LARGE CAP DISCIPLINED VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK *(formerly Diversified Value Fund)*

HWCIX | HWCAX

Hotchkis & Wiley

PERFORMANCE (%) as of December 31, 2024

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 8/30/04
Large Cap Disciplined Value Fund – I Shares	-0.63	12.84	12.84	8.70	11.31	9.43	8.30
Russell 1000 Value Index	-1.98	14.37	14.37	5.63	8.68	8.49	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.

MARKET COMMENTARY

The S&P 500 Index returned +2.4% in the fourth quarter bringing its calendar year 2024 return to +25.0%. The index had been up nearly +6% following the election results, then retreated following the December Federal Open Market Committee meeting. The committee voted to cut the fed funds rate by 25 basis points to 4.25%-4.50%, which was widely expected. The accompanying Summary of Economic Projections, however, noted higher expected inflation in the coming years. This reduced the number of expected rate cuts in 2025 which appeared to trigger the modest equity selloff going into the year's end.

Growth trounced value in the quarter as the Russell 1000 Growth Index rose +7.1% and the Russell 1000 Value Index fell -2.0%. This disparity was primarily due to the continued strong performance of the Magnificent Seven, most notably Tesla's +54% fourth quarter return. This extended growth's 2024 advantage to 19 percentage points (+33% vs. +14%). Unfortunately for value investors, growth outperformed in calendar year 2023 by an even wider margin, giving it a 63 percentage point advantage over the past 2 years (+90% vs. +27%, cumulative). This is the largest 2 year outperformance since the inception of the Russell indices in 1979, exceeding growth's 62 percentage point advantage in the dot.com era that peaked in the 24 months ended August of 2000. The return disparity over the past 2 years is also predominately due to the Magnificent Seven's extraordinary run. These 7 stocks now comprise a remarkable 56% of the Russell 1000 Growth, and 0% of the Russell 1000 Value.

The S&P 500 trades at 25x FY1 consensus earnings, a valuation that ranks in the 94th percentile going back to the early 1990s. It has only traded above 25x during the dot.com bubble and for a very brief period in 2020, though the latter was due to plummeting earnings related to COVID rather than investor euphoria. We find it difficult to rationalize these elevated valuations and are guarded about the broad market's prospects going forward. Our caution does not mean we believe all equities are primed for imminent doom, and we find solace in several factors. First, the broad equity market has improved returns on equity in a secular fashion over the past 50 years, and a larger portion of the income it generates is returned to shareholders. The combination of these two factors justifies higher earnings multiples. How much higher is difficult to say, though we are skeptical that the improvement in fundamentals is commensurate with the increase in valuations. Second, excluding the Magnificent 7, the S&P 500 would trade at roughly 19x FY1 consensus earnings. This would be well above the historical average but not wildly so (69th percentile). Finally, and in our opinion the most factor important by far, is that numerous opportunities remain across various segments of the market, just in a highly discernable fashion. Our portfolio trades very near its long term average valuation despite passive indices trading well above their historical averages. To achieve this, necessarily, the portfolio and the indices have little in common. The portfolio's active share is 91% and 87% relative to the S&P 500 and Russell 1000 Value, respectively.

We continue to find attractive ideas in financials, which is the largest sector weight, though we have reduced our exposure significantly over the year and are now roughly equal weight the benchmark. Financials was the Russell 1000 Value's top-performing sector in the year, returning +32%. The portfolio's financials fared even better, returning +38%, and we trimmed in lieu of better risk-adjusted valuation opportunities. We have found these opportunities largely in defensive/non-cyclical sectors. This cohort has lagged substantially over the past

(continued)

Portfolio managers' opinions and data included in this commentary are as of December 31, 2024 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.**

couple years, and now trades at parity with the rest of the market for the first time in about 15 years. We increased the weight in consumer staples, utilities, and healthcare, with the latter now representing the portfolio's second largest sector. We were significantly underweight this group at the beginning of the year and are now just slightly underweight.

While opportunities have become more selective and the portfolio is very different from the benchmark, it is appropriately diversified across market segments and sectors. We remain patient, long-term investors focused on valuation balanced against fundamental risks, and we continue to find interesting risk/return opportunities in a challenging market.

