

SMID CAP DIVERSIFIED VALUE FUND (ETF)

MANAGER REVIEW & ECONOMIC OUTLOOK

HWSM



PERFORMANCE (%) as of December 31, 2025

	QTR	Since 3/31/25
SMID Cap Diversified Value ETF (NAV)	2.34	12.16
SMID Cap Diversified Value ETF (Market Price)	2.38	12.26
Russell 2500 Value Index	3.15	19.95

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 returned +2.2% in the fourth quarter of 2025, bringing its full-year return to +11.9%. Over the course of the year, companies with negative earnings outperformed companies generating profits. We have limited exposure to unprofitable companies, which has historically been a long-term performance tailwind. In 2025, however, this low-quality rally became a significant headwind. Low-ROE stocks outperformed high-ROE stocks, and high-beta stocks outperformed low-beta stocks.

A meaningful portion of the non-earning cohort is concentrated in market segments we view as highly speculative. Companies tied to themes such as space/satellite, artificial intelligence, next-generation energy, rare earth materials, and quantum computing performed exceedingly well.

Historical comparisons suggest the magnitude of this low-quality rally is consistent with some of the most severe dislocations on record, including the dot-com bubble. If history is a guide, this implies the rally may be largely exhausted and a reversal increasingly likely.

We suspect that the speculative mania was triggered by AI euphoria and then amplified by the escalation in retail trading. Retail trading now comprises well over a third of trading volume in the US, significantly higher than it was a decade ago. High frequency quantitative trading has also grown. Combined, this short-term investing cohort, that we believe is less anchored to fundamental analysis, comprises about 57% of all trading volume.

Today's small and mid-cap market shares uncomfortable similarities with the dot-com era. Some of the best-performing stocks are those associated with the "technology of the moment," irrespective of risk, fundamentals, or financial viability. There are now examples of companies valued at over \$20 billion that have never generated revenue, let alone earnings. In many cases, valuations are not merely elevated—they are increasingly difficult to define and justify. The rise of the retail investor also echoes the late 1990s, when many participants left traditional employment to pursue day trading full-time.

Fortunately, periods of extreme excess rarely persist indefinitely. Over time, economic fundamentals and rational pricing tend to reassert themselves, and we believe we are well positioned to benefit as this environment normalizes. We expect the correction could be meaningful and potentially prolonged.

ATTRIBUTION ANALYSIS – 4Q25

The Hotchkis & Wiley SMID Cap Diversified Value ETF underperformed the Russell 2500 Value Index in the fourth quarter of 2025. Stock selection in technology and healthcare detracted from performance, as the lack of exposure to speculative AI tied companies and biotechnology hurt. Positive stock selection in financials and industrials helped.

Portfolio managers' opinions and data included in this commentary are as of December 31, 2025 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.**

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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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Return on equity (ROE) is a measure of a company's financial performance; **High-beta stocks**, generally means any stock with a beta higher than 1.0, and are considered riskier while offering higher potential returns; and **Low-beta stocks**, those with a beta under 1.0, are considered less risky but are unlikely to outperform the market.

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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