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MARKET COMMENTARY

Global 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 1000 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. Growth stocks were clear leaders, as the Russell 3000 Growth Index surged by +17.6%, far outpacing the Russell 3000 Value Index return of +3.8%. Eight of the eleven Russell 3000 GICS sectors delivered positive returns in the quarter, with high beta and momentum strategies outperforming more defensive approaches. Sector performance was led by technology (+23.5%), communications services (+19.0%), and industrials (+13.7%). Energy, healthcare, and real estate declined in the quarter, falling -7.3%, -5.7%, and -0.6%, 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 flows, and promising growth prospects. These qualities give us confidence in their potential to drive earnings growth and deliver strong returns. Energy is our second-largest position on both an absolute and relative basis. We continue to find value in energy stocks trading at low multiples of normalized earnings while generating strong free cash flow. Our largest underweights are in financials and consumer discretionary. We are underweight both sectors to limit our exposure to downside risk in the case of an economic downturn.

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 Value Opportunities portfolio outperformed the Russell 3000 Value Index in the second quarter of 2025 (gross and net of management fees). On a sector basis, the largest contribution to relative performance came from the overweight in technology. Security selection in financials also worked well, as did the underweight and security selection in healthcare. Security selection in materials and consumer staples was also positive. Conversely, the overweight and security selection in energy detracted the most from relative performance during the quarter. Security selection in technology also detracted, as did security selection and the underweight in industrials. The underweight in financials also detracted modestly.

LARGEST INDIVIDUAL CONTRIBUTORS – 2Q25

Microsoft (MSFT) is the world's largest software company. The company sells productivity applications included in the Microsoft Office suite, server/database software and tools, the Xbox platform, the Windows operating system, online advertising via Bing, MSN, and LinkedIn, and several other products, including the Surface and Windows phones. The company's shares rebounded sharply following a strong quarterly earnings report and forward guidance. Microsoft continues to be a compelling franchise in enterprise software and has a good history of returning excess capital to shareholders without compromising on the long-term strategic vision.

(continued)

As of 6/30/25, net of fee composite and Russell 3000 Value performance for 1-, 5-, and 10-year periods: 13.86%, 20.68%, 10.96% and 13.30%, 13.87%, 9.04%, respectively. Net performance results are presented after management fees and all trading expenses but before custodial fees; the composite includes all Value Opportunities discretionary accounts. Additional disclosures provided in Endnotes.

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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.

F5 Inc. (FFIV) sells application networking and security software and data center appliances, where it has 50%+ market share in traditional ADCs (application delivery controllers) along with various multicloud networking and application security products. Demand for F5's products grows faster than GDP, products are critical to the functioning of applications resulting in highly sticky customer relationships, and ~75% of annual revenue is recurring. F5 posted another good quarterly earnings report and raised revenue and EPS guidance for the full year. We continue to believe the company is misunderstood and gets incorrectly classified as a legacy IT hardware vendor, resulting in an attractive valuation. Strong free cash flow generation and a net cash balance sheet provide downside protection. Capital allocation has improved significantly in recent years and management has committed to returning at least 50% of FCF to shareholders.

LARGEST INDIVIDUAL DETRACTORS – 2Q25

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 offshore – would provide upside to our normal estimates.

Stagwell (STGW) is one of the ten largest Ad Agency Holding companies in the world. Created by the 2021 merger of a creative-focused MDC Partners and a technology-focused Stagwell, the business has leading positions in technology consulting & systems design/implementation ("Digital Transformation") and traditional advertising agency services ("Creativity & Communications"). Stagwell declined in the quarter after delivering earnings results that were below expectations. Stagwell trades at a low multiple of earnings, which are depressed as the company invests nearly 3% of Revenue in a new suite of software products that we expect will expand their reach while driving margins higher. We believe the company can deliver high-teens returns from the combination of capital return and capital-free organic growth.

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 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.**

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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 Value Opportunities 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, for the relevant performance time period. Other securities may have been the best and worst performers on an absolute basis. The selection criteria used to determine the top contributors and detractors remains the same across performance measurement periods. 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 Value Opportunities strategy may prevent or limit investment in major stocks in the Russell 3000 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 Russell 3000® Index tracks the performance of the 3,000 largest U.S.-traded stocks. The Russell 3000® Value Index includes stocks from the Russell 3000® Index with lower price-to-book ratios and lower expected growth rates. The Russell 3000® Growth Index includes companies that display signs of above average growth. The index is used to provide a gauge of the performance of growth stocks in the U.S. The Russell 1000® Index, an unmanaged index, measures the performance of the 1,000 largest companies in the Russell 3000® Index. 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.

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.

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 may be exposed to more individual stock volatility than a more diversified strategy and may also invest in smaller and/or medium-sized companies, foreign securities, and debt securities. 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.**