

# VALUE OPPORTUNITIES FUND

## MANAGER REVIEW & ECONOMIC OUTLOOK

HWAIX | HWAAX | HWACX | HWAZX



### PERFORMANCE (%) as of June 30, 2025

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/02
Value Opportunities Fund – I Shares	4.68	7.06	13.58	18.99	20.41	10.70	12.40
Russell 3000 Value Index	3.84	5.55	13.30	12.48	13.87	9.04	9.24

*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 0.95% 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

Global market performance in the second quarter of 2025 was marked by heightened volatility, driven primarily by shifting U.S. trade policies and rising geopolitical tensions. Markets declined sharply in April following the announcement of increased tariffs, particularly on Chinese imports. However, sentiment improved toward quarter-end as President Trump adopted a more conciliatory tone—pausing some tariff hikes and agreeing to the principles of a trade deal with China. A surprise ceasefire between Israel and Iran in June further eased market concerns, sparking a risk-on rally in equities. Despite early challenges, many indices—including the Russell 1000 Index—posted double-digit returns by the end of the quarter, reflecting the market's underlying resilience.

Investor confidence improved over the quarter as volatility subsided, with the VIX Index falling below 17 after peaking at 52 in early April. Growth stocks were clear leaders, as the Russell 3000 Growth Index surged by +17.6%, far outpacing the Russell 3000 Value Index return of +3.8%. Eight of the eleven Russell 3000 GICS sectors delivered positive returns in the quarter, with high beta and momentum strategies outperforming more defensive approaches. Sector performance was led by technology (+23.5%), communications services (+19.0%), and industrials (+13.7%). Energy, healthcare, and real estate declined in the quarter, falling -7.3%, -5.7%, and -0.6%, respectively.

We made modest changes to individual positions during the quarter, as market weakness created opportunities to add attractively valued companies across multiple sectors. Technology remains the largest overweight in our portfolio, both on an absolute and relative basis. Our tech holdings generally share key characteristics: strong balance sheets, sticky customer bases that generate recurring and

predictable cash flows, and promising growth prospects. These qualities give us confidence in their potential to drive earnings growth and deliver strong returns. Energy is our second-largest position on both an absolute and relative basis. We continue to find value in energy stocks trading at low multiples of normalized earnings while generating strong free cash flow. Our largest underweights are in financials and consumer discretionary. We are underweight both sectors to limit our exposure to downside risk in the case of an economic downturn.

We remain committed to identifying businesses with durable balance sheets, sustainable return on equity, stable free cash flow, and attractive valuations relative to expected earnings. We believe our investment strategy, centered on identifying undervalued assets and effective risk management, is poised to generate consistent long-term returns.

### ATTRIBUTION ANALYSIS – 2Q25

The Hotchkis & Wiley Value Opportunities Fund outperformed the Russell 3000 Value Index in the second quarter of 2025. On a sector basis, the largest contribution to relative performance came from the overweight in technology. Security selection in financials also worked well, as did the underweight and security selection in healthcare. Security selection in materials and consumer staples was also positive. Conversely, the overweight and security selection in energy detracted the most from relative performance during the quarter. Security selection in technology also detracted, as did security selection and the underweight in industrials. The underweight in financials also detracted modestly.

*(continued)*

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

[WWW.HWCM.COM](http://WWW.HWCM.COM)

# VALUE OPPORTUNITIES FUND

## MANAGER REVIEW & ECONOMIC OUTLOOK

HWAIX | HWAAX | HWACX | HWAZX



### LARGEST INDIVIDUAL CONTRIBUTORS – 2Q25

Microsoft (MSFT) is the world's largest software company. The company sells productivity applications included in the Microsoft Office suite, server/database software and tools, the Xbox platform, the Windows operating system, online advertising via Bing, MSN, and LinkedIn, and several other products, including the Surface and Windows phones. The company's shares rebounded sharply following a strong quarterly earnings report and forward guidance. Microsoft continues to be a compelling franchise in enterprise software and has a good history of returning excess capital to shareholders without compromising on the long-term strategic vision.

UnitedHealth Group (UNH) is a large US health insurer. Until very recently, UNH traded at a material premium to its peers, reflecting its status as a premium growth stock with momentum. We did not own the stock. However, recent negative headlines, combined with the first earnings miss in 10 years, resulted in a >50% selloff in the company's shares. This decline contributed positively to the strategy's relative performance vs. the index, where UNH was a meaningful weight. We purchased UNH shares after the selloff at what we believe is a compelling valuation.

