SMID CAP DIVERSIFIED VALUE FUND (ETF)

MANAGER REVIEW & ECONOMIC OUTLOOK

HWSM

Hotchkis & Wiley

PERFORMANCE (%) as of June 30, 2026

	QTR	YTD	1Yr	Since 3/31/25
SMID Cap Diversified Value ETF (NAV)	11.83	12.71	23.81	20.50
SMID Cap Diversified Value ETF (Market Price)	11.86	12.66	23.75	20.53
Russell 2500 Value Index	18.50	24.16	38.54	37.26

The performance shown represents past performance. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Short-term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns. Investment results and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain performance data current to the most recent month-end, access our website at www.hwcm.com.

The Fund's total annual operating expense ratio as of the most current prospectus is 0.55%. Periods over one year are average annual total return. Average annual total returns include reinvestment of dividends and capital gains.

MARKET COMMENTARY

The Russell 2500 Index returned +20.3% in the second quarter of 2026, and the Russell 2500 Value Index returned +18.5%. 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. The semiconductor industry returned well in excess of 100% for the quarter, and other parts of the AI complex — particularly hardware and storage — also recorded returns in excess of 100%, with names such as SanDisk and Western Digital more than doubling.

By nearly any measure, this was a speculative, low-quality, risk-on rally that produced a dichotomy we rarely observe. Within SMID-cap value, the highest-beta and highest-momentum quintiles significantly outperformed the lowest-volatility and highest-profit-margin quintiles. Since the market bottomed in early April 2025, stocks in the highest momentum quintile have outperformed the market by a wide margin, while the most fundamentally stable stocks have underperformed — momentum's current advantage sits in one of the highest percentiles over the past 70 years. Companies with weak returns on invested capital have continued to outperform higher-quality peers, a trend that began roughly a year ago. Over the long term, investing in profitable, quality 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 flow of investor capital into the technology sector has dwarfed every other sector combined. As one example, at least 11 leveraged single stock SpaceX ETFs launched on their first day of trading. Most concerning, in our view, are the valuations now commanded by investor favorites — select stocks today trade at multiples exceeding those of Cisco at the peak of the dot-com bubble.

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. 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.

Technology, and software specifically, was a weak spot for the portfolio in the quarter, both due to what we owned and what we did not own. We hold a decent amount of enterprise software exposure, which sold off broadly amid sector-wide anxiety about AI disrupting SaaS business models, despite many of our holdings posting strong results and raising guidance. We believe this reaction is overstated and presents opportunity rather than risk. Consensus earnings estimates for our software holdings have generally moved higher, not lower, suggesting the selloff reflects concerns about long-term profit durability rather than near-term fundamentals. We do not share this view. Our software positions continue to report high gross and net retention and expanding product capabilities, with competitive advantages rooted in domain expertise, deep integrations, mission-critical workflows, and years of embedded customization — not simply underlying code. We believe these businesses are well positioned to monetize AI through enhanced offerings rather than be displaced by it.

Health insurers were a bright spot for the portfolio this quarter. After a stretch of policy uncertainty around Medicare Advantage reimbursement rates and elevated utilization pressured the group, sentiment and fundamentals began to stabilize, and our holdings benefited as the market increasingly recognized the past year's earnings pressure as temporary rather than structural.

(continued)

Portfolio managers' opinions and data included in this commentary are as of June 30, 2026 and are subject to change without notice. Any forecasts made cannot be guaranteed. **Diversification does not assure a profit nor protect against loss in a declining market. Past performance is no guarantee of future results.**

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 exceptionally well positioned for that reversion.

ATTRIBUTION ANALYSIS – 2Q26

The Hotchkis & Wiley SMID Cap Diversified Value ETF underperformed the Russell 2500 Value Index in the second quarter of 2026. As in prior speculative episodes, the shortfall was driven far more by what the portfolio did not own than by what it did own. Lack of exposure to semiconductors and other high-flying AI-complex names, including hardware and storage, accounted for the bulk of the gap. Positive stock selection in health care — driven by our health insurer holdings — along with materials and utilities, helped relative performance. Stock selection in technology detracted, though most of the shortfall traced to names not owned rather than the software holdings themselves.

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus or summary prospectus with this and other information about the SMID Cap Diversified Value ETF please visit www.hwcm.com OR call 1-800-796-5606. Read the prospectus or summary prospectus carefully before investing.

Investing in smaller and/or newer companies involves greater risks than those associated with investing in larger companies. Please read the prospectus for a full list of fund risks.

ETFs are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a premium or discount to its net asset value (NAV), an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact an ETF's ability to sell its shares. Unlike mutual funds, ETF shares are bought and sold at market price, which may be higher or lower than their NAV, and are not individually redeemed from the fund. Brokerage commissions will reduce returns.

New funds have limited operating histories for investors to evaluate and new and smaller funds may not attract sufficient assets to achieve investment and trading efficiencies.

Fund holdings and/or sector allocations are subject to change and are not buy/sell recommendations. Current and future portfolio holdings are subject to risk. Attribution is an analysis of the portfolio's return relative to a selected benchmark, is calculated using daily holdings information and does not reflect the payment of transaction costs, fees and expenses of the Fund.

The **Russell 2500® Index** measures the performance of the 2,500 smallest companies in the Russell 3000® Index. The **Russell 2500® Value Index** measures the performance of the small to mid-cap value segment of the US equity universe. The indices do not reflect the payment of transaction costs, fees and expenses associated with an investment in the Fund. It is not possible to invest directly in an index.

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Top ten holdings as of 6/30/26 as a % of the Fund's net assets: F5 Inc. 2.6%, PPG Industries Inc. 2.1%, Dominion Energy Inc. 1.9%, Ericsson 1.8%, GE HealthCare Technologies 1.6%, Workday Inc. 1.5%, APA Corp. 1.4%, American Int'l Group Inc. 1.3%, Timken Co. 1.3%, and State Street Corp. 1.2%.

Artificial Intelligence (AI); 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; and **Software as a Service (SaaS)** is a software distribution model in which users access applications hosted on remote servers over the internet, typically involving regular subscription payments.

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.

Certain information presented based on proprietary or third-party estimates are subject to change and cannot be guaranteed. Information obtained from independent sources is considered reliable, but H&W cannot guarantee its accuracy or completeness.

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