

LARGE CAP DISCIPLINED VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWCIX | HWCAX



PERFORMANCE (%) as of December 31, 2025

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 8/30/04
Large Cap Disciplined Value Fund – I Shares	4.50	17.08	17.08	16.28	14.78	12.09	8.69
Russell 1000 Value Index	3.81	15.91	15.91	13.90	11.33	10.53	8.74

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 1.02% for I Shares; 0.80% 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 S&P 500 Index returned +2.7% in the fourth quarter of 2025, bringing its calendar year return to +17.9%. A full 17 years have now passed since the financial crisis of 2007/2008. Since then, the S&P 500 is up tenfold and has generated positive returns in 15 of the 17 calendar years: the exceptions were 2018 (-4%) and 2022 (-18%). Earnings growth over this period has been impressive. However, the multiple that the market is willing to pay for those earnings has also expanded meaningfully. The S&P 500's forward P/E ratio climbed from a multidecade low of about 12x at end of 2008 to nearly 26x today. That level ranks in the 97th percentile since 1990 and has been exceeded only during the dot.com bubble and briefly during COVID, when earnings estimates temporarily collapsed. Many commentators argue that higher multiples are justified by the market's shift toward more capital-light businesses and structurally higher returns on capital. This argument has merit, but 26x earnings implies an earnings yield of less than 4%, a valuation with little margin of safety. Moreover, the capital-light narrative is being challenged by a renewed investment cycle. Market-wide capital intensity is rising and is expected to continue increasing. The hyperscalers alone spent about \$400 billion in capital expenditures in 2025, a figure that is expected to grow by about 25% in 2026.

In our view, today's elevated valuation should prompt investor caution—particularly for passive equity investors. The price paid for an investment affects its prospective return. In fact, the R-squared between the S&P 500's normalized P/E and its subsequent 10-year return is 0.81, meaning that 81% of its 10-year return can be explained by its initial valuation. Fortunately, the elevated valuation is heavily influenced by a small handful of stocks. Market leadership has been highly concentrated, and today's largest companies are massive. Opportunities

outside of this group remain abundant, however, with overall valuations near average and select opportunities quite attractive. Excluding the Magnificent 7, the S&P 500's forward P/E would be 18x, only modestly higher than 35-year average of 17.4x. The portfolio trades at 13x forward earnings and less than 10x normal earnings, both in line with historical averages.

Information technology and communication services were the top performing sectors in 2025, though performance dispersion within those sectors was significant. For example, the S&P 500 semiconductor industry returned +46% compared to +12% for software. Even within software, results were highly concentrated. The industry's return would have been meaningfully lower without Palantir (+135%) and CrowdStrike (+37%). In fact, the Russell 1000 Value software industry, which does not contain those two stocks, declined -9% for the year.

We view the prospects of select software companies as highly compelling. We generally consider F5 Inc. a software company despite its communications equipment GICS classification. Including F5, software is the portfolio's largest industry exposure on both an absolute and relative basis. Over the course of the year, we used the valuation improvements to increase our exposure, and our two largest purchases were both software positions: Workday and Salesforce. These companies trade at discounts to their own history and to the broad market, despite being higher quality businesses, in our view. They have a sticky customer base, which facilitates recurring revenues and thus more predictable businesses. The growth prospects are compelling, the balance sheets are strong, and the management teams are shareholder friendly.

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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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The portfolio also remains overweight in healthcare and energy. Over the past decade, the healthcare sector's return is about half that of the rest of the market. Historically, the sector has traded at a slight valuation premium to the broad market on average, reflecting the quality of the businesses and growth prospects. Today, however, healthcare's P/E ratio is less than 80% of the broad market's P/E. It has traded at a deeper discount only 8% of the time since 1990. The energy exposure spans both exploration & production companies as well as oilfield services. While these businesses are not as structurally attractive as those in software or healthcare, energy remains among the most attractively valued areas of the portfolio. The group trades at less than 7x normal earnings and offers an expected/consensus free cash flow yield of 11%.

