

SMALL CAP DIVERSIFIED VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWVIX | HWVAX | HWVZX



PERFORMANCE (%) as of March 31, 2025

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 6/30/14
Small Cap Diversified Value Fund – I Shares	-8.19	-8.19	-5.10	1.68	19.21	7.41	7.24
Russell 2000 Value Index	-7.74	-7.74	-3.12	0.05	15.31	6.07	5.83

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 0.86% for I Shares; 0.80% 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 Russell 2000 Index declined -9.5% in the first quarter of 2025, which was notably worse than the Russell 1000 Index's decline of -4.5%. Small cap stocks were positive in the first half of the quarter, until investors appeared to grapple with the frenetic policymaking of the Administration, particularly with respect to tariffs. We have been espousing similarities between today's equity market and that of the early 2000s. Like then, we continue to observe rather severe value dislocations across various segments of the market and believe further correction/normalization is more likely than not.

Treasuries rallied during the equity market sell-off, with the yield on the 10-year note declining from 4.6% to 4.2% over the quarter. The US dollar weakened by about 4% relative to a basket of other major currencies, which along with the absence of the Magnificent Seven helps explain the significant outperformance of non-US equities over US equities. Performance deviations by sector were significant. Utilities returned a positive 5% while consumer staples were flat. Technology (-18%), consumer discretionary (-15%), communication services (-12%), and energy (-12%) were the Russell 2000's biggest laggards. Corporate earnings for small caps were generally positive, with two-thirds of Russell 2000 companies exceeding consensus expectations.

Small caps are more domestic-focused than large caps, so they should be somewhat less exposed to the effect of tariffs. However, small cap equities are "risk on" asset classes and are typically pressured more than large caps during periods of uncertainty. Small cap equities are not followed as closely by Wall Street. There is often little or no sell-side research coverage, particularly in the smaller part of the small cap market. It is during these periods of 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. During such periods, we are often inclined to increase the frequency of our rebalancing, to take advantage of such displacements.

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 Small Cap Diversified Value Fund underperformed the Russell 2000 Value Index in the first quarter of 2025. The portfolio's micro-cap exposure was a detractor in the quarter, as it generally has been in recent years. Russell 2000 Value stocks that began the year with a market cap of less than \$1 billion returned -12% in the quarter compared to -7% for stocks above \$1 billion. The portfolio's average weight in the smaller cohort was 28% during the quarter compared to 18% for the index. The underweight position and stock selection in real estate also hurt, along with the overweight exposure and stock selection in consumer discretionary. The underweight exposure and stock selection in healthcare was a positive contributor in the quarter, as was positive stock selection in industrials, energy, and technology.

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.**

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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 smaller and/or newer companies involves greater risks than those associated with investing in larger companies. 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. Attribution is an analysis of the portfolio's return relative to a selected benchmark, is calculated using daily holdings information and does not reflect the payment of transaction costs, fees and expenses of the Fund.

The **Russell 2000® Index** measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The **Russell 2000® Value Index** measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The **Russell 1000® Index**, an unmanaged index, measures the performance of the 1,000 largest companies in the Russell 3000® Index. 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.

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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.

The Magnificent Seven represents Meta, Alphabet, Tesla, Nvidia, Apple, Amazon, and Microsoft.

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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