

# INTERNATIONAL SMALL CAP DIVERSIFIED VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWTIX



## PERFORMANCE (%) as of December 31, 2025

	QTR	YTD	1 Yr	3 Yr	5 Yr	Since 6/30/20
Int'l Small Cap Diversified Value Fund – I Shares	2.04	30.93	30.93	18.18	11.91	16.42
MSCI World ex-USA Small Cap Index	3.50	34.07	34.07	15.77	6.49	10.96
MSCI World ex-USA Small Cap Value Index	5.05	38.55	38.55	17.84	9.77	13.99

*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](http://www.hwcm.com).*

The Fund's total annual operating gross expense ratio as of the most current prospectus is 4.84% for I Shares; 0.89% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2026. 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 +3.5% in the fourth quarter of 2025 and is now up +34.1% since the beginning of the year. Much like the speculative environment observed in the US, international small cap markets were dominated by lower-quality and high-beta companies. Businesses with volatile earnings profiles or significant leverage significantly outperformed those with stable returns on equity and stronger balance sheets—a dynamic that presented a headwind for our quality-focused value approach. In previous instances where low-quality cyclicals led by such a magnitude, subsequent periods often saw a rotation back toward companies with proven cash flows and defensible moats—conditions that are typically far more favorable for our investment discipline.

Speculative fervor surrounding next-generation energy transition metals and also precious metals led to a +77% return for the materials sector. The metals and mining industry returned a remarkable +135%. Our underweight exposure to this area, which we generally view as below-average quality commodity businesses, explains more than all of the underperformance in the year. Financials (+50%) and utilities (+38%) also performed well, while consumer staples (+11%) and healthcare (+12%) underperformed.

We remain optimistic about the portfolio's positioning and prospects, particularly relative to the broad market.

## ATTRIBUTION ANALYSIS – 4Q25

The Hotchkis & Wiley International Small Cap Diversified Value Fund underperformed the MSCI World ex-USA Small Cap Index in the fourth quarter of 2025. The underweight allocation to materials hurt relative performance, along with stock selection in industrials and consumer discretionary. Positive stock selection in technology and communication services helped, along with the underweight position in real estate.

Portfolio managers' opinions and data included in this commentary are as of December 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.**

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*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](http://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 ex-USA Small Cap Index** is a free float-adjusted weighted index capturing small cap representation across 22 of 23 Developed Markets countries, excluding the United States. 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.

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**Beta** measures a stock's price volatility relative to the overall market.

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.

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