

SMALL CAP DIVERSIFIED VALUE

COMPOSITE PERFORMANCE (%) ANNUALIZED

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
H&W Small Cap Div Value (gross)	13.58	20.41	32.22	13.78	8.73	12.25	9.66
H&W Small Cap Div Value (net)	13.42	20.07	31.55	13.23	8.21	11.71	8.87
Russell 2000 Value Index	17.19	22.99	43.01	18.73	8.23	10.89	8.29

Commencement of SCDV Composite: 7/1/05. Net performance results are presented after actual management fees (including performance-based fees if applicable) and all trading expenses but before custodial fees; the composite includes all Small Cap Diversified Value discretionary accounts. Additional disclosures provided in GIPS Report.

MARKET COMMENTARY

The Russell 2000 Index returned +21.6% in the second quarter and Russell 2000 Value Index returned +17.2%. Equity markets shrugged off accelerating inflation, an increasingly hawkish Federal Reserve, and an oil shock stemming from the conflict in Iran. Leadership was concentrated, however, with select groups of stocks posting rather incredible performance. For example, 180 stocks in the index returned +50% or more, 52 doubled, 12 tripled, and two rose more than sixfold. The entire semiconductor industry, comprising roughly 3% of the Russell 2000 Value, returned +112% for the quarter.

By nearly any measure, this was a speculative, low-quality, risk-on rally that produced a dichotomy we rarely observe. Within small cap value, the highest-beta quintile returned +43% and the highest-momentum quintile +26%, while the lowest-volatility and highest-profit-margin stocks returned +11% and +8%—roughly a quarter to a third of what the riskiest names delivered. The pattern is even starker using metrics commonly associated with business quality: companies in the lowest quintile of return on invested capital outperformed those in the highest quintile by 45 percentage points over the past 12 months, a spread nearly three standard deviations wide of its long-run average and among the widest in decades. High-momentum stocks outperformed low-momentum stocks by more than 20 percentage points over the past year—also a near-record. Money-losing companies have continued to outperform profitable ones, a trend that began roughly a year ago. Over the long term, investing in profitable companies has been a simple, winning formula. Short-term speculative manias are nothing new; fortunately, they tend to revert and are relatively short-lived.

These near-record extremes have been fueled by excitement, perhaps euphoria, about the prospects of AI. Investor leverage has spiked, both through margin debt and through other leveraged instruments. The signs are hard to miss. The flow of investor capital into the technology sector has dwarfed every other sector combined. The dollar volume of a 3x leveraged semiconductor ETF exceeded that of the iShares Russell 2000 ETF—a first. As another example, at least 11 leveraged single stock SpaceX ETFs launched on its first day of trading.

The popular counterargument is that these high-momentum names should eventually benefit from the buildout of AI data centers. Capital expenditures for the largest AI datacenter spenders are on pace to approach \$850 billion this year, up from roughly \$155 billion in 2022, though the revenue generated from those investments remains a small fraction of that figure. The perceived small cap beneficiaries from this capex boom have dominated the market's return. Ultimately, justifying the current pace of investment will require a substantial increase in actual AI revenue. We question whether the massive capex spend is sustainable if the payoff on those datacenter investments disappoints.

We remain focused on quality businesses with strong balance sheets, managed in a shareholder-friendly manner, and we continue to believe that price matters—that attractive valuations provide a margin of safety should events fail to unfold flawlessly. The Hotchkis & Wiley team remains disciplined and long-term focused. Quarters like this are an inherent feature of an investment approach centered on quality and valuation; when the market rewards risk and speculation, our process will struggle to keep pace. History suggests the mania will revert when euphoria gives way to rational fundamentals and valuation, and we believe the businesses we own—attractively valued, quality, well capitalized, and prudently managed—are well positioned for that reversion.

ATTRIBUTION ANALYSIS – 2Q26

The Small Cap Diversified Value portfolio underperformed the Russell 2000 Value Index in the second quarter of 2026 (gross and net of management fees). As in prior speculative episodes, the shortfall was driven far more by what the strategy did not own than by what it did. The semiconductor industry, a 3% average weight in the benchmark, more than doubled in the quarter—our lack of exposure hurt. Lack of exposure to bitcoin mining companies (technically software) and satellites comprise the balance of the underperformance. The ten largest detractors that we did not own, whose returns ranged from +97% to +456%, cost the portfolio nearly 300 basis points of relative return¹. Real estate, materials, and utilities were modest bright spots.

¹Gross return without the deduction of fees and expenses. Total strategy gross and net performance shown at top of page.

Past performance is no guarantee of future results.



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Endnotes:

Portfolio managers' opinions and data included in this commentary are as of June 30, 2026. 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. All investments contain risk and may lose value.

Portfolio characteristics and attribution are based on a representative Small Cap Diversified Value portfolio. The representative portfolio is used for informational purposes only, does not predict future portfolio characteristics, and may differ from other portfolios in the strategy due to asset size, client guidelines, and other variables. H&W selected the representative portfolio based on non-performance criteria. The portfolio reflects the management style of the strategy, is part of the strategy's composite, and has the longest continuous duration under the Adviser's discretion. Selection of the representative portfolio considers one or more of the following factors, such as the portfolio's investment guidelines/restrictions, cash flow activity, or continuous duration under the Adviser's discretion. Based on the selection factors, the representative portfolio may change over the period shown.

Attribution is an analysis of a portfolio's gross of fee returns (without the deduction of fees and expenses) relative to the Index. Bloomberg calculates returns using daily holdings information. Returns calculated using this buy-and-hold methodology can differ from actual client portfolio returns due to data differences, cash flows, trading, and other activity (report is generated at a point in time and will not include any adjustments thereafter). Sector performance only covers the subset of investments specific to that sector. Analysis for different time periods and/or market environments can result in significantly different results.

