LARGE CAP DISCIPLINED VALUE FUND

(formerly Diversified Value Fund)

MANAGER REVIEW & ECONOMIC OUTLOOK

HWCIX | HWCAX

Hotchkis & Wiley

PERFORMANCE (%) as of March 31, 2025

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 8/30/04
Large Cap Disciplined Value Fund – I Shares	1.85	1.85	4.91	8.25	22.30	9.59	8.29
Russell 1000 Value Index	2.14	2.14	7.18	6.64	16.15	8.79	8.40

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 1.01% for I Shares; 0.80% 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. 30-Day SEC Yield with Expense Waiver: 1.62%; 30-Day SEC Yield w/o Expense Waiver: 1.44%.

MARKET COMMENTARY

The S&P 500 Index declined -4.3% in the first quarter of 2025. The market had been positive until March, when investors appeared to grapple with the frenetic policymaking of the Administration, particularly with respect to tariffs. In a major reversal from recent periods, the decline was led by mega cap growth stocks. The Magnificent Seven comprised more than one-third of the S&P 500 at the beginning of the quarter and declined -14% collectively. The other 493 stocks returned a collective +0.6%. The Magnificent Seven comprises more than half of the large growth index; consequently, large value trounced large growth in the quarter. The Russell 1000 Value Index returned +2.1% compared to -10.0% for the Russell 1000 Growth Index. The 12-percentage point advantage represents value's largest calendar quarter outperformance since early 2001. We have been espousing similarities between today's equity market and that of the early 2000s. Like then, we continue to observe rather severe value dislocations across various segments of the market and believe further correction/normalization is more likely than not.

Treasuries rallied during the equity market selloff, with the yield on the 10-year note declining from 4.6% to 4.2% over the quarter. The US dollar weakened by about 4% relative to a basket of other major currencies, which along with the absence of the Magnificent Seven helps explain the significant outperformance of non-US equities over US equities. Performance deviations by sector were significant. Only 4 of the 11 S&P 500 GICS (Global Industry Classification Standard) sectors were negative in the quarter, though these four sectors comprise about 60% of the index. Consumer discretionary (10% of index, -14% decline), technology (30%, -13%), communication services (9%, -6%), and industrials (8%, -0.2%) were the decliners. Energy was the top-performing sector. Oil prices were little changed, but natural gas prices rose. More importantly, energy company earnings exceeded expectations, with 19 of the 23 S&P 500 energy companies reporting a positive surprise by an average magnitude of 26%. This was a bit better than the overall market, where 78% of S&P 500 companies beat consensus earnings, by an average magnitude of 16%. Less cyclical sectors also performed well: healthcare returned +7%, consumer staples +5%, and utilities +5%. As a group, we are slightly underweight these sectors relative to the Russell 1000 Value (25% vs. 28%), but we have increased our exposure by 5 percentage points over the past year, and 8 percentage points over the past 2 years. This reallocation has worked in our favor.

The portfolio trades at 9x our estimate of normal earnings, which is right in line with its historical average. The Russell 1000 Value, however, trades at about 17x normal earnings, a more than 20% premium to its historical average. The Russell 1000 Growth, even after this quarter's correction, trades at 29x normal, a nearly 40% premium to its historical average. The portfolio exhibits a ~10% earnings yield, an attractive valuation, particularly considering the broad market's frothy price multiples. Valuation advantages can often be achieved by assuming outsized risks, but this is not something we are willing to do. Over the past several years, the portfolio's Fundamental Risk Ratings have remained steady in the face of high market multiples. The portfolio's return-on-equity, an imperfect though reasonable yardstick for quality, has also been consistent in the mid- to high-teens. We believe the overall balance of valuation/upside relative to risk is attractive.

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. We believe such an environment, which could already be underway, would be very conducive to our investment approach.

(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.**

ATTRIBUTION ANALYSIS – 1Q25

The Hotchkis & Wiley Large Cap Disciplined Value Fund underperformed the Russell 1000 Value Index in the first quarter of 2025. Stock selection in communication services, energy, consumer discretionary, and materials detracted from relative performance in the quarter. Conversely, stock selection in healthcare was significantly positive as our healthcare stocks rose +17% vs. +6% for the index's healthcare stocks. Positive stock selection in technology was also a positive contributor, as was our overweight in energy.

LARGEST INDIVIDUAL CONTRIBUTORS – 1Q25

CVS Health Corp. (CVS) is a diversified healthcare company operating a Pharmacy Benefits Manager (PBM), health insurer, and retail stores and pharmacies. In January, CVS and other health insurers with large Medicare Advantage plans rose after the Centers for Medicare & Medicaid Services published better-than-expected reimbursement rates for 2026. CVS maintained that momentum in February by reporting expected fourth-quarter results. It then reported decent quarterly results. The PBM segment and physical stores were in line with expectations. However, Aetna incurred losses across multiple lines of business, driven by Medicare Advantage and the Exchanges. Despite this, the losses in the health insurance segment were less severe than anticipated, leading to a positive market reaction.

