

MID-CAP VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

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PERFORMANCE (%) as of December 31, 2025

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 1/2/97
Mid-Cap Value Fund – I Shares	2.39	7.87	7.87	10.25	13.64	8.51	10.85
Russell Midcap Value Index	1.42	11.05	11.05	12.27	9.83	9.78	10.03

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.

MARKET COMMENTARY

The Russell Midcap Index returned +0.2% in the fourth quarter of 2025, bringing its calendar year return to +10.6%. The index underperformed both the Russell 1000 Index (+17.4%) and the Russell 2000 Index (+12.8%), which is a fairly unusual occurrence. The large cap market was led by the Magnificent 7 (+23% as a group) and the small cap market was led by the extraordinary performance speculative non-earning stocks (+26% for R2000 non-earners). The midcap market has no exposure to the Magnificent 7 and considerably less exposure to speculative non-earners.

A full 17 years have now passed since the financial crisis of 2007/2008. Since then, the Russell Midcap Index is up more than eightfold and has generated positive returns in 13 of the 17 calendar years. 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 Russell Midcap's forward P/E ratio climbed from about 14x at end of 2008 to nearly 21x today. That level ranks in the 81st percentile since 1995. 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 21x earnings implies an earnings yield of less than 5%, a valuation with little margin of safety. Moreover, the capital-light narrative is being challenged by a renewed investment cycle which would benefit capital intensive companies. 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. Fortunately, opportunities for active investors remain abundant. The portfolio trades at 11x forward earnings and close to 6x normal earnings, both in line with historical averages.

Notable overweight exposures include auto suppliers, oil & gas exploration/production (E&P) companies, banks, and health insurers. The auto suppliers benefit from automakers' shift toward common, global platforms which require key suppliers to assume greater responsibility. The single digit earnings multiples are attractive for the risks at hand. The E&P companies produce free cash flow yields well into the double digits and should benefit as a temporarily oversupplied market moves toward a structurally undersupplied commodity market. The portfolio's banks also exhibit attractive valuations, particularly considering their scale advantages and healthy capital ratios. The health insurers are competitively well-positioned, have attractive growth opportunities with minimal need to reinvest capital, and also trade at attractive multiples of normal earnings.

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 Mid-Cap Value Fund outperformed the Russell Midcap Value Index in the fourth quarter of 2025. The largest positive contributor, by a wide margin, was positive stock selection in financials. The portfolio's financials returned +8.5% compared to the index's financials at less than +1.0%. The portfolio's traditional/regional banks and trust banks both performed well, helping relative performance. Positive stock selection in consumer staples and communication services, along with the large underweight exposure to real estate also helped. Stock selection in technology, industrials, and materials detracted from performance.

(continued)

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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Over the full calendar year, the Fund underperformed the Russell Midcap Value Index. Stock selection in energy was the largest detractor, as a couple of exploration & production companies meaningfully underperformed. These positions had disappointing results, but we view the oil market as having structural supply constraints and the free cashflow yields for the companies we own represent a rare opportunity. Stock selection in industrials, materials, and technology also hurt. Stock selection was considerably positive in financials and healthcare, and modestly positive in consumer discretionary and utilities. The underweight position in real estate and consumer staples, the only two negative sectors for the year, also helped.

LARGEST INDIVIDUAL CONTRIBUTORS – 4Q25

Ericsson (ERIC US/ERICB SS) is one of the largest vendors of hardware and software needed to operate wireless networks outside China. Ericsson's earnings are below normal as demand for wireless equipment is low in Japan and India. Management is turning around its mismanaged Cloud Software and Services business. We believe valuation is attractive even if Ericsson's competitors do not lose market share due to political or scale problems, but there is substantial additional upside if these possible outcomes occur. Ericsson's stock outperformed as the company signaled a pivot towards returning more capital to shareholders and 3Q25 results were modestly better than expected: company gross margins and the Cloud Software and Services business continued to improve.

Herbalife (HLF US) is the second largest multi-level marketing business in the world. The company's brand and portfolio are focused on wellness, with meal-replacement weight loss products as their largest category, followed by supplements, energy products, and other products, including promotional items for its distributors. Herbalife's stock outperformed after the company reported 3Q25 results at the high-end of guidance. The results showed early signs that the business has stabilized, and the turnaround is gaining traction.

Baytex Energy Co. (BTE CN) is a Canadian independent exploration/production with the majority of its production in Canada after the recent divestment of its US Eagle Ford operations. The company's stock outperformed over the quarter following its sale of its US assets for a valuation higher than market expectations. The sale allows BTE to focus on its Canadian operations, improves the company's cost structure, and results in a net cash balance sheet, supporting stock buybacks.

LARGEST INDIVIDUAL DETRACTORS – 4Q25

Kosmos Energy Ltd. (KOS US) is an independent offshore exploration/production with producing assets in the US Gulf of Mexico, Ghana, and Equatorial Guinea. It also holds a stake in an LNG development offshore Mauritania/Senegal in partnership with BP. KOS trades at a discount to the value of its existing production, providing a margin of safety. The market underappreciates its visible growth pipeline, including near-term LNG developments and brownfield expansions. With deep technical expertise and a strong offshore operating platform, KOS is well-positioned to unlock additional value through exploration and disciplined acquisitions. KOS shares fell over the quarter along with increased investor concerns over an oversupplied oil market in 2026. Additionally, Kosmos' partner in the Jubilee field, Tullow, provided what we believe is an overly conservative 2026 production forecast. The combination of these events increased investor scrutiny over Kosmos' 2026 debt maturity. Post year-end, Kosmos announced the payment of their 2026 bonds as well as a financing strategy for refinancing future maturities. We continue to believe the stock is undervalued relative to its normalized earnings power and think the upside remains compelling.

Adient Ltd. (ADNT US), domiciled in England, is one of the world's largest suppliers of automotive seating systems and interior components. Adient's business is defensible due to long product cycles, its global just-in-time (JIT) infrastructure, and established OEM relationships. Adient's management team is in the process of turning around a series of poor decisions left by the former team: eliminating non-core activities, rewriting customer contracts, and lowering the company's break-even production levels. Earlier in the quarter, ADNT's shares were pressured alongside other auto suppliers following a fire at one of Ford's aluminum plants, which was expected to cause months of disruption for the automaker and create negative downstream implications for supplier demand. Later in the quarter, shares faced additional pressure after the company issued guidance implying lower production volumes and weaker earnings in FY26, largely driven by tariff-related uncertainty. We believe issues from tariffs will be transient in the long term and continue to believe ADNT is attractively valued for a company successfully right sizing its portfolio, buying back shares, and maintaining its balance sheet.

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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.

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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.

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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 2000® Index** measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The **Russell 1000® Index** measures the performance of the large-cap segment of the US equity universe.

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.

The **Magnificent 7** represents Meta, Alphabet, Tesla, Nvidia, Apple, Amazon, and Microsoft; **Earnings yield** is a financial ratio that measures the rate of return a company generates for each dollar invested; **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 and **free cash flow** represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets.

Top ten holdings as of 12/31/25 as a % of the Fund's net assets: APA Corp. 4.0%, Popular Inc. 3.6%, Citizens Fin'l Group Inc. 3.6%, American Int'l Group Inc. 3.5%, F5 Inc. 2.9%, Ericsson 2.8%, Fluor Corp. 2.7%, Magna International Inc. 2.6%, Adient PLC 2.6%, and Olin Corp. 2.5%.

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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