

# VALUE OPPORTUNITIES FUND

## MANAGER REVIEW & ECONOMIC OUTLOOK

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### PERFORMANCE (%) as of March 31, 2026

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/02
Value Opportunities Fund – I Shares	-0.07	-0.07	11.92	14.46	10.87	12.64	12.30
Russell 3000 Value Index	2.23	2.23	16.37	14.26	9.19	10.52	9.47

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](http://www.hwcm.com).

The Fund's total annual operating gross expense ratio as of the most current prospectus is 0.97% 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 S&P 500 Index declined -4.4% in the first quarter of 2026. Geopolitical turmoil and AI-driven investment themes were the primary market drivers. Brent crude oil rose more than 100% to \$127/bbl<sup>1</sup> following U.S.-Israel strikes on Iran and the subsequent closure of the Strait of Hormuz. As a result, the energy sector outperformed by a wide margin, and the portfolio's overweight position provided an effective hedge. More than 20% of global crude oil supply flows through the Strait, much of it destined for Asia. Beyond oil, the disruption has created supply shocks across several key commodities, including natural gas, nitrogen-based fertilizer, helium, and aluminum. Despite these meaningful disruptions, the equity market reaction has been relatively muted—the S&P 500 Index is down only about 5% since the initial strikes. The VIX Index, a gauge of expected S&P 500 volatility, peaked at 31 in late March, above its 25-year median (~18) but well below levels seen during prior shocks such as Trump-era tariffs (52), the Russia/Ukraine war (36), COVID (83), and the Global Financial Crisis (81). Given the inflationary nature of supply shocks, futures markets now anticipate no rate cuts for the remainder of the year. The Fed held rates steady at 3.75% (upper bound) at its mid-March meeting.

Value stocks outperformed growth in the quarter, with the Russell 3000 Value Index returning +2.2% versus -9.5% for the Russell 3000 Growth Index. The technology sector underperformed. It comprises nearly half of the growth index but just 12% of the value index. Within technology, software was particularly weak, and our overweight position detracted from relative performance. Recent AI product releases have raised concerns about potential disruption to enterprise software businesses. For example, software stocks sold off following Anthropic's introduction of legal and finance automation tools for its Claude platform. We believe this reaction is overstated and presents opportunity rather than risk. Notably, consensus earnings estimates for our enterprise software holdings have moved higher, not lower, suggesting the selloff reflects concerns about long-term profit durability rather than near-term fundamentals. We do not share this view. Companies such as Workday and Salesforce continue

to report strong customer retention (97% and 92% gross retention, respectively) and expanding product capabilities. SAP does not disclose gross retention but it is widely believed to be 98-99%. Their competitive advantages are rooted in domain expertise, deep integrations, mission-critical workflows, and years of embedded customization—not simply underlying code. We believe these businesses are well positioned to monetize AI through enhanced offerings rather than be displaced by it.

Health insurers also underperformed during the quarter, and our overweight detracted from performance. Stocks declined amid policy uncertainty around Medicare Advantage reimbursement rates, and higher than expected utilization rates. Unlike software, near-term earnings estimates for insurers have fallen roughly in line with share price declines. The market appears to be discounting these earnings pressures as structural rather than temporary, which we believe is incorrect. Management teams remain focused on margin recovery through pricing adjustments and benefit optimization. Importantly, the structure of the market remains unchanged, with repricing occurring annually.

As noted, energy was the primary bright spot. While we did not anticipate the Iran conflict, our positioning reflected the view that select energy companies offered free cash flow yields more attractive than every other major market segment. More broadly, we believe the global crude market faces a risk of structural undersupply in the coming years, supporting higher oil prices over time. Additionally, a significant portion of global supply originates from geopolitically unstable regions, and we believed this disruption risk had been underappreciated.

The Hotchkis & Wiley team remains disciplined and long-term focused. We often find the most lucrative investment ideas in market segments surrounded by near-term controversy that we believe is overstated or misunderstood. The portfolio remains appropriately diversified but also reflects our strong conviction in some of the attractive themes described above.

(continued)

<sup>1</sup>Based on current crude prices, rather than prices for future delivery which are also frequently quoted. Based on the latter, Brent prices rose ~95% closing at ~\$118/bbl.

Portfolio managers' opinions and data included in this commentary are as of March 31, 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.**

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### ATTRIBUTION ANALYSIS – 1Q26

The Hotchkis & Wiley Value Opportunities Fund underperformed the Russell 3000 Value Index in the first quarter of 2026. An overweight position in software was the largest detractor by a wide margin, followed by exposure to health insurers. In contrast, the portfolio's overweight and positive security selection in energy was the primary contributor to performance, with energy holdings collectively returning +50%.

### LARGEST INDIVIDUAL CONTRIBUTORS – 1Q26

APA (APA) is an independent E&P operating in the Midland and Delaware basins of the Permian and onshore Egypt, with exploration potential in Suriname, that trades at a discount despite lucrative natural gas financial contracts. We own APA for exposure to an energy market generating significant free cash flow in a perennially undersupplied environment. APA outperformed in the first quarter as oil prices surged following the Strait of Hormuz closure and the US-Israel conflict with Iran, with Brent crude peaking near \$127. The company's natural gas financial contracts—which capture differentials between Waha, the Houston Ship Channel, Henry Hub, and global LNG—became significantly more valuable as supply disruptions drove wider basis differentials.

