

INTERNATIONAL SMALL CAP DIVERSIFIED VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWTIX



PERFORMANCE (%) as of March 31, 2025

	QTR	YTD	1 Yr	3 Yr	Since 6/30/20
Int'l Small Cap Diversified Value Fund – I Shares	5.20	5.20	5.81	7.76	13.89
MSCI World ex-USA Small Cap Index	3.40	3.40	3.58	0.81	6.80
MSCI World ex-USA Small Cap Value Index	5.82	5.82	5.88	3.45	9.96

The performance shown represents past performance. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. To obtain performance data current to the most recent month-end, access our website at www.hwcm.com.

The Fund's total annual operating gross expense ratio as of the most current prospectus is 3.95% for I Shares; 0.99% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2025. Expense ratio shown is gross of any fee waivers or expense reimbursements. I Shares sold to a limited group of investors. Periods over one year are average annual total return. Average annual total returns include reinvestment of dividends and capital gains. Expense limitations may have increased the Fund's total return.

MARKET COMMENTARY

The MSCI World ex-USA Small Cap Index returned +3.4% in the first quarter of 2025. In local currency, the non-US developed market small caps stocks were closer to flat, as the US dollar weakened by about 4% relative to a basket of other major currencies. This was still significantly better than the -9.5% return of US small cap stocks (Russell 2000 Index), which sold off sharply as investors appeared to grapple with the frenetic policymaking of the US Administration, particularly with respect to tariffs.

Unlike in the US, where Treasuries rallied and government bond yields fell, non-US government bond yields generally rose. 10-year yields on German, UK, and Japanese government bonds rose modestly. International large caps outperformed small caps, directionally similar to what we observed in the US. Also directionally similar, value outperformed growth by a considerable margin. In US dollar terms, the MSCI World ex-USA Small Cap Value Index returned +5.8% compared to +0.9% for the MSCI World ex-USA Small Cap Growth Index. We also observed significant disparity among international small cap sectors, which partly explains the outperformance of value over growth. Materials (+11.6%) and financials (+9.3%) were the top performing sectors, and both are larger weights in the value index, especially financials. Technology (-2.2%) was the biggest laggard and comprises a larger portion of the growth index. Corporate earnings in non-US small cap companies were reasonable, with 56% of companies exceeding consensus expectations.

Small caps are more domestic-focused than large caps, so they should be somewhat less exposed to the effect of tariffs and trade wars. However, small cap equities are "risk on" asset classes and are typically pressured more than

large caps during periods of uncertainty. There is often little or no sell-side research coverage, particularly in the smaller part of the small cap market where we find opportunities disproportionately. It is during these periods uncertainty that we see the greatest displacement of stock valuations from the intrinsic values of companies, providing opportunities for value focused investors who have done their homework to potentially generate long-term performance.

Ben Graham referred to the stock market as a voting machine in the short-term and weighing machine in the long-term. Eventually stock prices begin to reflect the underlying businesses' fundamentals. The stock market favorites of recent years are likely to reflect more realistic projections rather than be priced for perfection. Conversely, shunned companies operating in very good though perhaps less captivating businesses, are likely to be better appreciated for their true earnings power. Put another way, fundamentals should drive the market. Such an environment, which could already be underway, would be very conducive to our investment approach.

ATTRIBUTION ANALYSIS – 1Q25

The Hotchkis & Wiley International Small Cap Diversified Value Fund outperformed the MSCI World ex-USA Small Cap Index in the first quarter of 2025, though lagged the value version of the same index (it was right in between the two). Relative to the broad index, the overweight position in financials helped, as this was among the top performing sectors in the quarter. Positive stock selection in industrials, consumer staples, and energy also helped. The underweight exposure and negative stock selection in materials detracted from performance.

(continued)

Portfolio managers' opinions and data included in this commentary are as of March 31, 2025 and are subject to change without notice. Any forecasts made cannot be guaranteed. **Diversification does not assure a profit nor protect against loss in a declining market. Past performance is no guarantee of future results.**

WWW.HWCM.COM

INTERNATIONAL SMALL CAP DIVERSIFIED VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWTIX



Financials comprise a larger portion of the value index than the core index, so we are less overweight relative to value. This explains part of the reason for the disparity between relative performance. Technology was a lagging sector, and we are more overweight relative to the value sector than the core sector, which was another reason for the difference. Also, value in general outperformed, so our stock selection in other sectors was either negative or less positive relative to the value index. Stock selection in technology and staples helped, while materials hurt.

The portfolio's outsized exposure to stocks with a market cap of less than \$1 billion hurt relative to both benchmarks as this group of stocks lagged, though positive stock selection in this cohort largely offset the overweight exposure.

You should consider the Fund's investment objectives, risks, and charges and expenses carefully before you invest. This and other important information is contained in the Fund's summary prospectus and prospectus, which can be obtained by calling 1-800-796-5606 or visiting our website at www.hwcm.com. Read carefully before you invest.

The Fund may invest in foreign and emerging markets securities, which subjects the Fund to increased risk. Investing in smaller and/or newer companies involves greater risks than those associated with investing in larger companies. Please read the fund prospectus for a full list of fund risks. All investments contain risk and may lose value. Equities, bonds, and other asset classes have different risk profiles, which should be considered when investing.

Fund holdings and/or sector allocations are subject to change and are not buy/sell recommendations. Current and future portfolio holdings are subject to risk. Attribution is an analysis of the portfolio's return relative to a selected benchmark, is calculated using daily holdings information and does not reflect the payment of transaction costs, fees and expenses of the Fund.

The MSCI World Index is a free float-adjusted weighted index capturing large and mid cap stocks. The MSCI World ex-USA Small Cap Index is a free float-adjusted weighted index capturing small cap stocks. The MSCI World ex-USA Small Cap Value and MSCI World ex-USA Small Cap Growth Indices are free float-adjusted weighted indexes capturing small cap stocks, exhibiting overall value or growth style characteristics, respectively. The MSCI indices represents stocks across 22 of 23 Developed Markets (DM) countries, excluding the United States and

include reinvestment of dividends, net foreign withholding taxes. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The indices does not reflect the payment of transaction costs, fees and expenses associated with an investment in the Fund. It is not possible to invest directly in an index. The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. S&P and is licensed for use by H&W. All rights reserved. Neither S&P nor MSCI is liable for any errors or delays in this report, or for any actions taken in reliance on any information contained herein.

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. See www.hwcm.com for full disclaimer.

A value-oriented investment approach involves the risk that value stocks may remain undervalued or may not appreciate in value as anticipated. Value stocks can perform differently from the market as a whole or from other types of stocks and may be out of favor with investors and underperform growth stocks for varying periods of time.

Certain information presented based on proprietary or third-party estimates are subject to change and cannot be guaranteed. Information obtained from independent sources is considered reliable, but H&W cannot guarantee its accuracy or completeness.

Mutual fund investing involves risk. Principal loss is possible.
NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE
The Hotchkis & Wiley Funds are distributed by Quasar Distributors, LLC

WWW.HWCM.COM