The value discipline used in managing accounts in the Small Cap Diversified Value strategy may prevent or limit investment in major stocks in the Russell 2000 Value Index and returns may not be correlated to the index. Composite performance is available at www.hwcm.com, located on the strategy's Performance tab; 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 Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Russell 2000® Value Index measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values.

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.

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 (GICS) by MSCI and S&P.

Artificial Intelligence (AI); Basis Point (BPS) is used to indicate changes in the interest rates of a financial instrument; **Capital Expenditures (CapEx)** are funds companies use to acquire, upgrade, or maintain physical assets like buildings, technology, or equipment, with the goal of increasing operational scope or future economic benefits; and **Exchange-Traded Fund (ETF)** pools a group of securities into a fund and can be traded like an individual stock on an exchange.

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.

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. Investing in smaller, medium-sized and/or newer companies involves greater risks not associated with investing in large company stocks, such as business risk, significant stock price fluctuations and illiquidity. 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. Principal Risks Disclosure for the firm's strategies are described in Part 2A of Form ADV of H&W (www.hwcm.com/wp-content/uploads/HW-Principal-Risks.pdf).

Data source: H&W, Russell, S&P, Bloomberg

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GIPS Report:

Hotchkis and Wiley Capital Management, LLC (the "Firm" or "H&W") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. H&W has been independently verified for the periods October 9, 2001 through December 31, 2024. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Small Cap Diversified Value Composite has had a performance examination for the periods July 1, 2005 through December 31, 2024. The verification and performance examination reports are available upon request.

H&W is an independent investment management firm registered with the U.S. Securities and Exchange Commission and manages value equity and high yield assets for institutional and mutual fund investors. Its predecessor firm was established in 1980. The equity team of the predecessor firm established H&W in October 2001.

H&W refers to itself as a "registered investment adviser" in materials distributed to current and prospective clients. As a registered investment adviser with the SEC, H&W is subject to the rules and regulations adopted by the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Registration as an investment adviser is not an indication that H&W or its directors, officers, employees or representatives have attained a particular level of skill or ability.

Valuations and returns are stated in U.S. dollars. Investment returns include reinvestment of dividends, interest, and capital gains. Gross performance results are presented before management and custodial fees but after all trading expenses. Effective January 1, 2006 net performance results are presented after actual management fees (including performance-based fees if applicable) and all trading expenses but before custodial fees. H&W's management fees are described in Part 2A of its Form ADV. The standard Small Cap Diversified Value

management fee schedule is 55 basis points on the first \$15 million, 50 basis points on the next \$35 million and 45 basis points thereafter. Internal dispersion is calculated using the equal-weighted standard deviation of all portfolios (gross returns) that were included in the Composite for the entire year. A list of composite and broad distribution pooled fund descriptions and policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance is no guarantee of future performance. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Composite: The Composite includes all Small Cap Diversified Value discretionary accounts. The Small Cap Diversified Value strategy seeks capital appreciation primarily through investments in equity securities of small capitalization companies and may invest in foreign (non-U.S.) securities. Under normal conditions, it typically will hold equity securities of approximately 300 to 400 different companies. The typical market cap range of the strategy is consistent with the market cap range of the Russell 2000® Index. Beginning May 1, 2020, accounts with significant cash flows ($\geq 25\%$ of beginning of the month assets and $\geq \$10$ million in asset size) are excluded from the respective month's composite calculation and included in the subsequent month. (Composite creation & inception date: 7/1/2005)

Index: The Russell 2000® Value Index ("R2000V") measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The index assumes reinvestment of dividends and capital gains, and assumes no management, custody, transaction or other expenses. The value disciplines used in managing the accounts in the Composite may prevent or limit investment in major stocks in the R2000V and returns may not be correlated to the index. Benchmark returns are not covered by the report of independent verifiers.

The 3-year annualized standard deviation measures the variability of the composite (using gross returns) and the benchmark returns over the preceding 36-month period ended.

	% Total Return Gross of Fees	% Total Return Net of Fees	% Total Return R2000V	No. of Accts	Internal Dispersion (%)	Comp. Assets (\$M)	Total Firm Assets (\$M)	3-Year Annualized Standard Deviation (%)			As of December 31, 2025 (%)			
								Composite	R2000V		1 Yr	5 Yr	10 Yr	
2025	3.8	3.3	12.6	20	0.3	3,188	36,906	2025	20.5	19.9	Composite - Gross	3.8	10.5	10.7
2024	5.2	4.7	8.1	20	0.2	2,864	33,144	2024	23.6	23.4	Composite - Net	3.3	10.0	10.1
2023	17.0	16.5	14.6	19	0.3	3,017	31,220	2023	22.6	21.8	R2000V	12.6	8.9	9.3
2022	-5.8	-6.2	-14.5	15	0.3	2,257	28,330	2022	30.2	27.3	Average annual total returns for periods greater than one year.			
2021	36.6	36.0	28.3	16	0.5	2,381	34,902	2021	29.1	25.0				
2020	0.9	0.4	4.6	13	0.6	1,757	31,687	2020	29.7	26.1				
2019	23.2	22.7	22.4	11	0.2	1,781	33,623	2019	17.7	15.7				
2018	-13.5	-13.8	-12.9	7	0.1	835	27,191	2018	16.7	15.8				
2017	14.9	14.2	7.8	6	n/m	418	32,037	2017	14.9	14.0				
2016	35.4	34.5	31.7	<6	n/m	19	29,952	2016	15.9	15.5				

n/m – not considered meaningful for composites with five accounts or less for the full year.