HIGH YIELD FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWHIX | HWHAX | HWHZX

Hotchkis & Wiley

PERFORMANCE (%) as of September 30, 2026

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 3/31/09
High Yield Fund – I Shares	-1.58	0.08	0.94	6.87	3.46	4.29	7.37
ICE BofA BB-B U.S. HY Constrained Index	-1.66	0.37	1.94	7.69	3.41	4.77	7.69
ICE BofA U.S. High Yield Index	-1.81	0.04	1.39	7.94	3.56	4.95	8.38

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. Investment results and principal value will fluctuate so that 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 gross expense ratio as of the most current prospectus is 0.77% for I Shares; 0.70% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2027. Expense ratio shown is gross of any fee waivers or expense reimbursements. I shares sold to a limited group of investors. Periods over one year are average annual total return. Average annual total returns include reinvestment of dividends and capital gains. Expense limitations may have increased the Fund's total return.

September's sharp increase in interest rates across the yield curve dominated third quarter investment returns across the fixed income landscape. The high yield market generated a -1.8% total return, outperforming Treasuries and Investment Grade while underperforming bank loans in the third quarter (Q3). The Hotchkis & Wiley High Yield Fund generated a -1.58% total return and outperformed the ICE BofA BB-B U.S. High Yield Constrained Index ("BB-B Index") in third quarter, driven positive allocation effect, most notably an underweight to the Telecommunications sector which includes datacenters.

WHAT WORKED?

Services: **ZIP Recruiter** ("ZIP") the #1 provider of online employment recruiting services, generated 7 basis points ("bps") of relative outperformance with a 10% security total return. Concerns about a weakening labor market, AI disintermediation within the employment services industry and management's aggressive share repurchase activity drove our ZIP bonds down in Q1. Improving labor market conditions, easing AI fears and ZIP repurchasing and retiring of $295 million in aggregate principal of the 5.0's of 2030 at a $65 million discount to par value drove our bonds higher over Q2 and Q3. We still find the position attractive given the lower debt balances and discount to par.

Services: **Verra Mobility** ("VRRM") is a provider of toll collection and traffic violation management solutions throughout the US, Canada, and Europe. VRRM's unsecured 5.5's of 2029 generated a 6.3% total return and positive relative outperformance. Earlier in the year, VRRM lost a large contract with Avis which sent our bonds down on margin deterioration concerns and the potential for Hertz and Enterprise to either terminate contracts or renegotiate them on more favorable terms. After replacing its CEO and lowering guidance, VRRM entered new, long-term contracts with both Avis and Hertz and our bonds have rallied since the cancellation announcement but remain undervalued in our assessment.

Telecommunications Sector Underweight: **Telecommunications** had a negative -4.6% total return and we were significantly underweight. This underweight produced positive relative investment performance. Within the Telecommunications sector, we are underweight the Wireline Integrated & Services industry, which includes AI datacenter and Cable credits. While we are actively monitoring AI datacenter and Cable credits, the current bond prices do not fully reflect the uncertainty and rapid changes impacting these credits.

WHAT DID NOT WORK?

Telecommunications: **Cable One, Inc.** ("CABO") is a cable operator focused on small-to-midsize domestic markets. CABO 4.0 unsecured bonds of 2030 generated a -50.2% total return causing relative underperformance. CABO is struggling with elevated subscriber losses and excess leverage resulting from value destructive acquisitions. Management is evaluating financing alternatives which could impair our bonds but avoid a restructuring. In our view, a normalization of subscriber losses and a successful refinancing outcome would result in a rally in our bonds and provide a liquidity option, albeit below par value.

Leisure: **Scientific Games Lottery** ("SCGALO") is a global leader in retail and digital lottery games owned by private equity sponsor, Brookfield Business Partners ("Brookfield"). SCGALO 6.625 unsecured bonds of 2030 generated a -26.7% total return causing relative underperformance. SCGALO lost a low capital intensity, high margin, 40 year contract with the California Lottery which has adversely impacted operating results and free cash flow as replacement electronic lottery contracts require long lead-times, higher capital intensity and lower margins.

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Portfolio managers' opinions and data included in this commentary are as of September 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.**

Retail: **Dave & Buster's Entertainment** ("PLAY") is a restaurant operator managing through declining same store revenue as its core young adult customer base struggles with economic uncertainty. We hold a position in PLAY's first lien bank debt which generated a -23.3% total return causing relative underperformance. New management has discontinued share repurchases and reduced capital expenditures to delever PLAY's balance sheet. We think these actions are prudent and should improve the bank loan over time.

