LARGE CAP DISCIPLINED VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWCIX | HWCAX

Hotchkis & Wiley

PERFORMANCE (%) as of June 30, 2026

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 8/30/04
Large Cap Disciplined Value Fund – I Shares	5.65	5.89	17.76	15.74	10.69	12.64	8.77
Russell 1000 Value Index	13.87	16.26	27.12	17.79	11.17	11.52	9.28

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 1.00% for I Shares; 0.81% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2027. 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 S&P 500 Index gained +15.2% in the second quarter of 2026 and is now up +10.2% since the beginning of the year. The Russell 1000 Value Index returned +13.9%, lagging the broad index modestly. Equity markets posted strong returns despite accelerating inflation, an increasingly hawkish Federal Reserve, and an oil shock stemming from the conflict in Iran. Market leadership was exceptionally narrow. The median stock in the index returned just +7.4%, and 63% of index constituents underperformed the benchmark's total return. Many semiconductor stocks, and other parts of the AI complex, such as hardware and storage, recorded returns in excess of 100%. Micron, Intel, and SanDisk—which together comprised a Russell 1000 Value weight of more than 4%—each more than tripled during the quarter.

By nearly any measure, this was a speculative, risk-on rally that produced the kind of dichotomy we rarely observe. Within the value index, for example, the highest beta quintile returned +36%, compared to +2% for the low volatility quintile. Momentum stocks performed similarly well. Since the market bottomed in early April 2025, stocks in the highest momentum quintile outperformed the market by 54%, while the most fundamentally stable quintile underperformed by 32%[1]. Momentum's current advantage sits in the 99th percentile over the past 70 years.

These rare, near-record extremes have been fueled by boundless excitement about the prospects of AI. Investor leverage has spiked, both in the form of margin debt and through other instruments, such as leveraged ETFs. As one example, at least 11 leveraged single stock SpaceX ETFs launched on its first day of trading. Most concerning, in our view, are the valuations now commanded by investor favorites. Select stocks today trade at multiples exceeding those of Cisco at the peak of the dot-com bubble—the quintessential example of overly exuberant valuations.

The popular counterargument is that the highest momentum stocks are also seeing incredible earnings growth that helps justify their valuations. Most of this earnings growth is being driven by the massive investment in AI data centers. Capital expenditures for the largest AI data center spenders are on pace to approach $850 billion this year, up from roughly $155 billion in 2022, while revenue generated from these investments remains a small fraction of that figure[2]. Ultimately, we need to see a massive increase in AI related revenues from the likes of Anthropic, OpenAI, and others to justify the current pace of data center capital investment. Market valuations of the highest momentum stocks assume continued growth in AI data center capex going forward. We question, however, whether much of the recent earnings growth in these momentum names is sustainable if the payoff on these data center investments disappoints.

We believe artificial intelligence is already a powerful tool whose efficacy will increase over time. It has changed—and will continue to change—the way we live and work. Historically, however, investments in fast growing technologies like AI, don't always result in great economic reward to the companies investing in the technology. Often markets overbuild, competition is fierce, and the winners are the users of technology and perhaps society overall. Our view is that large pockets of the market overstate, both positively and negatively, the ultimate impact of current investments in artificial intelligence. Accordingly, we have an aversion to perceived beneficiaries whose valuations are excessive and risky. We favor select high-quality businesses with attractive valuations, largely because we believe the market overstates the threat AI poses to them. The most obvious example is enterprise software, but other examples include companies in the payment processing, advertising, and IT services industries. As is common in highly speculative, momentum-driven markets, defensive market segments have also been left behind and overlooked. We have added capital to areas like healthcare and consumer staples, which we believe exhibit attractive risk/return prospects.

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[1] Source: Empirical Research Partners

[2] The big spenders are Alphabet, Amazon, Meta, Microsoft, Oracle, CoreWeave, Nebius, and SpaceX. The largest revenue generating AI developers are Anthropic and OpenAI.

Today, select enterprise software companies represent an uncommon opportunity, particularly in such a frothy market. The consensus view among investors is that AI could prove to be a significant headwind to incumbent software vendors. While we believe AI could be a threat to many software vendors, we also believe that mission critical systems of record are different. We see the AI fears as overstated and have observed no supporting evidence in retention rates, margins, or subscription growth. In our view, the disruption thesis significantly underestimates enterprise switching costs and other moats that make these companies durable. Replacing a core system with any new alternative introduces meaningful compliance, security, and operational risks that far exceed potential savings.

Quarters like this are rare, but we have been through them before. When the market rewards risk and speculation, our process will struggle to keep pace. History suggests that the mania-driven market will revert when euphoria gives way to rational economic fundamentals and valuation. We believe the businesses we own—attractively valued, high quality, well capitalized, and prudently managed—are well positioned for that reversion.

ATTRIBUTION ANALYSIS – 2Q26

The Hotchkis & Wiley Large Cap Disciplined Value Fund underperformed the Russell 1000 Value Index in the second quarter of 2026. This underperformance was driven far more by what the portfolio did not own than by what it did. The semiconductor industry group comprised an average weight of 8% in the Russell 1000 Value Index and returned +138% for the quarter; the hardware/storage group comprised an average weight of 5% and returned +72%. The portfolio's lack of exposure to these exceptionally strong performers accounts for 96% of its underperformance in the quarter. Beyond this, an overweight and unfavorable stock selection in software detracted from performance, while an overweight and favorable stock selection in healthcare contributed positively.