ATTRIBUTION ANALYSIS – 4Q24 & 2024

The Hotchkis & Wiley Large Cap Disciplined Value Fund outperformed the Russell 1000 Value Index in the fourth quarter of 2024. Positive stock selection in technology, consumer discretionary, financials, and industrials were positive contributors to relative performance in the quarter. The underweight exposure to materials and real estate also helped. Negative stock selection in healthcare, consumer staples, and materials detracted from performance.

Over the full calendar year, the Fund underperformed the Russell 1000 Value Index. Absent material changes to a company's fundamentals, we are inclined to increase positions that have underperformed (improved valuation) and reduce positions that have outperformed. This results in a persistent negative exposure to a momentum factor, which was a performance headwind in the year as momentum performed exceedingly well. From a sector perspective, stock selection in energy and healthcare were the largest performance detractors in the year. Positive stock selection in technology helped relative performance significantly, as did exposure to financials—both the overweight and positive stock selection.

LARGEST INDIVIDUAL CONTRIBUTORS – 4Q24

F5 (FFIV) sells application networking and security software, as well as data center appliances. The company's stock price rebounded sharply in the second half of the year after reporting a growing pipeline and better close rates in subscription software sales. F5 has no debt, trades at an attractive valuation, and is benefiting from an improving gross margin and lower operating expenses.

General Motors Co. (GM) reported strong Q3 earnings results and improved free cash flow guidance. We like GM for many reasons. First, we believe GM has leading market positions in its main business segments. Second, the valuation is extremely attractive. Finally, we believe it is a strong free cash flow generator, and the management team is committed to repurchasing their undervalued shares.

Wells Fargo & Co. (WFC) is one of the nation's largest depositories and banks by assets. In addition to having a very high market share of deposits, they also enjoy high market share within the geographies they operate in such as western and southeastern US. In our opinion, WFC is one of the best franchises in banking with a history of very high returns on assets and equity. Performance over the quarter was strong due to potential deregulation with the onboarding of a new presidential regime and speculation that the company's asset cap could be lifted as early as 1H25.

LARGEST INDIVIDUAL DETRACTORS – 4Q24

Elevance Health (ELV) is a large health insurer, and one of the largest commercial insurers. The company's shares came under pressure in the quarter following disappointing earnings and guidance as well as a broader negative turn in investor sentiment towards the group. Our overall thesis remains unchanged. We believe the company is undervalued due to skepticism around margins and growth. Higher medical spending is a long-term positive for the company.

CVS Health Corp. (CVS) is a diversified healthcare company operating a Pharmacy Benefits Manager, health insurer, and retail stores and pharmacies. CVS underperformed in Q4 largely because of underperformance in the Aetna business due to unexpectedly higher costs, as well as the aforementioned decline in valuations across the peer group. Health insurance is a business that reprices yearly, so CVS should be able to recover its higher costs and restore margins within a year or two.

Olin Corp. (OLN) is one of the largest producers of chlor alkali chemicals and chlorine derivatives. The stock price fell during the quarter after posting weak Q3 results due to the significant impact from Hurricane Beryl and weaker-than-expected Q4 guidance. Despite trough operating conditions, longer-term dynamics in the business appear promising. Olin's balance sheet is strong, and capital allocation has been shareholder friendly. The company continues to provide diversification benefits to our existing commodity 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 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.

Top ten holdings as of 12/31/24 as a % of the Fund's net assets: F5 Inc. 4.3%, Citigroup Inc. 3.9%, Workday Inc. 3.5%, Ericsson 3.3%, APA Corp. 3.2%, Wells Fargo & Co. 3.0%, Elevance Health Inc. 2.5%, Medtronic PLC 2.3%, Comcast Corp. 2.3%, and General Motors Co. 2.3%. **Active share** is the extent to which the portfolio differs from the designated index; **Free cash flow** represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets; **FY1** (fiscal year one) **consensus earnings** are the consensus forecast for a company's earnings per share (EPS) for the current fiscal year; 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.

Mutual fund investing involves risk. Principal loss is possible.
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