MARKET COMMENTARY

The high yield market produced a -1.8% total return as strong corporate earnings, improving labor markets and steady but sticky inflation were offset by a significant increase interest rates across the yield curve and expectations for additional 75 bps to 100 bps increases in the federal funds rate target over the balance of 2026 and into 2027. High yield outperformed both Treasuries (-5.2%) and investment grade debt (-3.8%), but underperformed bank loans (+1.9%), in the third quarter. Relative to most fixed income alternatives, high yield continues to outperform on both an absolute and relative basis.

Within the high yield market, option-adjusted spread ("OAS") widened 37 bps to 312 bps while yield to worst ("YTW") increased 115 bps to 8.3%. From a ratings perspective, B's, which are less interest sensitive than BB's but have lower credit risk than CCC's, generated a -1.3% total return, outperforming both BB's (-1.9%) and CCC's (-3.6%). From a sector perspective, Energy (-0.6%) and Healthcare (-0.6%) were notable outperforming sectors while Cable (-5.0%) and Telecommunications (-4.1%) were notable lagging sectors. From an issue size perspective, large cap credits (-2.1%) outperformed small cap credits (-2.4%).

High yield market default activity remained subdued vs. history with four defaults in the third quarter. The last twelve months high yield market default rate ticked down 30 bps to 1.7%, below the 3.3% long-term average. High yield market gross issuance totaled $83.0 billion, down 30% vs. prior year's third quarter as geopolitical tension and interest rate volatility cooled issuers desire to refinance upcoming debt maturities. Year to date gross high yield new issuance of $267 billion is down 0.6% compared with 2025's YTD level.

MACRO ECONOMIC AND INTEREST RATE ENVIRONMENT

Second quarter S&P 500 Index revenue and earnings for S&P 500 grew at 16% and 31%, respectively, with almost two-thirds of the index's constituents reported margin increases. Nominal U.S. GDP growth has accelerated 150 bps to 6.3% over the past four quarters. Full-year 2026 and 2027 nominal GDP forecasts range from 6.2% to 6.7% and 5.0% to 6.5%, respectively. U.S. economic activity has accelerated over the past year and is projected to remain strong through 2027, driven by strong AI-related capital expenditures. In our assessment, the U.S. economy will remain strong, absent of any unknowable exogenous shocks, until the AI capital expenditure boom, which shows no sign of abating, plays itself out.

Annualized August Consumer Price Index (CPI) and Core CPI increased 3.4% and 2.4%, respectively, consistent with expectations. The reacceleration of oil tanker attacks by Iran triggered a 42% increase in Brent crude oil prices, which closed at $104 bbl. August headline CPI increased 3.4% y/y, down 10 bps sharply from June while August's core CPI reading of 2.4% y/y declined 20 bps from June. While Core CPI has cooled, it remains 40 bps above the Federal Open Market Committee ("FOMC") 2.0% inflation target. In our assessment, the combination of strong economic activity and the inflationary impacts of the Ukraine and Iran wars will keep inflation elevated relative to the FOMC's target.

The FOMC increased its Fed Funds rate 25 bps to 4.0% (upper bound) in response to the combined impact of expanding economic activity, solid labor market conditions and elevated inflation. U.S. Treasury yields increased materially across the curve with the two-year yield increasing 71 bps to 4.9% and the ten-year yield increasing 81 bps to 5.3%, driven by accelerating nominal GDP growth (+60 bps to 6.3%) stubborn inflation and budget deficit concerns. In our assessment, interest rates are likely to remain elevated over the foreseeable future and the FOMC rate bias has shifted from easing to tightening and that bias will be maintained until inflation hits the Federal Reserve's 2.0% target.

INVESTMENT ENVIRONMENT

There are three things we are watching within fixed income markets.

Private Credit: Private credit was typically extended to middle-market firms with revenues up to $1 billion but has grown rapidly in recent years to fund larger companies that were traditionally funded by leveraged loans. Private credit investors include insurance companies, pension funds, high net worth investors, and business development companies. Private credit loans are not publicly traded and their carrying values are subjectively determined in the absence of market price data. While two-thirds of the private credit market is structured as term loans, default rates have risen faster than expected while recovery rates have been lower than expected.

Private credit has almost a 20% portfolio exposure to the software industry, which is under pressure due to AI disintermediation concerns and faces rollover risk as these loans reach maturity. This compares to around 5% for the high yield market. Some private debt funds have almost a 30% exposure to the software industry. Investor redemption requests have risen, in many cases above contractually required levels and asset class inflows have slowed. Private credit faces significant rollover risk, given its five year average maturity profile.