Over the course of the year, we improved the portfolio's risk profile without sacrificing return potential. We remain optimistic about the portfolio's positioning and prospects, particularly relative to the broad market which we view as expensive.

ATTRIBUTION ANALYSIS – 4Q25 & 2025

The Hotchkis & Wiley Large Cap Disciplined Value Fund outperformed the Russell 1000 Value Index in the fourth quarter of 2025. Positive stock selection in financials, consumer discretionary, and industrials contributed to relative performance in the quarter. Within financials, the portfolio's banks returned +13% compared to +6% for the index—this was top contributing industry to relative performance. Within consumer discretionary, the portfolio's auto exposure performed well. Stock selection in technology, healthcare, and materials detracted from performance. Within technology, the portfolio was hurt due to some underperforming software positions and lack of exposure to the semiconductor industry, which returned more than +20%.

The Fund also outperformed the Russell 1000 Value Index over the full calendar year. Positive stock selection in financials, consumer discretionary, and healthcare were the largest positive contributors. Like the quarter, the portfolio's bank exposure was particularly helpful in the year. The portfolio's average weight in banks was 12% and the group returned nearly +40%. We took capital out of the group as valuations increased. Within consumer discretionary, GM was the top performer. Within healthcare, CVS performed well, and the midyear purchase of UnitedHealth Group after its large price decline worked favorably. Stock selection in technology, communication services, and materials detracted from performance. In technology, the lack of exposure to semiconductors and an underperforming software position detracted (Workday). Within communication services, the position in WPP detracted and within materials, lack of exposure to the strong-performing metals & mining industry hurt.

LARGEST INDIVIDUAL CONTRIBUTORS – 4Q25

General Motors (GM US) is a global automotive manufacturer with a diversified portfolio of vehicle brands and a growing presence in electric vehicles, autonomous technology, and software-enabled mobility services. Shares appreciated the most in a single day since 2020 after the automaker raised its full-year outlook, due to better-than-expected pickup truck sales. The company also benefited from recent relief by the Trump administration on auto parts tariffs.

Warner Bros. Discovery (WBD US) is a top global TV networks and production company. Its Discovery and Turner networks are major players in U.S. Pay TV, while the Warner Bros. Studio is a leading TV production studio and film studio. WBD's direct-to-consumer video service, HBO Max, is the third largest global streaming platform. On June 9, WBD announced its intention to split into two companies: the Streaming and Studios segments will become "Warner Bros." while the linear TV networks will become "Discovery Global". The company's stock rallied over the quarter due to a bidding war for the company's assets between Netflix and Paramount Skydance, which Netflix appears to have won with a cash offer for its studio and streaming business that values the company ~50% higher than its stock price at the end of September.

FedEx (FDX US) provides parcel delivery and freight services to nearly every address in the U.S. and serves a vast majority of the world's GDP. The company operates one of the largest express logistics and freight networks globally. In recent years, FedEx has faced multiple challenges: a mix shift toward lower-margin business-to-consumer volumes has weighed on profitability, integration difficulties in its international express segment have continued, and soft global economic conditions have dampened demand across all business lines. While these challenges are material, they are likely to be transitory. We believe FedEx retains durable competitive advantages in its core businesses, and margin recovery is expected as integration improves, cost discipline strengthens, and the pricing environment stabilizes. Under new leadership, the company is pursuing operational efficiencies, reducing capital intensity, and prioritizing returns to shareholders. In addition to its brand and competitive position, we believe FedEx has significant asset backing that provides downside protection. Shares rose 23% over the quarter following earnings growth that was better than expected, and positive comments from management on quarterly guidance at an industry conference, which helped alleviate investor concerns around a muted holiday demand environment.