F5 Inc. (FFIV) sells application networking and security software and data center appliances, where it has 50%+ market share in traditional ADCs (application delivery controllers) along with various multicloud networking and application security products. Demand for F5's products grows faster than GDP, products are critical to the functioning of applications resulting in highly sticky customer relationships, and ~75% of annual revenue is recurring. F5 posted another good quarterly earnings report and raised revenue and earnings per share (EPS) guidance for the full year. We continue to believe the company is misunderstood and gets incorrectly classified as a legacy IT hardware vendor, resulting in an attractive valuation. Strong free cash flow (FCF) generation and a net cash balance sheet provide downside protection. Capital allocation has improved significantly in recent years and management has committed to returning at least 50% of FCF to shareholders.

### LARGEST INDIVIDUAL DETRACTORS – 2Q25

NOV Inc. (NOV) is a leading diversified provider of oilfield capital equipment, consumables and services. The downturn in energy prices has reduced oilfield activity below sustainable levels, hurting NOV's sales and profitability. As activity rebounds, the majority of NOV's product lines should experience increases in volumes and pricing, while longer-term, the earnings power of Rig Aftermarket business should also improve given a large installed base. A newbuild rig cycle – whether onshore or offshore – would provide upside to our normal estimates.

Stagwell (STGW) is one of the ten largest Ad Agency Holding companies in the world. Created by the 2021 merger of a creative-focused MDC Partners and a technology-focused Stagwell, the business has leading positions in technology consulting & systems design/implementation ("Digital Transformation") and traditional advertising agency services ("Creativity & Communications"). Stagwell declined in the quarter after delivering earnings results that were below expectations. Stagwell trades at a low multiple of earnings, which are depressed as the company invests nearly 3% of Revenue in a new suite of software products that we expect will expand their reach while driving margins higher. We believe the company can deliver high-teens returns from the combination of capital return and capital-free organic growth.

APA Corp. (APA) is an independent E&P (exploration and production) operating offshore in Midland and Delaware basins in the Permian and onshore Egypt. The company has lucrative financial contracts that allow it to generate significant free cash flow (FCF) from differentials in natural gas prices. Investing in this company provides exposure to an energy market that was underearning versus normal levels of profitability and is currently generating significant FCF in what could be a perennially undersupplied market. Stock performance continued to be pressured throughout the quarter, driven by worries surrounding Organization of the Petroleum Exporting Countries+ (OPEC+) barrels returning to the market, coupled with slowing demand. We believe that APA is misunderstood as investors are focusing on relatively shorter resource life in the Permian without factoring reinvestment opportunities in Suriname, Egypt, and potentially Alaska.

Mutual fund investing involves risk. Principal loss is possible.  
NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE  
The Hotchkis & Wiley Funds are distributed by Quasar Distributors, LLC

WWW.HWCM.COM

# VALUE OPPORTUNITIES FUND

## MANAGER REVIEW & ECONOMIC OUTLOOK

HWAIX | HWAAX | HWACX | HWAZX



*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 Standard & Poor's.

The **Russell 3000® Index** tracks the performance of the 3,000 largest U.S.-traded stocks. 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 **Russell 1000® Index**, an unmanaged index, measures the performance of the 1,000 largest companies in the Russell 3000® Index. The **CBOE Volatility Index (VIX)** is a real-time index that represents the market's expectations for the relative strength of near-term price changes of the S&P 500 Index. 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.

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.

**Top 10 holdings** as of 6/30/25 as a % of the Fund's net assets: F5 Inc. 8.4%, Workday Inc. 7.6%, Ericsson 5.5%, Dominion Energy Inc. 4.6%, Siemens AG 4.2%, Schlumberger Ltd. 3.6%, Microsoft Corp. 3.4%, U-Haul Holding Co. 2.9%, Jones Lang LaSalle Inc. 2.5%, and Havas N.V. 2.5%.

**Exploration and production (E&P)** is the early stage of energy production, which includes searching for and extracting oil and natural gas; **Earnings per share (EPS)** is a measure of a company's profitability that indicates how much profit each outstanding share of common stock has earned; **Free cash flow (FCF)** is the amount of cash that a company has left after accounting for spending on operations and capital asset maintenance; **Global Industry Classification Standard (GICS)** is a system for categorizing every public company by economic sector and industry group; **The Organization of the Petroleum Exporting Countries+ (OPEC+)** is a group that comprises the 12 member countries of OPEC and other non-OPEC members; **Return on equity (ROE)** is a measure of financial performance calculated by dividing net income by shareholders' equity.

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.

*This material must be preceded or accompanied by a summary prospectus or prospectus of the Hotchkis & Wiley Value Opportunities Fund*

Mutual fund investing involves risk. Principal loss is possible.  
NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE  
The Hotchkis & Wiley Funds are distributed by Quasar Distributors, LLC

WWW.HWCM.COM