SMALL CAP VALUE

COMPOSITE PERFORMANCE (%) ANNUALIZED

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
H&W Small Cap Value (gross)	7.47	17.36	24.28	12.71	10.89	12.02	12.17
H&W Small Cap Value (net)	7.26	16.92	23.44	12.00	10.23	11.35	11.36
Russell 2000 Value Index	17.19	22.99	43.01	18.73	8.23	10.89	10.76

Commencement of SCV Composite: 10/1/85. 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 Value discretionary accounts. Additional disclosures provided in GIPS Report.

MARKET COMMENTARY

The Russell 2000 Index returned +21.5% 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 data-center 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 data-center 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 Value portfolio underperformed the Russell 2000 Value Index in the second quarter of 2026 (gross and net of fees). As in prior speculative episodes, the shortfall was driven far more by what the strategy did not own than by what it did. Two factors accounted for nearly all of it. First, our preference for profitable software and technology businesses over the semiconductor names caused about half the underperformance. The semiconductor industry, a 3% average weight in the benchmark, more than doubled in the quarter. Second, our position in energy and materials detracted as commodity prices retreated on optimism that the conflict in Iran would be resolved. Consumer discretionary and utilities were modest bright spots.

Past performance is no guarantee of future results.

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 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 one of the longest continuous durations 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 Value strategy may prevent or limit investment in major stocks in the Russell 2000 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; 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; **Beta** is a measure of a stock's volatility in relation to the overall market; **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**; Exchange-Traded Fund (ETF)** pools a group of securities into a fund and can be traded like an individual stock on an exchange; **Hawkish** describes a monetary policy stance focused on keeping inflation in check, primarily by maintaining or raising interest rates, even at the risk of slowing economic growth or increasing unemployment; and **Risk-on** environment is a market condition where investor optimism is high, leading them to favor higher-risk, higher-reward assets like stocks, commodities, and emerging market currencies.

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, 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 Value Composite has had a performance examination for the periods October 1, 1985 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. Net performance results are presented after actual management fees (including performance-based fees if applicable) and all trading expenses but before custodial fees; and they are higher than those calculated using the current standard fee schedule. H&W’s management fees are described in Part 2A of its Form ADV. The standard Small Cap Value management fee schedule is 80 basis points on the first $100 million, 75 basis points on the next $100 million and 70 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 Value discretionary accounts. The Small Cap Value strategy seeks capital appreciation primarily through investments in equity securities of small cap companies and may invest in foreign (non-U.S.) securities. The typical market cap range of the strategy is consistent with the market cap range of the Russell 2000® Index. Accounts with significant cash flows (≥ 10% of beginning of the month assets for the periods January 1, 2006 through December 31, 2010, and ≥ 25% effective January 1, 2011) are excluded from the respective month’s composite calculation and included in the subsequent month. (Composite creation & inception date: 10/1/1985)

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)
2025	2.5	1.8	12.6	9	0.1	1,927	36,906
2024	6.1	5.5	8.1	8	0.2	2,202	33,144
2023	20.2	19.5	14.6	7	0.3	2,181	31,220
2022	3.8	3.2	-14.5	7	0.2	1,928	28,330
2021	34.6	33.9	28.3	7	1.6	2,023	34,902
2020	1.1	0.5	4.6	7	0.8	1,676	31,687
2019	19.9	19.2	22.4	12	1.4	2,154	33,623
2018	-13.6	-14.1	-12.9	13	0.5	1,899	27,191
2017	8.7	8.0	7.8	13	0.4	2,263	32,037
2016	21.5	20.7	31.7	17	0.6	2,286	29,952

	3-Year Annualized Standard Deviation (%)	
	Composite	R2000
2025	17.8	19.9
2024	22.9	23.4
2023	22.5	21.8
2022	31.7	27.3
2021	29.5	25.0
2020	30.7	26.1
2019	18.2	15.7
2018	18.1	15.8
2017	16.2	14.0
2016	17.0	15.5

As of December 31, 2025 (%)	1 Yr	5 Yr	10 Yr
Composite - Gross	2.5	12.8	9.7
Composite – Net	1.8	12.1	9.1
R2000V	12.6	8.9	9.3

Average annual total returns for periods greater than one year.