Olin (OLN) is one of the largest global producers of chlor alkali chemicals and chlorine derivatives and the owner of the Winchester ammunition business. Chlorine derivative and caustic soda prices should increase over time as the North American chlor alkali industry faces a tightening 5+ year supply/demand outlook. As the swing producer in North America, Olin should capture more than its share of the industry's volume improvement off the trough. Olin posted a weak Q4 with low operating rates, weak commodity prices, and a mix of destocking and raw material pressure in the Winchester business. However, the business showed some signs of recovery, as Olin remains focused on matching production to the weaker side of the ECU to optimize value, prioritizing share repurchases, and an investment grade balance sheet remains the target. Olin's stock price has been strong following Q4 as the Iran conflict has disrupted global chemical supply and driven up caustic soda and epoxy pricing, benefiting Olin.

Ericsson (ERIC) is one of the largest vendors of hardware and software for wireless networks outside China, serving edge radio, cloud software and services, and enterprise markets. Ericsson's earnings are below normal as demand for wireless equipment is low in Japan and India, management turns around its mismanaged Cloud Software & Services business, and the Enterprise business loses money even with gross margins above 50%. We own Ericsson for its attractive valuation even if competitors do not lose market share due to political or scale problems, with substantial additional upside if these possible outcomes occur. Ericsson outperformed in the first quarter

following strong Q4 2025 earnings that beat estimates on 6% organic sales growth and the announcement of its first-ever share buyback of up to SEK 15 billion. The rally continued in March as AT&T announced over \$250 billion in five-year US infrastructure spending, which benefits Ericsson as a major supplier.

### LARGEST INDIVIDUAL DETRACTORS – 1Q26

Workday (WDAY) is a leader in cloud application software for back-office business functions including human capital management, financials management, and ERP (enterprise resource planning). Workday's formidable competitive advantages lead to compelling unit economics (97% gross retention, 38% normal EBIT margin, low-teens subscription revenue growth) and its ERP software markets are both the largest and least cloud-penetrated in the application software universe. This provides Workday with a long runway to invest at high returns while trading at a valuation that is attractive for an established franchise. Workday posted a good Q4 that slightly beat expectations. However, continued market concerns that AI agents will displace traditional software have pressured the stock, despite switching costs and compliance risks making displacement scenarios unrealistic.

Salesforce (CRM) is among the top five largest global software companies, with a broad portfolio that includes Sales, Service, Marketing & Commerce Clouds, Slack, MuleSoft, Tableau, and the Data & AI Cloud. Its products are deeply embedded across a large enterprise customer base, creating a long runway for growth through seat expansions, cross selling, and pricing, and supporting strong revenue growth for many years. Combined with sticky recurring revenue, high gross margins, and limited capital reinvestment needs, this creates a resilient business model with meaningful downside mitigation. Salesforce posted a good Q4 that matched growth expectations, however, market concerns that AI agents could displace traditional software have continued to pressure the stock, leaving the shares trading at an attractive valuation for an established franchise.

Sallie Mae (SLM) originates over half of all private student loans in the U.S. and trades well below our estimate of normal earnings. The stock declined in Q1 due to concerns over elevated expenses and consumer credit quality. Both are manageable—expense growth reflects deliberate investments to support higher volumes, and the vast majority of Sallie Mae's loans are originated with cosigners, providing significant credit protection. Encouragingly, management capitalized on the stock's weakness and returned large amounts of capital through buybacks.

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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](http://www.hwcm.com). Read carefully before you invest.*

*The fund is non-diversified and may invest in foreign securities, junk bonds, derivatives, or small/mid cap 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. Specific securities (excludes Puts) identified are the largest contributors (or detractors) on a relative basis to the Russell 3000 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 Global Industry Classification Standard by MSCI and S&P.

The **Russell 3000® Value Index** includes stocks from the Russell 3000® Index with lower price-to-book ratios and lower expected growth rates. The **Russell 3000® Growth Index** includes companies that display signs of above average growth. The index is used to provide a gauge of the performance of growth stocks in the U.S. The **CBOE Volatility Index (VIX)** measures the stock market's expectation of volatility over the next 30 days based on S&P 500 index option prices. The **S&P 500® Index** is a

broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The indices do not reflect the payment of transaction costs, fees and expenses associated with an investment in the Fund. 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.

**Liquefied natural gas (LNG)** is natural gas that has been cooled to liquid form for ease and safety of non-pressurized storage or transport; **Exploration and Production (E&P)** is the initial stage of oil and gas production, which involves finding and extracting oil and natural gas; and **Earnings before interest and taxes (EBIT)** measures a company's net income before income tax and interest expenses are deducted.

**Top 10 holdings** as of 3/31/26 as a % of the Fund's net assets: Workday Inc. 9.5%, Ericsson 6.0%, F5 Inc. 3.9%, Olin Corp. 3.8%, Fuso Chemical Co. NPV 3.6%, APA Corp. 3.5%, Stagwell Inc. 3.4%, SLM Corp. 3.0%, Elevance Health Inc. 2.7%, and U-Haul Holding Co. 2.7%.

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.

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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