LARGE CAP FUNDAMENTAL VALUE FUND

(formerly Large Cap Value Fund)

MANAGER REVIEW & ECONOMIC OUTLOOK

HWLIX | HWLAX | HWLZX

PERFORMANCE (%) as of June 30, 2025

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 6/24/87
Large Cap Fundamental Value Fund – I Shares	1.89	4.46	9.89	14.13	17.23	9.21	9.22
Russell 1000 Value Index	3.79	6.00	13.70	12.76	13.93	9.19	n/a

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 0.98% for I Shares; 0.95% 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 +10.9% in the second quarter of 2025 in one of the more volatile quarters in recent memory. Following the so-called "liberation day" tariff announcement on April 2nd, the index cratered more than -12% over four trading days. The market bottomed on April 8th. The S&P 500 was down -15% for the year at that point, before returning nearly +25% over the next ~11 weeks to finish the quarter at an all-time high. This was the fastest recovery from a -15% drawdown ever recorded in the history of the S&P 500[1]. This serves as a reminder that patience is not just a preference in successful investing, it is a requirement. Since 1930, the S&P 500's price return is more than +23,000%. Excluding the 10 best days every decade, its return would be about +70%[2].

The primary reason for the recovery seems to be that the market believes tariffs will be less draconian than they appeared originally. Equities rallied when the Administration showed an openness to negotiate down and/or delay the implementation of tariffs. Corporate earnings also helped boost the recovery, with nearly 80% of S&P 500 companies beating consensus expectations, by an average margin of nearly 13%.

The market's performance leadership was quite concentrated in the quarter. The S&P 500's 8 largest contributors[3] were up an average of +33% and sourced 75% of the market's return. The index would have returned closer to +3% in the quarter excluding these 8. Momentum strategies/factors performed well in the quarter. The Russell 1000 Growth Index significantly outperformed the Russell 1000 Value Index in the quarter (+18% vs. +4%), unsurprising considering these stocks comprise nearly half the growth index and just 5% of the value index. Both indices are now up +6% year-to-date, though growth's path has been more volatile.

The S&P 500 information technology and communication services sectors outperformed other sectors significantly in the quarter, returning +24% and +18%, respectively. Earnings were solid, tariff expectations were tempered, and AI enthusiasm/ euphoria resurfaced. Energy and healthcare significantly underperformed, declining -9% and -7%, respectively. West Texas Intermediate (WTI) crude prices declined -9% in the quarter. Crude prices spiked for a brief period intra-quarter amid the Iran-Israel conflict but retreated following a ceasefire. The decline in healthcare was broad but disproportionately driven by health insurers. Several stocks sold off following lowered (or removed) guidance due to policy/regulatory uncertainty, particularly with respect to Medicare and Medicaid.

Despite the portfolio's underperformance in the quarter, nearly 90% of its holdings exceeded consensus earnings expectations. The portfolio's price-to-earnings ratio is slightly below its long-term average, using either consensus earnings or our own estimate of normal earnings. We are not, however, "reaching" for value. We are willing to pay higher multiples for quality businesses that are well capitalized and well managed. Our largest holding is F5 Inc., which trades at 16x normal earnings and is not a prototypical value stock. Its fair value multiple is much higher, in our view, because the company grows faster than gross domestic product (GDP), has a very sticky customer base, a net cash balance sheet, and is managed in a reasonably shareholder-friendly manner.

Meanwhile, passive alternatives trade at valuation multiples above their historical averages. The value index trades at a meaningful premium to its own historical average, while the growth index trades near an all-time high. We believe this reflects a valuation dichotomy that will benefit active investors focused on long-term fundamentals and valuation. We cannot predict with confidence when this benefit will occur. We are confident that it will occur, however, and that patience will again be rewarded.

(continued)

[1]Source: Strategas, Dow Jones Market Data
[2]Source: BofA US Equity & Quant Strategy, Bloomberg
[3]In order of contribution: Nvidia, Microsoft, Broadcom, Meta, Amazon, Alphabet, Netflix, Tesla

ATTRIBUTION ANALYSIS – 2Q25

The Hotchkis & Wiley Large Cap Fundamental Value Fund underperformed the Russell 1000 Value Index in the second quarter of 2025. Industrials and energy were the largest detractors in the quarter. Industrials was the second best performing sector for the index (technology was best), so the underweight position hurt. Stock selection was also negative, largely because we had little exposure to some of the strongest performing industries within industrials, like electrical equipment and aerospace & defense. Energy was the second worst performing sector for the index (healthcare was worst), so the overweight position hurt. West Texas Intermediate (WTI) crude prices fell about 9% in the quarter, which hurt our exposure to both exploration and production (E&P) as well as oilfield service companies. Positive stock selection in financials helped relative performance in the quarter. Banks performed well, so our overweight position helped. Positive stock selection in financial services was also meaningfully positive. Positive stock selection in healthcare also helped performance, as the portfolio's positions held up considerably better than the index's healthcare stocks.

