 80% of the stocks in every sector of the market were down for the year-to-date period, with the only exception being the Energy sector. Quite simply, almost everything is down in 2022. Only ~14% of the Russell 3000 constituents[5] had a positive total return during the first nine months of 2022. There have been very few places to hide in 2022 if you own U.S. stocks:

% of Stocks with Positive Total Return as of September 30, 2022
(and average performance of each sector's stocks)



Past performance does not guarantee future results. Data Source: Bloomberg

5 Using Russell 3000 constituents as of 12/31/21 that were still actively traded as of 9/30/22.

We think widespread downdrafts like this year's often produce our best investment ideas because of investor overreactions, forced liquidations, or just general fear. These conditions increase the likelihood of an individual stock trading for an unreasonably low price for reasons that are not necessarily fundamental in nature—our wheelhouse for finding potentially great investments. We believe several of our current investments are trading at the most attractive valuations in their entire history and we're finding that our watchlist of potential opportunities is steadily expanding.

- ***Tale of two halves in the third quarter***. We saw positive investor sentiment and a rally early in the third quarter as (ironically) investors cheered the prospect of imminent recession, which we think led to speculation of the Fed becoming less restrictive and potentially even lowering interest rates in 2023. The market bounced strongly on this speculation through mid-August before resuming its fall starting on August 17th after economic information and Fed announcements made it clear that the Fed intends to continue raising interest rates to combat inflation. As mentioned earlier, the Fund did not increase as much as its benchmark during the rally (led by popular large cap Technology stocks – of which the Fund has relatively small exposure) but it also didn't gain ground versus its benchmark when the market dropped during the second half of the quarter – most of which was attributable to some underperforming individual Deep Value stocks:

	July 1 – Aug. 16	Aug. 17 – Sept. 30	Q3 2022
FSVVX	11.8%	-18.5%	-8.9%
Russell 2000 Value	17.0%	-18.5%	-4.6%
Nasdaq-100[6] *(large cap Tech index)*	18.6%	-19.4%	-4.4%
FSVVX Core Value*	12.7%	-11.2%	0.1%
FSVVX Deep Value*	11.5%	-28.7%	-20.5%

* *Performance of Core Value and Deep Value stocks are unofficial numbers provided for illustrative purposes only, gross of fees, as calculated from Bloomberg based on our designation of Core Value and Deep Value holdings within the Fund. Fund holdings are subject to change.* **Past performance does not guarantee future results.**

Data Source: Bloomberg

As mentioned earlier, market conditions continue to be unusually volatile—we've likened it to a light switch—with investors often oscillating between excitement and despondency within the same week! We will strive to remain disciplined and opportunistic during this type of market: disciplined by sticking to our bottom-up, company-specific research process; and opportunistic by seeking ideas that are trading at deep discounts to our fair value estimates, even when (or especially when) these ideas are out of favor.

- ***Companies with significant debt loads have underperformed the overall market as interest rates have jumped – we see some highly selective opportunities here.*** As interest rates have increased this year, we've observed that companies with significant amounts of debt have systemically underperformed the overall market. As mentioned earlier, we think this makes intuitive sense because of higher borrowing costs and potential difficulties in refinancing, or paying off, debt when it comes due. This dynamic was particularly noticeable during the second half of the quarter when rates spiked upward as shown in the table below.

6 The NASDAQ-100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ. Numbers presented include the reinvestment of dividends (total return). An investor cannot invest directly in an index. Moreover, index performance does not reflect the deduction of advisory fees, transaction charges, and other expenses.

10 Year Treasury Yields

Leveraged Companies Underperformed as Rates Increased

	YTD 2022 total return	Aug. 17 – Sept. 30
Russell 3000 Index (U.S. stock market)	-24.6%	-16.7%
Stocks with Significant Leverage[7] (*ex-Energy*)	-34.9%	-25.8%

Data Source: Bloomberg

We believe that there are some select investment opportunities in companies with significant debt loads (but manageable levels, in our view), with strong free cash flow, whose stocks have declined more than we think is warranted simply because they are lumped by the marketplace into this "levered" category. We strive to be selective investing in companies with significant leverage and closely monitor their weighting in the Fund because unexpected shortfalls in cash flows tend to hurt shareholders more than in companies with less leverage.

Some of the Fund's largest detractors this quarter were stocks that fell into this levered category (we think this was the #1 factor leading to the Fund's underperformance during the quarter), but we believe these stocks are tremendous long-term opportunities that are being overly punished today because of leverage-related fears. Several of these companies have the ability and willingness, in our opinion, to buy back their debt—or their stock—at discounted prices, given our expectation of better-than-expected free cash flow in the future. We also believe that when these companies' KTPs come to fruition, the beach ball tends to "explode" higher, rather than the typical "pop".

Conclusion

While disappointed with the losses so far in 2022, we believe the Fund is well positioned for an eventually recovery and is invested in stocks that we believe are very undervalued. Specifically, the Fund continues to have significant exposure to Deep Value stocks (~42% weighting), which are trading in many cases at all-time valuation lows with significant potential for future appreciation, in our opinion.

Significant Fund Changes

We purchased one new Deep Value stock, Qurate Retail 8% Preferred (ticker: QRTEP – 1.85% of the Fund at 09/30/22) and we sold one Core Value stock, Change Healthcare (ticker: CHNG – 0.00% weight at 09/30/22).

7 Defined as companies that began 2022 with higher net debt (debt minus cash) than market capitalization (i.e. a net debt/market equity ratio greater than 1.0X). Excludes the Energy sector, which we believe is an outlier, given a significant increase in oil prices. Including Energy, the year-to-date and 8/17 – 9/30 period returns of Stocks with Significant Leverage would have been -24.5% and -23.8%, respectively.

