

VALUE OPPORTUNITIES FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWAIX | HWAAX | HWACX | HWAZX



PERFORMANCE (%) as of December 31, 2025

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/02
Value Opportunities Fund – I Shares	0.25	14.55	14.55	17.43	14.93	12.38	12.44
Russell 3000 Value Index	3.78	15.71	15.71	13.77	11.18	10.46	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.

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 returned +2.7% in the fourth quarter of 2025, bringing its calendar year return to +17.9%. A full 17 years have now passed since the financial crisis of 2007/2008. Since then, the S&P 500 is up tenfold and has generated positive returns in 15 of the 17 calendar years: the exceptions were 2018 (-4%) and 2022 (-18%). 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 S&P 500's forward P/E ratio climbed from a multidecade low of about 12x at end of 2008 to nearly 26x today. That level ranks in the 97th percentile since 1990 and has been exceeded only during the dot.com bubble and briefly during COVID, when earnings estimates temporarily collapsed. 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 26x earnings implies an earnings yield of less than 4%, a valuation with little margin of safety. Moreover, the capital-light narrative is being challenged by a renewed investment cycle. 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. In fact, the coefficient of determination, as measured by R-squared, between the S&P 500's normalized P/E and its subsequent 10-year return, is 0.81, meaning that 81% of its 10-year return can be explained by its initial valuation. The elevated valuation is heavily influenced by a small handful of stocks. Market leadership has been highly concentrated, and today's largest companies are massive. Opportunities outside of this group, however, remain abundant, with overall valuations near

average and select opportunities quite attractive. Excluding the Magnificent 7, the S&P 500's forward P/E would be 18x, only modestly higher than its 35-year average of 17.4x. The Hotchkis and Wiley portfolio trades at 13x forward earnings and less than 9x normal earnings.

Information technology and communication services were the top performing sectors in 2025, though performance dispersion within those sectors was significant. For example, the S&P 500 semiconductor industry returned +46% compared to +12% for software. Even within software, results were highly concentrated. The industry's return would have been meaningfully lower without Palantir (+135%) and CrowdStrike (+37%). In fact, the Russell 3000 Value software industry, which does not contain those two stocks, declined -8% for the year.

We view the prospects of select software companies as highly compelling. We generally consider F5 Inc. a software company despite its communications equipment GICS classification. Including F5, software is the portfolio's largest industry exposure on both an absolute and relative basis. Over the course of the year, we used the valuation improvements in software to increase our overall exposure. Two of our largest purchases, Workday (increased existing position) and Salesforce (new position), are both software companies. These companies trade at discounts to their own history and to the broad market, despite being what we believe to be high quality businesses. They have a sticky customer base, which helps facilitate recurring and predictable revenues. The growth prospects are compelling, the balance sheets are strong, and the management teams are shareholder friendly, in our opinion.

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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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The portfolio also remains overweight energy, across both exploration and production companies as well as oilfield services. While these businesses are not as structurally attractive as those in software, energy remains among the most attractively valued areas of the portfolio. The group trades at 7x normal earnings and offers an expected/consensus free cash flow yield of 10%.

Considering the quality of the businesses in the portfolio combined with its valuation advantage, we are optimistic about the portfolio's forward-looking prospects, particularly relative to the broad market's elevated valuation.

ATTRIBUTION ANALYSIS – 4Q25 & 2025

The Hotchkis & Wiley Value Opportunities Fund underperformed the Russell 3000 Value Index in the fourth quarter of 2025. The entirety of the underperformance can be explained by the technology sector, particularly in software¹. The lack of exposure to semiconductors also detracted, as the industry rose more than +20% in the quarter. Security selection in industrials and communication services was also a negative. Positive security selection in energy, consumer discretionary, and materials helped, as did the overweight position in technology.

Over the full calendar year, the Fund performed in line with the Russell 3000 Value Index. Security selection was positive in 9 of the 11 GICS sectors, though the 2 detractors were meaningful. Among the most positive sectors were financials, consumer staples, and industrials. The largest positive contributors spanned a variety of largely unrelated businesses, including a European industrial conglomerate (Siemens), a Japanese chemical company (Fuso), and a US auto company (General Motors). The overweight exposure to technology also helped, though this was one of the two sectors with negative security selection (along with communication services). The portfolio's software return was negative in the year. It declined less than the index's software exposure, but the large overweight was a detractor. We believe these are high quality businesses, with good balance sheets and shareholder friendly management teams. We used the improvement in relative valuation to increase our exposure, and as of year-end three of the four largest positions are software companies. Workday and F5 Inc. are the portfolio's two largest positions; Salesforce was among the largest purchases during the year and is the fourth largest position. The underperformance in the communication services sector was largely driven by underperforming advertising companies.