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LARGEST INDIVIDUAL DETRACTORS – 4Q25

F5 Inc. (FFIV US) is a global provider of application delivery, security, and performance solutions that help enterprises run and protect applications across hybrid and multi-cloud environments. Shares fell after the company disclosed that state-backed hackers from China had breached its networks and gained access to certain files from the company's BIG-IP application services. While the direct impact of the breach has been limited – no sensitive customer data was leaked and F5's operations were not impacted – management expects a modest impact to new bookings in the near term as customers are currently focused on evaluating the security posture of existing IT assets rather than buying new products. In response to the breach, F5 offered weak guidance for next quarter, and consensus earnings expectations have declined 7% for 2026 relative to pre-breach levels. While the breach may have a near-term impact on profit growth, our research suggests that the impact of security breaches at similar IT vendors have been short-lived and have very rarely led to impairment of long-term earnings power. Also, F5's strong free cash flow, net cash balance sheet, and high switching costs could help protect the company from any near-term impacts to bookings that may occur this year. We believe F5 should be able to grow revenue in the high-single-digits for many years given the strong tailwinds the company is seeing related to data center modernization and application traffic growth and limited competition in its core markets. Now trading at about 10x our estimate of next year's normal operating profit, F5's shares offer a very attractive risk/reward outlook, in our opinion.

Workday (WDAY US) is a leading cloud-based enterprise software company providing human capital management, financial management, and analytics solutions to large and mid-sized organizations. Shares fell modestly as the company reported strong Q2 results but only reaffirmed full-year guidance, which disappointed investors hoping for a beat-and-raise quarter. Sentiment around application software deteriorated over the course of the quarter, with the valuation gap between application software and semiconductor indices widening to near an all-time high. While the consensus view in the market today is that AI poses a headwind to application software vendors, our research suggests AI is more likely to be a tailwind as vendors like Workday incorporate AI-powered

features into their software suites. Even without an AI tailwind, Workday should be able to grow sales in the teens for many years. Given low customer churn rates and high gross margins, Workday should earn a normal EBIT margin in the high-30s as the business matures. At a normal profit margin, Workday trades for a low-to-mid teens multiple of operating profit, vs. high-teens for the S&P 500. We believe Workday has favorable business quality attributes to the average S&P 500 company and has a net cash balance sheet and is returning cash to shareholders. This represents a compelling risk/reward.

Fiserv (FISV US) is a financial technology company that provides payments and other solutions to merchants and financial institutions. The company's scale, diversification, and ability to compound earnings at a double-digit rate make current valuation attractive. There was a sharp reset in Q3, with the FY25 outlook cut materially after a large miss versus expectations concentrated in the Financial Solutions segment, where both topline growth and profitability disappointed. While 2026 guidance has not been formally introduced, the new CEO framed FY26 as a transition year that resets the long-term growth algorithm to a lower baseline. Once earnings stabilize, we believe Fiserv offers a combination of strong topline growth, margin expansion, and cash generation.

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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. 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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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 12/31/25 as a % of the Fund's net assets: Workday Inc. 4.9%, F5 Inc. 4.3%, Citigroup Inc. 3.2%, American Int'l Group Inc. 3.1%, APA Corp. 3.0%, Ericsson 3.0%, General Motors Co. 2.9%, Comcast Corp. 2.8%, Salesforce Inc. 2.5%, and FedEx Corp. 2.4%.

The **Magnificent 7** represents Meta, Alphabet, Tesla, Nvidia, Apple, Amazon, and Microsoft; **Global Industry Classification Standard (GICS)** is a system for categorizing every public company by economic sector and industry group; **Earnings yield** is a financial ratio that measures the rate of return a company generates for each dollar invested; **Margin of safety** is the difference between the intrinsic value of a stock and its market price; **Earnings before interest and taxes (EBIT)** measures a company's net income before income tax and interest expenses are deducted; **Forward price-to-earnings (P/E) ratio** divides the current share price of a company by the estimated future "forward" earnings per share of that company; **Hyperscalers** are large-scale data centers that provide a wide range of cloud computing and data solutions for businesses that need vast digital infrastructure, processing, and storage; **R-squared** is the percentage of a security's price movements that can be explained by movements in a benchmark index; and **free cash flow** represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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