

FOCUSED GLOBAL VALUE

MARKET COMMENTARY

The MSCI World Index declined -1.8% in the first quarter of 2025. The market had been positive until March, when investors appeared to grapple with the uncertainty around tariffs. The decline was led by mega-cap growth stocks. The Magnificent Seven comprised more than 22% of the MSCI World Index during the quarter and declined -14% collectively. Unsurprisingly, value trounced growth in the quarter. The MSCI World Value Index returned +4.8% compared to -7.8% for the MSCI World Growth Index. The nearly 13 percentage point advantage represents value's largest calendar quarter outperformance since the early 2000s. Like then, we observe large differences in valuation across different segments of the market. In addition, European equities exhibited significant strength, with the MSCI Europe Index increasing +10.5% vs. -4.3% for the S&P 500 Index. This was the largest quarterly outperformance by the Europe index looking at data going back to 2000.

Treasuries rallied during the equity market selloff, with the yield on the U.S. 10-year note declining from 4.6% to 4.2% over the quarter. The US dollar weakened by about 4% relative to a basket of other major currencies, which along with the absence of the Magnificent Seven helps explain the significant outperformance of non-US equities over US equities. Performance deviations by sector were significant. Only 3 of the 11 MSCI World Index GICS sectors were negative, though these three sectors comprise 44% of the index. Technology (25% of index, -12% decline), consumer discretionary (11%, -10%), and communication services (8%, -4%) were the decliners. Energy was the top-performing sector (+10%). Oil prices were little changed, but natural gas prices rose in the quarter. Less cyclical sectors also performed well: utilities (+7%), consumer staples (+6%), and healthcare (+5%). While we are underweight this group of sectors relative to the MSCI World Value (24% vs. 27%), we have increased our exposure by about 7 percentage points over the past year.

The valuation spread between the growth and value indices continues to be wide on a price to normal earnings basis (27x vs. 15x), suggesting a promising outlook for value. By comparison, our portfolio trades at much more attractive price to normal earnings ratio of 9x. The portfolio's considerable valuation advantage relative to the index, combined with good

underlying businesses and healthy balance sheets leaves us confident about the portfolio's prospects, particularly compared to passive alternatives.

ATTRIBUTION ANALYSIS - 1Q25

The Focused Global Value portfolio outperformed the MSCI World Value Index in the first quarter of 2025 (gross and net of management fees). Stock selection in healthcare was the largest positive contributor to relative performance. Stock selection in financials, technology, industrials, and consumer staples also worked well. Conversely, stock selection in communication services detracted from relative performance during the quarter. The overweight in technology also detracted in the period.

LARGEST INDIVIDUAL CONTRIBUTORS - 1Q25

CVS Health Corp. (CVS) is a diversified healthcare company operating a Pharmacy Benefits Manager, health insurer, and retail stores and pharmacies. CVS outperformed in Q1 on improved earnings and forward guidance. We believe CVS is on a sustainable path to improved profitability, which will help reduce debt and restore margins.

Siemens (SIE.GR) is a global leader in electrical engineering. The company focuses on industry (automation, software and drives), healthcare, and infrastructure (transport, building technologies, power distribution). Shares moved higher in the quarter as reported earnings exceeded expectations. Siemens continues to trade at a discount to the market and a significant discount to competitors due to its complexity and conglomerate discount.

Heineken N.V. (HEIO.NA) is one of the world's largest brewing companies with operations across more than 70 countries and a portfolio exceeding 300 beer and cider brands. Heineken's strong performance in the quarter was primarily due to 2024 results that exceeded consensus estimates and 2025 guidance that was in line with expectations, which seemed to somewhat restore the market's perception that the business has the ability to consistently grow volumes. Additionally, the company announced a two-year 1.5bn EUR share repurchase program.

(continued)

As of 3/31/25, net of fee composite and MSCI World Value performance for 1-year and 5-year/Since Inception (4/1/20) periods: 7.65%, 22.55%, and 8.69%, 14.98%, respectively. Net performance results are presented after management fees and all trading expenses but before custodial fees; the composite includes all Focused Global Value discretionary accounts. Additional disclosures provided in Endnotes.

Past performance is no guarantee of future results.



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LARGEST INDIVIDUAL DETRACTORS – 1Q25

WPP (WPP) is a large ad agency holding company. WPP's stock price came under pressure following weaker-than-expected Q424 earnings results. The company trades at a low multiple of consensus earnings with a good balance sheet, we believe WPP can deliver near mid-teens returns from the combination of capital return and capital-free organic growth.

Alphabet's Google (GOOGL) declined in the quarter after reporting mixed Q4 earnings results. Shares continue to trade at an attractive valuation despite healthy growth potential, an overcapitalized balance sheet, and significant value in Cloud, Other Bets, and new advertising products.

Workday (WDAY) is a leader in cloud application software for back-office business functions including human capital management, financials management, and ERP (enterprise resource planning). The company's stock price was negatively impacted by a reduction in 2025 revenue guidance. Management noted the pressure on current year sales is macro-related. We believe Workday has a formidable competitive advantage that trades at an attractive valuation for a company with premier franchise potential.

For informational purposes only, the specific investments shown represent only 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 Focused Global Value 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. Other securities may have been the best and worst performers on an absolute basis. 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 Focused Global Value strategy may prevent or limit investment in major stocks in the MSCI World 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 MSCI World Index is a free float-adjusted weighted index capturing large and mid cap stocks. The MSCI World Value and MSCI World Growth Indices are free float-adjusted weighted indexes capturing large and mid cap stocks, exhibiting overall value or growth style characteristics, respectively. The MSCI indices represent stocks across 23 Developed Markets (DM) countries and include reinvestment of dividends, net foreign withholding taxes. The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe. 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.

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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 invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. 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.

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