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.

General Motors (GM US) is a global automotive manufacturer with a diversified portfolio of vehicle brands and a growing presence in electric vehicles, autonomous technology, and software-enabled mobility services. Shares appreciated the most in a single day since 2020 after the automaker raised its full-year outlook, due to better-than-expected pickup truck sales. The company also benefited from recent relief by the Trump administration on auto parts tariffs.

Fuso Chemical (4368 JP), based in Osaka, Japan, has 90%+ market share in ultra-pure silica used as an abrasive particle in semiconductor polishing applications. Fuso also has ~30% share in the global market for malic acid, a food additive. Fuso's businesses are monopolies and oligopolies selling niche, high-value products into end markets with attractive growth outlooks. Despite a benign competitive environment and HSD+ long-term EBIT growth outlook, Fuso's stock sold off from its 2021 peak as earnings were pressured by a semiconductor cycle downturn coupled with elevated new plant startup costs. As demand from the semiconductor industry recovers and Fuso's utilization rates normalize, we expect Fuso's earnings and trading multiple to continue to recover. Fuso reported a very strong quarter that beat consensus forecasts and FY26 guidance was increased due to strength in colloidal silica sales.

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¹ GICS classifies F5 Inc. in the communications equipment industry, though we generally view this as a misclassification and consider it a software business.

LARGEST INDIVIDUAL DETRACTORS – 4Q25

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.

Workday (WDAY US) is a leading cloud-based enterprise software company providing human capital management, financial management, and analytics solutions to large and mid-sized organizations. Shares fell modestly as the company reported strong Q2 results but only reaffirmed full-year guidance, which disappointed investors hoping for a beat-and-raise quarter. Sentiment around application software deteriorated over the course of the quarter, with the valuation gap between application software and semiconductor indices widening to near an all-time high. While the consensus view in the market today is that AI poses a headwind to application software vendors, our research suggests AI is more likely to be a tailwind as vendors like Workday incorporate AI-powered

features into their software suites. Even without an AI tailwind, Workday should be able to grow sales in the teens for many years. Given low customer churn rates and high gross margins, Workday should earn a normal EBIT margin in the high-30s as the business matures. At a normal profit margin, Workday trades for a low-to-mid teens multiple of operating profit, vs. high-teens for the S&P 500. We believe Workday has favorable business quality attributes to the average S&P 500 company and has a net cash balance sheet and is returning cash to shareholders. This represents a compelling risk/reward.

U-Haul (UHAL/B US) is one of the largest Do-It-Yourself (DIY) moving and storage operators with ~22K locations in the US and Canada; it is 10x larger than the next largest competitor. It operates in 3 segments: Moving & Storage (DIY moving rentals, self-storage, property management, real estate), Life Insurance (Oxford Life Insurance), and P&C Insurance (truck rental insurance). U-Haul is a compelling business that benefits from significant barriers to entry reinforced by its scale and logistics advantages, particularly in one-way moves. The company provides DIY moving rentals at a better price, value, and cost vs. competitors, which allows UHAL to earn sustainably higher returns on capital than peers. Additionally, UHAL has a self-storage business which has occupancy and rates well below competitors that we expect will receive replacement cost economics in the long run, alongside optionality on undervalued real estate. UHAL trades at an attractive multiple given its quality. Shares fell as investors weighed concerns about rising costs and broader macroeconomic pressures impacting the rental and moving business, despite no material change in the business' fundamentals.

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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.

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.

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The **Russell 3000® Value Index** includes stocks from the Russell 3000® Index with lower price-to-book ratios and lower expected growth rates. 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. 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.

The **Magnificent 7** represents Meta, Alphabet, Tesla, Nvidia, Apple, Amazon, and Microsoft; **Global Industry Classification Standard (GICS)** is a system for categorizing every public company by economic sector and industry group; **Earnings yield** is a financial ratio that measures the rate of return a company generates for each dollar invested; **Margin of safety** is the difference between the intrinsic value of a stock and its market price; **Earnings before interest and taxes (EBIT)** measures a company's net income before income tax and interest expenses are deducted; **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; **R-squared** is the percentage of a security's price movements that can be explained by movements in a benchmark index; and **free cash flow** represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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 12/31/25 as a % of the Fund's net assets: Workday Inc. 9.0%, F5 Inc. 6.7%, Ericsson 6.5%, Salesforce Inc. 4.6%, U-Haul Holding Co. 3.3%, Schlumberger Ltd. 3.0%, Havas NV 2.9%, Fuso Chemical Co. NPV 2.9%, GE HealthCare Technologies 2.6%, and Olin Corp. 2.5%.

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