MID-CAP VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWMIX | HWMAX | HWMZX

Hotchkis & Wiley

PERFORMANCE (%) as of June 30, 2026

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 1/2/97
Mid-Cap Value Fund – I Shares	4.67	11.72	23.24	13.06	10.07	9.99	11.08
Russell Midcap Value Index	13.40	17.58	26.62	16.51	9.48	10.63	10.46

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 0.99% 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.

MARKET COMMENTARY

The Russell Midcap Index gained +13.8% in the second quarter of 2026, and the Russell Midcap Value Index returned +13.4%. 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. Many semiconductor stocks, and other parts of the AI complex—particularly hardware and storage—recorded returns in excess of 100%. In the Russell Midcap Value, the hardware and storage group alone carried an average weight of roughly 10% and returned +84% for the quarter, with names such as SanDisk and Western Digital more than doubling.

By nearly any measure, this was a speculative, risk-on rally that produced the kind of dichotomy we rarely observe. 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%. 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. 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 quality businesses with attractive valuations, largely because we believe the market overstates the threat AI poses to them. As is common in highly speculative, momentum-driven markets, defensive market segments have also been left behind and overlooked. We have increased the portfolio's exposure to non-cyclicals—including areas like health care and consumer staples—amid the improvement in their relative valuations.

We remain focused on quality businesses with strong balance sheets that are managed in a shareholder-friendly manner, and we continue to believe that price matters—that attractive valuations provide a margin of safety should events fail to unfold flawlessly. 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, quality, well capitalized, and prudently managed—are well positioned for that reversion.

(continued)

Portfolio managers' opinions and data included in this commentary are as of June 30, 2026 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.**

ATTRIBUTION ANALYSIS – 2Q26

The Hotchkis & Wiley Mid-Cap Value Fund underperformed the Russell Midcap Value Index in the second quarter of 2026. Technology and energy explain all of the underperformance. The portfolio did not own the technology hardware and semiconductors that led the index: the hardware and storage group, a roughly 10% benchmark weight, returned +84% and the semiconductor group, a 3% weight, returned +51%. Our overweight in energy detracted as oil retreated sharply. Stock selection in healthcare was the largest positive contributor in the quarter.

LARGEST INDIVIDUAL DETRACTORS – 2Q26

SanDisk was among the largest detractors because we did not own it and returned well over +100% as a constituent of our benchmark. Below are the largest detractors held in the portfolio.

Kosmos Energy Ltd. (KOS) is an independent offshore E&P company with producing assets in the US Gulf of Mexico and Ghana. We own it because its offshore operating expertise, high-quality assets, attractive reinvestment economics, and compelling valuation create a favorable risk/reward profile. The stock declined during Q2 due to broader crude oil price weakness following the reopening of the Strait of Hormuz. We believe oil undersupply could continue for months and that prices could remain above normal levels, even if the reopening progresses smoothly. Given the company's strong assets, high returns on investment, attractive valuation, and reduced liquidity concerns, our investment thesis remains intact.

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.

Olin Corp. (OLN) is one of the largest global producers of chlor-alkali chemicals and chlorine derivatives, and also owns the Winchester ammunition brand. It is significantly underearning today due to below-normal commodity prices and demand, but a tightening five-plus year supply/demand outlook in North American chlor-alkali could drive a pricing and volume recovery—and as the swing producer in the region, Olin could capture more than its share of that improvement, with shareholder-friendly capital allocation and an investment-grade balance sheet commitment reinforcing the case. The stock's decline reflects an easing of tensions in the Middle East which will lead to a near-term loosening of supply/demand dynamics in commodity chemicals. Olin also announced a merger of equals with Huntsman that we believe is strategically sound and will help reduce risk over the intermediate term due to synergy capture and deleveraging.

LARGEST INDIVIDUAL CONTRIBUTORS – 2Q26

Centene Corp. (CNC) is a managed care organization focused on the Medicaid market, with approximately 28 million at-risk enrollees and the largest Medicaid market share among publicly traded peers. We own it as the clear scale leader in a capital-light business well positioned to benefit as the U.S. continues shifting healthcare toward government-funded, cost-controlled programs. Centene outperformed sharply this quarter as adjusted EPS beat consensus by 48%, management raised full-year guidance, and investors gained confidence that the Medicaid margin recovery and ACA membership reset were both tracking ahead of plan.

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 could lead to a recovery in margins.

Marriott Vacations Worldwide (VAC) is one of the largest timeshare operators in the US, building, selling, financing, and managing upper-upscale and luxury resorts under the Marriott, Westin, Ritz-Carlton, and Hyatt brands, alongside a high-margin exchange business. We view it as a misunderstood, good-quality company whose branded network, affluent customer base with ~$1.5 million average net worth, and recurring financing and fee streams help insulate it from the cyclicality of travel. The stock outperformed this quarter as results topped low Street expectations, management maintained full-year guidance while raising its contract-sales outlook, and free cash flow generation remained strong.

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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.

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.

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 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. 4.2%, American Int'l Group Inc. 3.7%, Kosmos Energy Ltd. 3.5%, APA Corp. 3.5%, Fluor Corp. 3.4%, SLM Corp. 3.3%, Popular Inc. 2.8%, Centene Corp. 2.7%, Universal Health Srvcs Inc. 2.4%, and Crescent Energy Co. 2.3%.

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**; Exchange-Traded Fund (ETF)** pools a group of securities into a fund and can be traded like an individual stock on an exchange; and **Free cash flow** represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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

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