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The issues within private credit could have a material impact on the fixed income markets, including the $2.5 trillion public leveraged finance market, which includes leveraged loans and high yield bonds. Asset flows and new issuance could shift away from private credit and into the public leveraged finance market, increasing both demand and supply, enabling the public leveraged finance market to recapture lost assets which shifted into private credit over the past decade. Increased private credit spreads could reprice credit risk within the public leveraged finance market, effectively reprice credit risk higher, widening spreads in the leverage loan and high yield markets and resulting in lower prices and below coupon returns. Elevated losses within private credit could also reduce the broader fixed income appetite for credit risk, triggering a contraction in credit and potentially a recession.

While we do not know if and exactly how the issues in the private credit market will impact the fixed income markets, including public leveraged credit, we intend to monitor developments closely at the asset class and issuer level to identify risks and opportunities for our client's portfolios.

AI Datacenters: The construction and financing of AI datacenters, which is projected to cost between $5 trillion and $7 trillion over the next five years, has dramatically impacted both the investment grade and high yield markets as new issuance has flooded both markets with over $300 billion of new debt issuance YTD 2026. AI datacenter related debt, which comprises about 2.6% of the total high yield market today, is projected to increase to about 5.0% of the high yield market by year-end and about 11.0% by 2030.

While these expectations could prove unrealistic in time, AI datacenter bonds will be a material part of the high yield market going forward. We do not currently have any exposure to AI datacenter bonds in our high yield portfolio, which has helped our relative investment performance YTD 2026. We are developing an analytical framework for assessing AI datacenter bond risk/reward characteristics, leveraging the broader Hotchkis and Wiley investment team and process. Once finalized, our AI datacenter investment framework will enable us to seek out attractive investment opportunities in this growing corner of the high yield market, in a manner consistent with our firm's value-oriented, bottom-up security selection heritage.

CCC Credit Performance: The significant underperformance in CCC rated credits has raised eyebrows about the risks in the credit market. Often a weak CCC market portends future problems in credit. While this is an area that investors should monitor, we see a few ameliorating factors. First, bank lending standards point to loan growth in the economy. Second, the issuance market continues to be strong suggesting that the problems are isolated to select sectors, like Telecommunications. Lastly, the maturity wall is very manageable and not exhibiting outsized financing problems.

MARKET OUTLOOK – IT'S ALL ABOUT RATES!

We assess the attractiveness of the high yield market at the end of each quarter across three vectors (Fundamentals, Technicals and Valuation) using a 1.0 to 5.0 scale with 1.0 representing a positive ("Bullish") view and 5.0 representing negative ("Cautious") view.

1. **Fundamentals - 3.0**: *Unchanged*. The fundamentals of the high yield market are favorable, driven by strong AI datacenter related capital expenditures and stimulative fiscal policy. Corporate earnings growth is robust with the strength expected to continue into at least 2027. While, leverage and interest coverage levels remain acceptable, we expect modest deterioration in these metrics as high yield issuers refinance existing, lower coupon, debt maturities. Defaults and distress within the high yield market remain low relative and recession expectations remain low. Stubbornly high inflation and a fiscally/AI driven economy cause us to remain cautious on fundaments despite all of the positive elements highlighted above.

2. **Technicals: - 3.0**: *Weaker*. The supply/demand dynamic within the high yield market remains balanced. The sharp increase in interest rates will temper demand while looming AI datacenter construction debt issuance will pressure supply. The increase in rates has also spooked investors in the asset class. Below expectation M&A related new issuance demand, largely a function of higher interest rates, should help balance out the high yield supply/demand dynamic.

3. **Valuation: - 3.0**: *Weaker*. High yield market OAS is tight versus history, even considering the higher quality of today's market. On the positive side, High yield market duration is very short at ~3.0 years, compared to almost 5.0 years in the mid 2000s era of high yield. This limits interest rate risk, while enabling yields to benefit from the current, high Fed Funds rate levels. In our assessment, the high yield market looks attractive relative to other fixed income alternatives, including investment grade corporates.

PORTFOLIO POSITIONING

We are bottom-up, fundamental, credit investors that look for attractive risk return opportunities, which sometimes reside in out of favor sectors and issuers. We maintain a healthy skepticism investing in sectors and issuers undergoing adverse structural change. Relative to the BB-B Index, our portfolios are overweight the Basic Industry and Energy sectors, while underweight the Telecom and Retail sectors.

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Within Basic Industry we are overweight Chemicals which is experiencing a protracted cyclical downcycle driven by a combination of excess inventory, Chinese competition, and high feedstock costs. We see improving chemical demand over the next few years. We recently purchased the first lien bank debt of **Surventis**, a leading automobile coatings provider, spun out of global chemical conglomerate BASF. Coating has an oligopolist industry structure with low customer price sensitivity, high switching costs, and significant entry barriers. We believe that while current leverage is high, our Surventis bank debt offers an attractive yield and has a clear deleveraging path.