LARGEST INDIVIDUAL DETRACTORS – 2Q26

Micron and Intel were two of the three largest detractors, because we did not own them and each returned more than +200% as constituents of our benchmark. Below are the largest detractors held in the portfolio.

APA Corp. (APA) is an independent oil and gas E&P (exploration & production) company operating in the Permian and in Egypt. Quarterly results were in line with expectations and supportive of our investment thesis, but the stock fell as oil retreated due to optimism about a resolution to the conflict in Iran. APA offers strong free cash flow generation driven by favorable natural gas price differentials and underappreciated reinvestment opportunities in Suriname, Egypt, and potentially Alaska. Despite concerns over shorter Permian resource life, APA trades at attractive value metrics relative to its free cash flow yield and remains leveraged to a structurally undersupplied global energy market. The company has an investment grade balance sheet and trades at a valuation discount to its peers.

Workday Inc. (WDAY) is a leader in cloud software for back-office business functions, spanning human capital management (HCM), financial management, and adjacent ERP (enterprise resource planning) products, with 60% of the Fortune 500 as HCM customers. Shares declined over the period, pressured by investor concerns that AI could disrupt application software vendors. The most recent quarter, however, did not show evidence of this. Subscription revenue grew 14%, 12-month backlog grew 16%, retention remained industry leading, margins expanded, and management reiterated full-year subscription revenue guidance while raising operating margin guidance. AI adoption also appears to be progressing, with Workday-developed agents now used by more than 4,000 customers and Recruiting Agent activity up sharply year over year. We continue to believe the disruption thesis significantly underestimates enterprise switching costs and the non-code moat that makes Workday durable.

Comcast Corp. (CMCSA) is one of the largest wireline telecom service providers in the US. The stock underperformed due to a weak quarterly earnings result, largely due to AT&T launching an aggressive pricing strategy as it attempts to build share on its fiber to the home footprint. Comcast's share price does not fully reflect the business's growth from broadband pricing and wireless market share gains. The company announced it is separating its NBCU/Sky media businesses in a spinoff. We view this development as positive, confirming our belief in the management team's ability to create value. Our investment thesis remains intact.

LARGEST INDIVIDUAL CONTRIBUTORS – 2Q26

Humana Inc. (HUM) is one of the largest pure Medicare Advantage (MA) health insurers in the United States. Performance over the quarter was strong following news that the US agreed to increase 2027 payments for private MA plans above its initial proposal earlier in the year. The company's stock has been undervalued due to higher utilization by enrollees and uncertainty regarding reimbursement rates. We view these issues as temporary because the company reprices its business every year, which should lead to a recovery in margins.

F5 Inc. (FFIV) sells application networking and security software as well as data center appliances. The company's stock rose after it posted good quarterly results and raised both its revenue and EPS guidance. The company is misunderstood and gets incorrectly classified as a legacy IT hardware vendor, resulting in an attractive valuation for a company with better-than-average fundamental risk ratings. F5 has over 50% market share in traditional ADCs (application delivery controllers), along with various multi-cloud networking and application security products.

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Elevance Health Inc. (ELV) is the second largest health insurer, and one of the largest commercial insurers in the United States. Shares rose during the quarter after the company reported quarterly earnings that beat consensus estimates. It was further supported by news that the US agreed to increase 2027 payments for private Medicare Advantage plans above the initial proposal. The company is priced at a discount to the market, driven by skepticism surrounding margins and growth, despite being a superior business that grows above gross domestic product while returning most of its cash to shareholders.

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 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 **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.

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Top ten holdings as of 6/30/26 as a % of the Fund's net assets: Workday Inc. 4.8%, APA Corp. 3.4%, American Int'l Group Inc. 2.9%, F5 Inc. 2.6%, PPG Industries Inc. 2.6%, Comcast Corp. 2.6%, GE HealthCare Technologies 2.5%, Elevance Health Inc. 2.5%, Ericsson 2.5%, and Dominion Energy Inc. 2.3%.

Artificial Intelligence (AI); Beta is a measure of a stock's volatility in relation to the overall market**; Capital Expenditures (CapEx)** are funds companies use to acquire, upgrade, or maintain physical assets like buildings, technology, or equipment, with the goal of increasing operational scope or future economic benefits**; Earnings Growth** is the percentage increase in a company's net income over a specific period**; Earnings Per Share (EPS)** is a measure of a company's profitability that indicates how much profit each outstanding share of common stock has earned; **Exchange-Traded Fund (ETF)** pools a group of securities into a fund and can be traded like an individual stock on an exchange; **Free Cash Flow** represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets; **Gross Domestic Product (GDP)** is a monetary measure of the value of all goods and services produced within a country during a specific time period. It's a key indicator of a country's economic health and is often used to evaluate economic growth; **Investment Grade** indicates a company's good credit rating, suggesting a low risk of default; and **Momentum** is the speed or velocity of price changes in a stock, security, or tradable instrument.

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. Earnings growth is not a measure of the Fund's future performance.

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