Purchases

QRTEP: We chose to add some exposure to Qurate Retail beyond the Fund's holding in its common stock (ticker: QRTEA – 1.07% of the Fund at 09/30/22) by purchasing the preferred stock that pays an $8 dividend annually. At the Fund's purchase price, the dividend yield was over 17% and it had a yield-to-maturity (2031 maturity) in the mid-20% range. We believe this is an attractive way to increase exposure to Qurate Retail in a less volatile security than the common stock. We also note that Qurate is included in the "levered" category discussed earlier and the common stock traded at September 30, 2022 for less than 2 times our estimate of normalized free cash flow (which we estimate will be attained by 2024).

Sales

CHNG: We sold Change Healthcare near its deal price just prior to its anticipated merger date.

Individual Stock Performance

Contributors: The two greatest contributors during the quarter were Deep Value stock KLX Energy Services (ticker: KLXE – 2.33% of the Fund at 09/30/22) and Change Healthcare.

KLXE: KLX Energy's quarterly earnings results improved meaningfully and, importantly, near the end of the quarter the company amended and extended its credit line with its major lenders (one of our KTPs that we believed was unnecessary for the company but had a very high probability of happening), which provided a significant improvement in the company's overall liquidity. The company expects to generate free cash flow during the final six months of 2022, and we expect that to accelerate strongly in 2023 through better pricing and higher oil-related activity. We think KLXE is a good example of how a levered company can "pop" when KTPs are realized. The stock increased over 50% in the last three trading days of the quarter after its announcement of the credit line extension and better-than-expected revenue results.

CHNG: Change Healthcare outperformed during the quarter as it became increasingly clear that the U.S. government's opposition to its proposed merger with UnitedHealth was unlikely to prevent the deal from happening, so the discount to the deal price narrowed significantly.

Detractors: The two largest detractors were Deep Value stocks NCR Corp (ticker: NCR – 2.85% of the Fund at 09/30/22) and WW Intl. (Weight Watchers) (ticker: WW – 1.68% of the Fund at 09/30/22).

NCR: NCR announced in mid-September that the company was going to split itself into two publicly traded companies in 2023: the ATM business and a growing Retail & Hospitality business. This was viewed unfavorably by market participants, which had been hoping for a full sale of the business, and the stock fell sharply. We think a full sale would have been difficult (given credit market disruption) and at a low price, so we were relieved that the company did not accept a lowball offer, but we were also unpleasantly surprised by the magnitude of the stock's decline. We believe NCR's core business is improving and transforming into a more recurring-revenue, predictable company. We think its stock trades at a meaningful discount to its sum-of-the-parts valuation, so the split of the company makes strategic sense to us. We believe its underperformance this quarter was also related to its leverage (temporarily higher because of a recent acquisition), even though the company has been rapidly deleveraging, a trend we expect to continue.

WW: WW is under new leadership and is in the midst of a transition year, financially. The most recent Weight Watchers program was underwhelming and confusing and the new CEO is planning on capitalizing on former strengths to reverse subscriber declines. We believe that management's strategy for improvement is both prudent and realistic. Specifically, reemphasizing in-person meetings and the Weight Watchers brand are tenets we strongly agree with. We believe the stock underperformed mostly because of its significant—but manageable, in our opinion—leverage. We expect results to incrementally improve in 2023 before showing meaningful improvement in 2024. Additionally, the company refinanced its debt last year and its free cash flow profile and comfortable debt maturity schedule provides an adequate time cushion for the company to improve its results.

Final Comments

Thank you for your investment in the Fund. We have high conviction in the Fund's stocks, and we are invested alongside you. We appreciate your support, and we will continue to strive to prudently manage your money.

Sincerely yours,

Ryan Batchelor, CFA, CPA
Principal and Portfolio Manager
Clifford Capital Partners, LLC

The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling (800) 628-4077, or by going to the Clifford Capital Funds website at* cliffordcapfunds.com *and clicking on the "Prospectus" link. Read it carefully before investing.

Fund holdings are subject to change at any time and should not be considered a recommendation to buy or sell any security.

Information about Risk

Risks of Investing in Equity Securities. Overall stock market risks may affect the value of the Fund. Factors such as domestic economic growth and market conditions, interest rate levels, and political events affect the securities markets. When the value of the Fund's investments goes down, your investment in the Fund decreases in value and you could lose money.

Risks of Small-Cap and Mid-Cap Securities. Investing in the securities of small-cap and mid-cap companies generally involves substantially greater risk than investing in larger, more established companies.

Focused Investment Risk. The Fund is a focused fund and generally holds stocks of between only 25 and 35 companies. Focused funds may invest a larger portion of their assets in the securities of a single issuer compared to a more diversified fund. Focusing investments in a small number of companies may subject the Fund to greater share 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 Fund's value and total return.

Sector Risk. The Fund may emphasize investment in one or more particular business sectors at times, which may cause the value of its share price to be more susceptible to the financial, market, or economic events affecting issuers and industries within those sectors than a fund that does not emphasize investment in particular sectors.

Management Style Risk. Because the Fund invests primarily in value stocks (*stocks that the Adviser believes are undervalued*), the Fund's performance may at times be better or worse than the performance of stock funds that focus on other types of stock strategies (*e.g., growth stocks*), or that have a broader investment style.

New Fund Risk. The Fund is recently formed. Accordingly, investors in the Fund bear the risk that the Fund may not be successful in implementing its investment strategy, may not employ a successful investment strategy, or may fail to attract sufficient assets to realize economies of scale, any of which could result in the Fund being liquidated at any time without shareholder approval and at a time that may not be favorable for all shareholders. Such liquidation could have negative tax consequences.

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