

MID-CAP VALUE

MARKET COMMENTARY

Equity 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 Midcap Index—posted strong 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 Midcap Growth Index surged by +18.2%, far outpacing the Russell Midcap Value Index return of +5.3%. Eight of the eleven Russell Midcap GICS sectors delivered positive returns in the quarter, with high beta and momentum strategies outperforming more defensive approaches. Sector performance was led by technology (+22.0%), communications services (+15.9%), and industrials (+13.2%). Energy, consumer staples, and real estate declined in the quarter, falling -5.2%, -1.2%, and -0.4%, respectively.

During the quarter, we made selective adjustments to individual positions, taking advantage of market weakness to add attractively valued companies, while reducing exposure to companies where we had less conviction. Financials remains the portfolio's largest absolute sector weight, although our exposure is only slightly above the index. The portfolio is well-diversified within financials, spanning banks, capital markets, and insurance companies. Energy continues to be our largest sector overweight, reflecting our conviction in energy stocks trading at low multiples of normalized earnings and their potential to generate strong free cash flow—even amid concerns about increased OPEC+ production. Our most significant sector underweights are in real estate, consumer staples, and materials, where we see fewer compelling relative valuation opportunities.

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 Mid-Cap Value portfolio underperformed the Russell Midcap Value Index in the second quarter of 2025 (gross and net of management fees). Stock selection and the overweight in energy detracted the most from relative performance in the quarter. Stock selection in technology, materials, and industrials also detracted. Conversely, stock selection in consumer discretionary and financials contributed positively to relative performance. The underweight and stock selection in utilities also worked well, as did the underweight to real estate.

LARGEST INDIVIDUAL CONTRIBUTORS – 2Q25

Fluor Corp. (FLR) is one of the largest contractors in the US. Unlike many competitors that specialize in elements of project delivery, most of Fluor's revenue comes from projects where it provides full Engineering, Procurement, and Construction (EPC) services. The company's shares rose in the quarter on improving margins and increased stock buyback guidance. Fluor is a high-quality professional services company with a medium-risk business model that grows with no reinvested capital. Valuation is extremely attractive on normal earnings and even more attractive if its NuScale small-scale nuclear reactor business realizes its potential.

Adient PLC (ADNT), domiciled in England (with corporate offices in Plymouth, MI; Milwaukee, WI; Burscheid, Germany; and Shanghai, China), is one of the world's largest supplier of seating systems and a leading components supplier for automotive interiors. Shares rose over the period on improved earnings and improved sentiment around the potential impact of tariffs. We continue to believe Adient is an attractive company with a leading global position in automotive seating, a market segment that fairs well as the auto industry incorporates more advanced technologies.

(continued)

As of 6/30/25, net of fee composite and Russell Midcap Value performance for 1-, 5-, and 10-year periods: 1.46%, 20.64%, 6.49%, and 11.53%, 13.71%, 8.39%, respectively. Net performance results are presented after management fees and all trading expenses but before custodial fees; the composite includes all Mid-Cap Value discretionary accounts. Additional disclosures provided in Endnotes.

Past performance is no guarantee of future results.



MID-CAP VALUE

Popular (BPOP), one of the largest banks in Puerto Rico, is a \$65 billion asset bank with a dominant 45% market share of loans and deposits in the US territory. BPOP shares rose during the quarter after reporting earnings per share and net interest income results that were well ahead of consensus expectations. With its 45% market share in P.R. BPOP is a very well positioned and profitable bank with substantial excess capital. Trading at a low multiple of normal EPS BPOP is an attractive value.

Olin Corp. (OLN) is one of the largest producers of chlor alkali chemicals and chlorine derivatives. The stock price fell during the quarter after Olin posted another weak quarter with low operating rates, weak (although modestly improving) commodity prices, and continued destocking in the Winchester business. Olin's balance sheet is strong, and capital allocation has been shareholder friendly. The company continues to provide diversification benefits to our existing commodity exposure.

LARGEST INDIVIDUAL DETRACTORS – 2Q25

Kosmos Energy Ltd. (KOS) is an independent E&P focused offshore. Kosmos is competitively differentiated because of the expertise it takes to explore, discover and operate assets offshore. Kosmos' producing assets are located in the US Gulf of Mexico, Ghana and Equatorial Guinea. Shares fell over the quarter on worries about OPEC+ barrels returning to the market, coupled with worries about slowing demand. We continue to believe the valuation of the stock does not fully reflect the value of the Company's existing production. In addition to its existing production it also has additional brownfield and greenfield LNG development opportunities, an exploration portfolio, and a platform to acquire and operate additional offshore resources.

APA Corp. (APA) is an independent E&P 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 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 OPEC+ barrels returning to the market, coupled with worries about 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.

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.**

MID-CAP VALUE

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 Mid-Cap 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 Mid-Cap Value strategy may prevent or limit investment in major stocks in the Russell Midcap 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 color@hwcm.com. Portfolio information is subject to the firm's portfolio holdings disclosure policy.

The Russell Midcap® Index, an unmanaged index, measures the performance of the 800 smallest companies in the Russell 1000® Index. The Russell Midcap® Value Index measures the performance of those Russell Midcap® companies with lower price-to-book value ratios and lower forecasted growth values. The Russell Midcap® Growth Index measures the performance of those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values. 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. Investing in foreign as well as emerging markets involves additional risk such as greater volatility, political, economic, and currency risks and differences in accounting methods.

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. Investment risk disclosures for the firm's strategies are described in Part 2A of Form ADV of H&W.

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.