LARGEST INDIVIDUAL CONTRIBUTORS – 2Q25

UnitedHealth Group (UNH) is a large US health insurer. Until very recently, UNH traded at a material premium to its peers, reflecting its status as a premium growth stock with momentum. We did not own the stock. However, recent negative headlines, combined with the first earnings miss in 10 years, resulted in a >50% selloff in the company's shares. This decline contributed positively to the strategy's relative performance vs. the index, where UNH was a meaningful weight. We purchased UNH shares after the selloff at what we believe is a compelling valuation.

Citigroup (C) is one of the largest US banks by total assets. Investment in its IT, compliance and risk capabilities have pressured margins and returns over recent years, obscuring the banks strong core franchise. With these investments now largely complete we expect Citi's expense to decline and its margins and returns to be more consistent with peers. Citigroup performed well in the quarter on improved profitability and positive operating leverage. We think that C is very undervalued on our normal expectations and would still be attractive even if they do not fully achieve their goals.

F5 Inc. (FFIV) sells application networking and security software and data center appliances, where it has 50%+ market share in traditional ADCs (application delivery controllers) along with various multicloud networking and application security products. Demand for F5's products grows faster than gross domestic product (GDP), products are critical to the functioning of applications resulting in highly sticky customer relationships, and ~75% of annual revenue is recurring. F5 posted another good quarterly earnings report and raised revenue and earnings per share (EPS) guidance for the full year. We continue to believe the company is misunderstood and gets incorrectly classified as a legacy IT hardware vendor, resulting in an attractive valuation. Strong free cash flow generation and a net cash balance sheet provide downside protection. Capital allocation has improved significantly in recent years and management has committed to returning at least 50% of free cash flow (FCF) to shareholders.

LARGEST INDIVIDUAL DETRACTORS – 2Q25

APA Corp. (APA) is an independent exploration and production (E&P) operating offshore in Midland and Delaware basins in the Permian and onshore Egypt. The company has lucrative financial contracts that allow it to generate significant free cash flow (FCF) from differentials in natural gas prices. Investing in this company provides exposure to an energy market that was underearning versus normal levels of profitability and is currently generating significant FCF in what could be a perennially undersupplied market. Stock performance continued to be pressured throughout the quarter, driven by worries surrounding Organization of the Petroleum Exporting Countries+ (OPEC+) barrels returning to the market, coupled with slowing demand. We believe that APA is misunderstood as investors are focusing on relatively shorter resource life in the Permian without factoring reinvestment opportunities in Suriname, Egypt, and potentially Alaska.

NOV Inc. (NOV) is a leading diversified provider of oilfield capital equipment, consumables and services. The downturn in energy prices has reduced oilfield activity below sustainable levels, hurting NOV's sales and profitability. As activity rebounds, the majority of NOV's product lines should experience increases in volumes and pricing, while longer-term, the earnings power of Rig Aftermarket business should also improve given a large installed base. A newbuild rig cycle – whether onshore or offshore – would provide upside to our normal estimates.

Elevance Health Inc. (ELV) is a large health insurer. The company's shares have been under pressure due to concerns around Medicaid utilization trends and Medicare Advantage margins. We believe that these headwinds will be temporary. ELV is priced at a discount to the market; however, it is a compelling business, growing faster than GDP while still returning most of its cash to shareholders.

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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 6/30/25 as a % of the Fund's net assets: F5 Inc. 5.0%, Citigroup Inc. 3.8%, Wells Fargo & Co. 3.1%, Ericsson 3.0%, Comcast Corp. 3.0%, American Int'l Group Inc. 2.9%, General Motors Co. 2.8%, Wells Fargo & Co. 3.0%, General Motors Co. 2.7%, and Dominion Energy Inc. 2.4%.

Exploration and production (E&P) is the early stage of energy production, which includes searching for and extracting oil and natural gas; **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; **Free cash flow** (FCF) is the amount of cash that a company has left after accounting for spending on operations and capital asset maintenance; **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; Return on equity is a measure of financial performance calculated by dividing net income by shareholders' equity; **The Organization of the Petroleum Exporting Countries+** (OPEC+) is a group that comprises the 12 member countries of OPEC and other non-OPEC members; **Price-to-earnings ratio** measures a company's share price relative to its earnings per share (EPS); **West Texas Intermediate** (WTI) is a grade of crude oil and one of the main three benchmarks in oil pricing, along with Brent and Dubai Crude.

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 Large Cap Value Fund to Large Cap Fundamental 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 Fundamental Value Fund