SMALL CAP DIVERSIFIED VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWVIX | HWVAX | HWVZX

Hotchkis & Wiley

PERFORMANCE (%) as of December 31, 2025

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 6/30/14
Small Cap Diversified Value Fund – I Shares	1.78	3.02	3.02	7.70	9.62	9.80	7.83
Russell 2000 Value Index	3.26	12.59	12.59	11.73	8.88	9.27	7.28

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 0.88% for I Shares; 0.81% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2026. 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 returned +2.2% in the fourth quarter of 2025, bringing its full-year return to +12.8%. Over the course of the year, companies with negative earnings dominated, returning +26%, compared to +7% for companies generating profits. We have limited exposure to unprofitable companies, which has historically been a long-term performance tailwind. In 2025, however, this low-quality rally became a significant headwind. Low-ROE stocks outperformed high-ROE stocks, and high-beta stocks outperformed low-beta stocks.

A meaningful portion of the non-earning cohort is concentrated in market segments we view as highly speculative. Companies tied to themes such as space/satellite, artificial intelligence, next-generation energy, rare earth materials, and quantum computing now represent more than 10% of the index and returned over +100% as a group in 2025. As a result, this cohort contributed a disproportionate share of the Russell 2000's return for the year.

Historical comparisons suggest the magnitude of this low-quality rally is consistent with some of the most severe dislocations on record, including the dot-com bubble. If history is a guide, this implies the rally may be largely exhausted and a reversal increasingly likely. In 2025, the Russell 2000 Index outperformed the S&P 600 Index by roughly 7 percentage points, much of which can be attributed to index construction: the S&P 600 requires positive profitability for inclusion, while the Russell 2000 does not. Dating back to the early 1990s, there have been only three other years in which the Russell 2000 outperformed by a comparable margin. In each instance, the S&P 600 outperformed in subsequent years as investors refocused on profitability and economic fundamentals—conditions that are typically far more favorable for our investment approach.

We suspect that the speculative mania was triggered by AI euphoria and then amplified by the escalation in retail trading. Retail trading now comprises well over a third of trading volume in the US, significantly higher than it was a decade ago. High frequency quantitative trading has also grown. Combined, this short-term investing cohort, that we believe is less anchored to fundamental analysis, comprises about 57% of all trading volume.

Today's small-cap market shares uncomfortable similarities with the dot-com era. Some of the best-performing stocks are those associated with the "technology of the moment," irrespective of risk, fundamentals, or financial viability. There are now examples of companies valued at over $20 billion that have never generated revenue, let alone earnings. In many cases, valuations are not merely elevated—they are increasingly difficult to define and justify. The rise of the retail investor also echoes the late 1990s, when many participants left traditional employment to pursue day trading full-time.

Fortunately, periods of extreme excess have rarely persisted indefinitely. Over time, we believe economic fundamentals and rational pricing have tended to reassert themselves and we will be well positioned to benefit as this environment normalizes. We expect the correction could be meaningful and potentially prolonged.

(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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ATTRIBUTION ANALYSIS – 4Q25 & 2025

The Hotchkis & Wiley Small Cap Diversified Value Fund underperformed the Russell 2000 Value Index in the fourth quarter of 2025. Between 80% and 90% of the underperformance in the quarter is explained by the lack of exposure to the biotechnology industry. The portfolio is about 5 percentage points underweight relative to the benchmark, and the industry returned more than +25% in the quarter. Stock selection in real estate and communication services also hurt, which was offset by positive stock selection in financials and utilities.

For the full calendar year, the Fund underperformed the Russell 2000 Value Index by a considerable margin. Traditional attribution analysis indicates that stock selection was broadly negative across most sectors. However, a key driver beneath the surface was the outsized impact of low-quality and highly speculative benchmark constituents that performed exceptionally well and that we did not own. We estimate that a disproportionate share of the underperformance was attributable to our lack of exposure to market segments we view as risky and speculative. In that context, relative results were most impacted in healthcare (lack of biotech), materials (lack of gold miners), consumer discretionary, communication services (lack of space/satellites), and technology (lack of bitcoin miners). The underweight exposure to real estate and stock selection in energy helped.

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 **S&P 600® Index** is a market-capitalization-weighted stock market index tracking 600 U.S. small-cap companies. Any indices and other financial benchmarks shown are provided for illustrative purposes only, are unmanaged, reflect reinvestment of income and dividends and do not reflect the impact of advisory fees. It is not possible to invest directly in an index.

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.

Return on Equity (ROE) is a measure of a company's financial performance calculated by dividing net income by shareholders' equity; and **Beta** is an indicator of the price volatility of a stock or other asset in comparison with the broader market.

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.

Mutual fund investing involves risk. Principal loss is possible.
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