

WHAT'S YOUR VALUE?

Indices do not differentiate consistently between the growth and value styles.

After the last several months, value investors have reason to be encouraged. Value outperformed the largest 500 US stocks* by 6.47 percentage points year to date and by over 12.60 percentage points for the nine months ending May.

Importantly, are you participating fully in this value rally? To help answer this question it's important to consider how you are getting your exposure to value. If it's tied to an index, for instance a value ETF, the answer is probably not.

Value, in this case, refers to the Russell 1000 Value Index. But a deep value exposure is decidedly different. Deep Value* outperformed by 20.29 and 42.50 percentage points, respectively, and, while the Russell 1000 Value Index started outperforming in September, Deep Value started outperforming last April.

Returns	Deep Value	Russell 1000 Value	Largest 500 US Stocks
YTD (5/31/21)	32.21%	18.40%	11.92%
9/1/20 - 5/31/21	64.16%	34.26%	21.66%
4/1/20 - 5/31/21	119.36%	66.11%	68.93%

Source: FTSE Russell, Sanford C. Bernstein & Co., Pzena analysis. *Deep Value reflects the cheapest quintile of stocks based on their price-to-book valuations, measured on an equally weighted basis within the US universe (the ~1,000 largest stocks by market capitalization). The largest 500 stocks are taken from this same universe and are weighted by market capitalization. **Index performance is not illustrative of Fund performance. The most recent Fund performance is available by calling 1-844-796-1996. Past performance is not indicative of future returns. Does not represent any specific Pzena product or service.**

CAVEAT EMPTOR

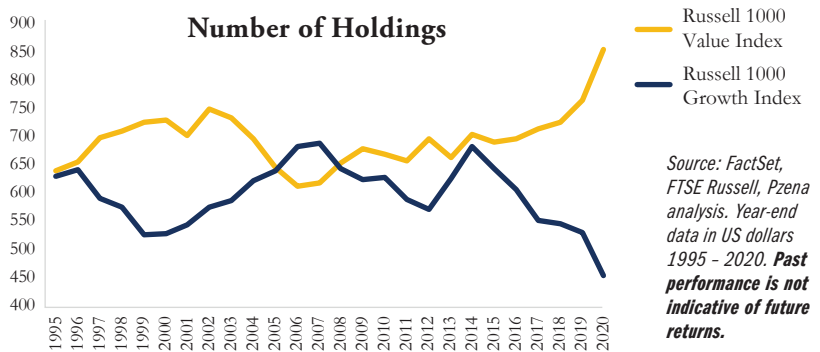
To help understand the inherent limitation in style indices that lead to these return differences, it's useful to review index construction methodology. You might expect the index providers to just put the cheap stocks in the value bucket. They don't. But even if they did, their definition of what is cheap is simply based on a factor or set of factors. Index construction methodology produces "pure" value stocks (high value scores and low growth scores). The opposite happens on the growth side. But then there's a large tranche that sits in the middle that are neither pure growth nor value. Each of these stocks will have its weight split between the value and growth indices.



HOW IT WORKS

Russell, for example, rebalances its style indices each year in June. They are constructed using a multi-variable approach, consisting of: book-to-price ratios, five-year sales growth, and two-year forward earnings estimates.

Because Russell's goal is to have its value and growth indices be the same size (by market cap) at reconstitution, the number of stocks in each index differs. Currently, the Russell 1000 Growth Index has far fewer constituents (high concentration) than the Russell 1000 Value Index. Russell expects stock overlap to be about 30% by name when it rebalances.



Once Russell fills up the growth bucket (just five stocks accounted for about 35% in 2020), the remainder get poured into the value bucket. Consequently, the value index gets a disproportionate allocation to stocks that don't reflect obvious style characteristics; by rule they're weak on growth and value factors. Just because it's in the value index doesn't necessarily make it a true value investment.



Consider, for example, that bond proxies' valuations have been driven up the last few years as investors reached for yield during a period of record-low interest rates. Utilities and real estate, for example, are still mostly sitting in the value index, but few real value investors would regard them as offering much actual value today.

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US Equity Funds

	MID CAP VALUE FUND		SMALL CAP VALUE FUND	
	Institutional	Investor	Institutional	Investor
<i>Ticker</i>	PZIMX	PZIMX	PZISX	PZVSX
<i>CUSIP</i>	00770X659	00770X667	00770X394	00770X410
<i>Expense Ratio Gross% / Net%¹</i>	1.23 / 0.90	1.58 / 1.25	1.78 / 1.11	2.13 / 1.46

Morningstar Category

Mid Cap Value

Small Cap Value

Non-US Equity Funds

	EMERGING MARKETS VALUE FUND		INTERNATIONAL SMALL CAP VALUE FUND	
	Institutional	Investor	Institutional	Investor
<i>Ticker</i>	PZIEIX	PZVEX	PZIEIX	PZVIX
<i>CUSIP</i>	00770X675	00770X683	00770X675	00770X683
<i>Expense Ratio Gross% / Net%¹</i>	1.24 / 1.09	1.59 / 1.44	13.19 / 1.18	13.54 / 1.53

Morningstar Category

Diversified Emerging Mkts

Foreign Small/Mid Value

PZENA Investment
Management

FURTHER INFORMATION

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Mutual fund investing involves risk. Principal loss is possible. Investments in small- and mid-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 funds may have emphasis on a specific sector which could adversely affect a fund to a greater extent than if its emphasis was less. The funds may invest in securities that are less liquid and more difficult to sell than more liquid securities. Investments in REITs are subject to the risks associated with the direct ownership of real estate.

The funds’ 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. Read it carefully before investing.

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