MID-CAP VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWMIX | HWMAX | HWMZX

Hotchkis & Wiley

PERFORMANCE (%) as of March 31, 2025

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 1/2/97
Mid-Cap Value Fund – I Shares	-5.63	-5.63	-6.79	2.78	26.10	5.62	10.63
Russell Midcap Value Index	-2.11	-2.11	2.27	3.78	16.70	7.62	9.82

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. 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: 1.49%; 30-Day SEC Yield w/o Expense Waiver: 1.49%.

MARKET COMMENTARY

US mid cap stocks roared in the aftermath of the US Presidential elections as investors focused on the potential benefits of de-regulation, lower US corporate taxes, re-shoring of supply chains to the US, and a general sense that the US economy was set for accelerating growth. Unfortunately, the mood darkened in the first quarter of 2025. The prospect of tariffs and the potential for near-term pain, persistently high inflation, and weakening macroeconomic factors have shifted investor sentiment from optimism to concern about a potential recession. Given this backdrop, the Russell Midcap Index declined -3.4% in the first quarter of 2025. By comparison, the Russell Midcap Value Index declined -2.1% vs. a decline of -7.1% for the Russell Midcap Growth Index.

It is during these periods uncertainty that we see the greatest displacement of stock valuations from the intrinsic values of companies, providing opportunities for value focused investors who have done their homework to potentially generate long term performance. The portfolio trades at 6x our estimate of normal earnings, which is slightly below its historical average. The Russell Midcap Value, however, trades at about 16x normal earnings, while the Russell Midcap Growth, even after this quarter's correction, trades at 28x normal. The portfolio exhibits a ~11% 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-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.

ATTRIBUTION ANALYSIS – 1Q25

The Hotchkis & Wiley Mid-Cap Value Fund underperformed the Russell Midcap Value Index in the first quarter of 2025. Stock selection in energy detracted the most from relative performance in the quarter. Stock selection in consumer discretionary, materials, and communication services also detracted. Conversely, stock selection in healthcare and technology contributed positively to relative performance. Stock selection in financials also worked well.

(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.**

LARGEST INDIVIDUAL CONTRIBUTORS – 1Q25

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.

CVS Health Corp. (CVS) is a diversified healthcare company operating as 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 (CMS) 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.

F5 (FFIV) sells application networking and security software, as well as data center appliances. F5 reported a strong quarter that benefited from an improving IT spending environment, the beginning of a hardware refresh cycle, and better than expected software renewals, expansions and net new customer acquisition. Management raised guidance for FY25 and described the new guide as “prudent” given the strong trends they are seeing on hardware refresh and software growth metrics. F5 has no debt, trades at an attractive valuation, and is benefiting from an improving gross margin and lower operating expenses.

LARGEST INDIVIDUAL DETRACTORS – 1Q25

Kosmos Energy Ltd. (KOS) is an independent exploration and production company focused offshore. In addition to its existing production, KOS has liquified natural gas (LNG) assets that are set to begin production in 2024 and a platform to acquire and operate additional offshore resources. Shares fell over the quarter after Organization of the Petroleum Exporting Countries (OPEC+) delegates announced that the group would move forward with plans to restart previously halted oil production. We believe these short-term issues are significantly outweighed by the long-term value of the company’s existing production, which the current stock price does not fully reflect.

Fluor Corp. (FLR) is one of the largest contractors in the US. Fluor reported a disappointing 4Q24 with revenue and margins weak as the company deals with unusually low utilization driven by volatility in its businesses. Initial guidance for 2025 revenue and margin were also below consensus estimates driven by weakness at Energy Solutions partly offset by growth at Urban Solutions that is expected to be back-half weighted. Unlike many competitors that specialize in elements of project delivery, most of Fluor’s revenue comes from projects where it provides full Engineering, Procurement, and Construction services. Fluor also has significant fabrication capabilities including a joint venture that operates the world’s largest fabrication facility. In addition, Fluor also owns a substantial stake in NuScale (tk: SMR).

Adient PLC (ADNT), domiciled in England (with corporate offices in Plymouth, MI; Milwaukee, WI; Burscheid, Germany; and Shanghai, China), is one the world’s largest suppliers of seating systems and a leading components supplier for automotive interiors. Shares fell over the period alongside other names in the auto manufacturing space due to the potential of heightened tariffs on imports from Canada and Mexico. This is specifically problematic for ADNT given their sizeable manufacturing presence in Mexico. However, we believe issues from tariffs will be transient in nature. As such, we continue to believe ADNT is attractively valued for a company successfully right sizing their portfolio, buying back shares, and maintaining their balance sheet.

Investing in small and medium-sized companies involves greater risks than those associated with investing in large company stocks. 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 largest contributors (or detractors) on a relative basis to the Russell Midcap 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.

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 GICS Standard by MSCI and S&P.

The **Russell Midcap® Index**, an unmanaged index, measures the performance of the 800 smallest companies in the Russell 1000® Index. **The Russell Midcap® Value Index** measures the performance of those Russell Midcap® companies with lower price-to-book value ratios and lower forecasted growth values. The **Russell Midcap® Growth Index** measures the performance of those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values. The indices do not reflect the payment of transaction costs, fees and expenses associated with an investment in the Fund. It is not possible to invest directly in an index.

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.

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 3/31/25 as a % of the Fund's net assets: APA Corp. 4.4%, F5 Inc. 4.0%, Popular Inc. 4.0%, Ericsson 3.7%, Citizens Fin'l Group Inc. 3.3%, American Int'l Group Inc. 3.3%, Fluor Corp. 2.9%, Kosmos Energy Ltd. 2.9%, Olin Corp. 2.6%, and Magna International Inc. 2.5%. **Earnings per share** is a measure of a company's profitability that indicates how much profit each outstanding share of common stock has earned; **Earnings yield** refers to a company's earnings per share for the most recent 12-month period divided by the current market price per share; **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; **Return-on-equity** is a measure of a company's financial performance.

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.

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