

GLOBAL VALUE

MARKET COMMENTARY

Global market performance in the second quarter of 2025 was marked by a bout of heightened volatility, driven primarily by shifting U.S. trade policies under the Trump administration 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 the administration 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 and contributing to a pullback in oil prices. Despite early challenges, many indices—including the MSCI World 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. International markets continued to perform well, with the Asia Pacific region slightly outperforming North America and Western Europe. Growth stocks were clear leaders, as the MSCI World Growth Index surged by 17.7%, far outpacing the MSCI World Value Index return of 5.4%. Nine of the eleven MSCI World GICS sectors delivered positive returns for the quarter, with high beta and momentum strategies outperforming more defensive approaches. Sector performance was led by technology (+23.2%), communication services (+19.1%), and industrials (+14.6%), while energy and healthcare were the sole decliners, falling -4.8% and -4.0%, 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 flow, and promising growth prospects. These qualities give us confidence in their potential to drive economic growth and deliver strong returns. Industrials and healthcare are our second- and third-largest overweight sectors. Our largest underweights are in financials and real estate. We remain underweight real estate due to a lack of compelling relative valuation opportunities, while the financials underweight reflects our limited exposure to capital markets and insurance companies as of the end of June.

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 Global Value portfolio outperformed the MSCI World Value Index in the second quarter of 2025 (gross and net of management fees). The overweight in technology and stock selection in healthcare and consumer discretionary contributed to relative outperformance. Stock selection in financials, materials and industrials also worked well. Conversely, stock selection in communication services detracted the most from relative performance during the quarter. The underweight in financials and stock selection in technology and energy also detracted.

LARGEST INDIVIDUAL CONTRIBUTORS – 2Q25

Babcock International (BAB LN) is a UK government outsourcer with ~60% of Revenue from Ministry of Defense (MoD) contracts. The company continued to perform well in Q2 on strong business execution. Revenue growth and profitability should continue as the UK and other European countries invest more in defense spending.

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.

JDE Peet's (JDEP NA) is a large pure play coffee and tea company. The company's shares rose in the quarter on positive organic sales growth across all categories. We believe that margins can continue to improve as coffee bean prices normalize and pricing and cost cuts take hold. The stock remains attractively valued.

(continued)

As of 6/30/25, net of fee composite and MSCI World Value performance for 1-, 5-, and 10-year period: 15.60%, 19.39%, 9.08% and 15.94%, 13.47%, 7.69%, respectively. Net performance results are presented after management fees and all trading expenses but before custodial fees; the composite includes all Global Value discretionary accounts. Additional disclosures provided in Endnotes.

Past performance is no guarantee of future results.



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LARGEST INDIVIDUAL DETRACTORS – 2Q25

Elevance Health Inc. (ELV) is a large health insurer. The company's shares have been under pressure due to concerns around Medicaid utilization trends and Medicare Advantage margins. We believe that these headwinds will be temporary. ELV is priced at a discount to the market; however, it is a compelling business, growing faster than GDP while still returning most of its cash to shareholders.

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 off – would provide upside to our normal estimates.

Kraft Heinz (KHC) is the third largest U.S. food and beverage company. KHC shares declined following mixed earnings results in the quarter. While organic sales growth over the medium term is likely to be just 1-2%, we believe the company can also make bolt-on acquisitions and share repurchases to further ensure positive EPS growth. Modest EPS growth combined with a dividend yield above 4% should result in a competitive total return.

The specific investments shown are for informational purposes only and represent the top contributors and detractors for the relevant performance time period. The selection criteria used to determine the top contributors and detractors remains the same across performance measurement periods; additional disclosures provided in Endnotes. **Past performance is no guarantee of future results.**

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Endnotes:

All investments contain risk and may lose value. This commentary is for general information only and should not be relied on for investment advice or recommendation of any particular security, strategy, or investment product.

Portfolio characteristics and attribution are based on a representative Global Value portfolio. Attribution is an analysis of the portfolio's return relative to the index, is calculated using daily holdings information and does not reflect management fees and other transaction costs and expenses; interaction effect is combined with stock selection. Returns can differ from certain client portfolio(s) due to data differences, cash flows, trading, and other activity (data source: Bloomberg, Russell).

Specific securities identified are the three largest contributors (or detractors) to the portfolio's performance, relative to the index. Other securities may have been the best and worst performers on an absolute basis. There is no assurance that the securities discussed will remain in the portfolio or that securities sold have not been repurchased. The securities discussed do not represent the entire portfolio, may only represent a small portion of the portfolio and should not assume the securities discussed were or will be profitable or that recommendations made in the future will be profitable or will equal the performance of the securities discussed. H&W's opinions regarding these securities are subject to change at any time, for any reason, without notice. Certain client portfolio(s) may or may not hold the securities discussed due to each account's guideline restrictions and other relevant considerations.

The value discipline used in managing accounts in the Global Value strategy may prevent or limit investment in major stocks in the MSCI World Value and returns may not be correlated to the index. Composite performance is available at www.hwcm.com, located on the strategy's Performance tab along with important disclosures included in the strategy's [GIPS Report](#); quarterly characteristics and portfolio holdings are located on the Portfolio and Literature tabs. For a list showing every holding's contribution to the overall account's performance and portfolio activity for a given time period, contact H&W at hotchkisandwiley@hwcm.com. Portfolio information is subject to the firm's portfolio holdings disclosure policy.

The MSCI World Index is a free float-adjusted weighted index capturing large and mid cap stocks. The MSCI World Value and MSCI World Growth Indices are free float-adjusted weighted indexes capturing large and mid cap stocks, exhibiting overall value or growth style characteristics, respectively. The MSCI indices represent stocks across 23 Developed Markets (DM) countries and include reinvestment of dividends, net foreign withholding taxes. The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe. 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. 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.

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Equity securities may have greater risks and price volatility than U.S. Treasuries and bonds, where the price of these securities may decline due to various company, industry and market factors. The strategy invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. Investment risk disclosures for the firm's strategies are described in Part 2A of Form ADV of H&W.

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.

Information contained in this material may represent or be based on forward-looking statements. Due to various risks and uncertainties, actual events/results or performance of the strategy may differ materially from those reflected or contemplated in such forward-looking statements. Information based on forecasts, proprietary or third-party estimates cannot be guaranteed and are subject to change. Information obtained from independent sources is considered reliable, but H&W cannot guarantee its accuracy or completeness.

Portfolio managers' opinions and data included in this commentary are as of June 30, 2025. Any discussion or view of a security, an asset class/segment, industry/sector and/or investment type are not investment recommendations, should not be assumed to be profitable, and are subject to change without notice. Past performance is no guarantee of future results.