American International Group Inc. (AIG) is a leading commercial insurance company, providing property-casualty insurance, life insurance, and risk management products. Over the quarter, shares of AIG rose after the insurer authorized the repurchase of $7.5 bn of common stock and announced an ambitious 2025-2027 growth target for operating earnings per share. We believe AIG is poised for further improvements in operating performance. AIG has an improving return on equity and good management that is committed to smart allocation of its excess capital, which its current valuation does not fully reflect.

Elevance Health Inc (ELV), formerly known as Anthem, is a large health insurer, and the largest commercial health insurer. ELV is priced at a discount to the market; however, we believe it is a superior business, growing faster than gross domestic product while still returning most of its cash to shareholders. ELV reported earnings that were in line with consensus. Costs remain elevated but ELV reported signs of stabilization in Medicaid utilization trends. Management also provided guidance for stable Medicare Advantage margins in 2025. Overall, this was a positive quarter for ELV as commercial performance remains strong and it showed signs of normalization for utilization and cost trends.

LARGEST INDIVIDUAL DETRACTORS – 1Q25

Workday (WDAY) is a leader in cloud application software for back-office business functions including human capital management, financials management, and ERP (enterprise resource planning). Stock price was negatively impacted by a reduction in 2025 revenue guidance. Management noted the pressure on current year sales is macro-related. We believe Workday has a formidable competitive advantage that trades at an attractive valuation for a company with premier franchise potential.

Magna International Inc. (MGA) based in Ontario Canada, is the fifth largest global auto supplier. Shares fell over the period, along with other Canadian auto parts suppliers, due to the potential of heightened tariffs between Canada and the United States. The stock was further pressured after the company provided FY2025 guidance that was below consensus estimates. The weak guide was driven by lower light vehicle production estimates. We believe the stock is undervalued as it is a cyclical auto supplier that is facing near-term headwinds. Magna has the capability to supply close to two thirds of a vehicle's content, including Auto2.0 technology.

Alphabet's Google (GOOGL) declined in the quarter after reporting mixed Q4 earnings results. Shares continue to trade at an attractive valuation despite healthy growth potential, an overcapitalized balance sheet, and significant value in Cloud, Other Bets, and new advertising products.

The Fund may invest in foreign securities. 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. Specific securities identified are the three largest contributors (or detractors) on a relative basis to the Russell 1000 Value Index. Securities' absolute performance may reflect different results. The Fund may not continue to hold the securities mentioned and the Advisor has no obligation to disclose purchases or sales of these securities. Attribution is an analysis of the portfolio's return relative to a selected benchmark, is calculated using daily holding information and does not reflect the payment of transaction costs, fees and expenses of the Fund.

The **Russell 1000® Value Index** measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values. The **Russell 1000® Growth Index** measures the performance of those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values. The **S&P 500® Index** is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The indices do not reflect the payment of transaction costs, fees and expenses associated with an investment in the Fund. The Fund's value disciplines may prevent or restrict investment in major stocks in the benchmark indices. It is not possible to invest directly in an index.

Russell Investment Group is the source and owner of the Russell Index data contained herein (and all trademarks related thereto), which may not be redistributed. The information herein is not approved by Russell. H&W and Russell sectors are based on the Global Industry Classification Standard by MSCI and S&P.

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.

The **30-day SEC Yield** represents net investment income earned by a fund over a 30-day period, expressed as an annual percentage rate based on the fund's share price at the end of the 30-day period. The SEC Yield should be regarded as an estimate of the fund's rate of investment income, and it may not equal the fund's actual income distribution rate, the income paid to a shareholder's account, or the income reported in the fund's financial statements.

Top ten holdings as of 3/31/25 as a % of the Fund's net assets: F5 Inc. 4.7%, Workday Inc. 3.9%, Citigroup Inc. 3.6%, American Int'l Group Inc. 3.1%, Ericsson 3.0%, Elevance Health Inc. 2.9%, Comcast Corp. 2.9%, APA Corp. 2.8%, Wells Fargo & Co. 2.8%, and General Motors Co. 2.2%. **Earnings yield** is a financial ratio that measures the rate of return a company generates for each dollar invested; **Earnings per share** is a measure of a company's profitability that indicates how much profit each outstanding share of common stock has earned; **Global Industry Classification Standard (GICS)** is a system for categorizing every public company by economic sector and industry group; **Gross domestic product** is a monetary measure of the value of all goods and services produced within a country during a specific time period; **Return on equity (ROE)** is a measure of financial performance calculated by dividing net income by shareholders' equity; **Fundamental Risk Ratings** are part of the firm's internal risk evaluation process, where as the risk profile of a security is discussed and scored; the **Magnificent Seven** represents Meta, Alphabet, Tesla, Nvidia, Apple, Amazon, and Microsoft.

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.

As of 8/29/24, the name of the fund changed from Diversified Value Fund to Large Cap Disciplined Value Fund. There were no changes to the objectives, strategies, or fees.

This material must be preceded or accompanied by a summary prospectus or prospectus of the Hotchkis & Wiley Large Cap Disciplined Value Fund