Our Energy overweight is driven primarily by our exposure to the Oil Services industry, which is beginning to recover from a cyclical downturn in oil exploration activity. With the impact of the Iranian conflict, this sector has seen strong outperformance. We recently purchased the senior unsecured bonds on **Oceaneering** with a 6.875% coupon and a BB rating. Oceaneering is a leading provider of subsea remotely operated vehicles (ROV's) used in the oil field services and, increasingly, in the defense industries. While most Oceaneering's revenue comes from Energy customers, this revenue is stable relative to oil prices.

We are underweight Retail because of the secular challenge of on-line shopping and elevated restructuring risk given the ease with which unprofitable commercial leases can be set aside in bankruptcy. We have no portfolio exposure to large Retail sector constituents, including grocery store operator, Albertson's, and arts & crafts specialty retailer, Michael's.

Within the Telecommunications sector, our largest underweight is in the Media Content industry, which is facing secular changes in how media content is consumed. We have no portfolio exposure to the large issuers, including film & television producers Paramount/Warner Brothers Discovery and satellite radio provider Sirius XM, both of which are facing secular declines. Media Content issuers face uncertain revenue paths, elevated capital expenditure requirements and high loss severity outcomes, should restructuring transactions become required. Also, we are also underweight the large datacenter subsector as discussed above.

To insulate us from the volatile and rising interest rate backdrop, we are judiciously using leveraged-loans as an alternative to high yield bonds. However, we are staying with higher quality issuers in the leveraged-loan market – a market that is seeing significant quality deterioration in certain lower quality parts of the market.

LAST WORDS

In our assessment, the combination of strong economic growth, fueled by the massive AI datacenter capital expenditures, an increasingly hawkish FOMC and the high interest rate levels across the yield curve provides a favorable set-up for the high yield market. At the 8.3% YTW for the market trading below par, we think patient investors will be amply rewarded. Historically, when the high yield market has periods of low returns like 2026, there is a significant out performance in the next twelve months. However, we also recognize that interest rate volatility over the coming quarters could challenge investors so we encourage investors to keep dry powder.

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You should consider the Fund's investment objectives, risks, and charges and expenses carefully before you invest. This and other important information is contained in the Fund's summary prospectus and prospectus, which can be obtained by calling 1-800-796-5606 or visiting our website at www.hwcm.com. Read carefully before you invest.

Investments in debt securities involve credit risk and typically decrease in value when interest rates rise. Investments in lower rated and nonrated securities involve greater risk. The fund may invest in derivatives, asset backed and mortgage-backed securities, and foreign securities. Please read the fund prospectus for a full list of fund risks.

All investments contain risk and may lose value. Investing in high yield securities is subject to certain risks, including market, credit, liquidity, issuer, interest-rate, inflation, and derivatives risks Lower-rated and non-rated securities involve greater risk than higher-rated securities. High yield bonds and other asset classes have different risk-return profiles, which should be considered when investing.

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 trade information and does not reflect the payment of transaction costs, fees and expenses of the Fund.

Bond ratings are grades given to bonds that indicate their credit quality as determined by private independent rating services such as S&P or Moody's. These firms evaluate a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'D', which is the lowest grade. Investment Grade includes credits that are BBB- or above.

The **ICE BofA BB-B U.S. High Yield Constrained Index** contains all securities in the ICE BofA U.S. High Yield Index rated BB+ through B- by S&P (or equivalent as rated by Moody's or Fitch), but caps issuer exposure at 2%. Index constituents are capitalization weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. The **ICE BofA U.S. High Yield Index** tracks the performance of below investment grade, but not in default, U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's, Fitch and S&P. 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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Brent Crude oil is a major light, sweet crude oil extracted from offshore fields in the North Sea; **Federal Open Market Committee (FOMC)** directs open market operations in the United States and is made up of 12 members; **Yield-to-worst** is a measure of the lowest possible yield that can be received on a bond with an early retirement provision; **Basis point (bps)** is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument; **Bullish** view is an investment outlook or market sentiment where an investor expects the price of a security, an industry, or the overall market to rise; **Consumer Price Index (CPI)** regularly measures the change in the prices paid by consumers in the U.S. for a representative basket of goods and services; **Gross Domestic Product (GDP)** is a monetary measure of the value of all goods and services produced within a country during a specific time period.; **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; **Mergers and acquisitions (M&A)** is a term used to describe businesses combining through different types of transaction; **Option-Adjusted Spread (OAS)** is a measure used to compare the yield of bonds with embedded options against the risk-free rate of return; and **Yield-to-Worst (YTW)** is the lowest possible yield from owning a bond considering all potential call dates prior to maturity.

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