

MID-CAP VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWMIX | HWMAX | HWMZX



PERFORMANCE (%) as of March 31, 2026

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 1/2/97
Mid-Cap Value Fund – I Shares	6.74	6.74	22.02	12.01	9.98	9.08	11.00
Russell Midcap Value Index	3.68	3.68	17.62	13.14	7.94	9.75	10.08

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 1.00% for I Shares. 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.

MARKET COMMENTARY

The Russell Midcap Index returned +1.3% in the first quarter of 2026, notably better than Russell 1000 Index's -4.2% decline. Geopolitical turmoil and AI-driven investment themes were the primary market drivers. Brent crude oil rose more than 100% to \$127/bbl¹ following U.S.-Israel strikes on Iran and the subsequent closure of the Strait of Hormuz. As a result, the energy sector outperformed by a wide margin, and the portfolio's exposure helped performance. Approximately 20% of global crude oil supply flows through the Strait, much of it destined for Asia. Beyond oil, the disruption has created supply shocks across several key commodities, including natural gas, nitrogen-based fertilizer, helium, and aluminum. Despite these meaningful disruptions, the equity market reaction has been relatively muted—the Russell Midcap Index is down only about 5% since the initial strikes. The VIX Index, a gauge of expected S&P 500 volatility, peaked at 31 in late March, above its 25-year median (~18) but well below levels seen during prior shocks such as Trump-era tariffs (52), the Russia/Ukraine war (36), COVID (83), and the Global Financial Crisis (81). Given the inflationary nature of supply shocks, futures markets now anticipate no rate cuts for the remainder of the year. The Fed held rates steady at 3.75% (upper bound) at its mid-March meeting. Value stocks outperformed growth in the quarter, with the Russell Midcap Value Index returning +3.7% versus -6.4% for the Russell Midcap Growth Index.

As noted, energy was the primary bright spot. While we did not anticipate the Iran conflict, our positioning reflected the view that select energy companies offered free cash flow yields more attractive than other major market segment. More broadly, we believe the global crude market faces a risk of structural undersupply in the coming years, supporting higher oil prices over time. Additionally, a significant portion of global supply originates from geopolitically unstable regions, and we believed this disruption risk had been underappreciated.

Two areas of weak quarter performance were health insurers and software. Health insurers declined amid policy uncertainty around Medicare Advantage reimbursement rates, and higher than expected utilization rates. Near-term earnings estimates for insurers have fallen roughly in line with share price declines. The market appears to be discounting these earnings pressures as structural rather than temporary, which we believe is incorrect. Management teams remain focused on margin recovery through pricing adjustments and benefit optimization. Importantly, the structure of the market remains unchanged, with repricing occurring annually.

Within software, we hold only one position in Workday though it is the portfolio's third largest position. Workday declined in the quarter along with other software companies. Recent AI product releases have raised concerns about potential disruption to enterprise software businesses. For example, software stocks sold off following Anthropic's introduction of legal and finance automation tools for its Claude platform. We believe this reaction is overstated and presents opportunity rather than risk. Notably, consensus earnings estimates for Workday have 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. Workday continues to report strong customer retention—an impressive 97%—and expanding product capabilities. Its competitive advantages are rooted in domain expertise, deep integrations, mission-critical workflows, and years of embedded customization—not simply underlying code. We believe it is well positioned to monetize AI through enhanced offerings rather than be displaced by it.

The Hotchkis & Wiley team remains disciplined and long-term focused. We often find the most lucrative investment ideas in market segments surrounded by near-term controversy that we believe is overstated or misunderstood. The portfolio remains appropriately diversified but also reflects our strong conviction in some of the attractive themes described above.

(continued)

¹Based on current crude prices, rather than prices for future delivery which are also frequently quoted. Based on the latter, Brent prices rose ~95% closing at ~\$118/bbl.

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

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ATTRIBUTION ANALYSIS – 1Q26

The Hotchkis & Wiley Mid-Cap Value Fund outperformed the Russell Midcap Value Index in the first quarter of 2026. The overweight position and positive stock selection in energy was the largest positive contributor by a wide margin. The portfolio's energy stocks returned +79% collectively compared to +37% for the index's energy stocks. Positive stock selection in materials and financials also helped. Stock selection in technology, healthcare, and consumer discretionary detracted from performance.

LARGEST INDIVIDUAL CONTRIBUTORS – 1Q26

Kosmos Energy (KOS) is an independent E&P focused on offshore operations in the U.S. Gulf of Mexico, Ghana, and Equatorial Guinea, with development potential in the Mauritania/Senegal LNG project. We own Kosmos for its competitive advantage in offshore expertise, with the stock trading at a discount to the value of existing production. Kosmos outperformed in the first quarter as spot Brent crude oil neared \$127 following the Strait of Hormuz closure. The company's offshore producing assets in the Gulf of Mexico, Ghana, and Equatorial Guinea benefited from the geopolitical risk premium on oil prices, while higher global LNG prices increased revenue from the recently-commissioned Greater Tortue Ahmeyim project.

APA (APA) is an independent E&P operating in the Midland and Delaware basins of the Permian and onshore Egypt, with exploration potential in Suriname, that trades at a discount despite lucrative natural gas financial contracts. We own APA for exposure to an energy market generating significant free cash flow in a perennially undersupplied environment. APA outperformed in the first quarter as oil prices surged following the Strait of Hormuz closure and the US-Israel conflict with Iran, with Brent crude peaking near \$127. The company's natural gas financial contracts—which capture differentials between Waha, the Houston Ship Channel, Henry Hub, and global LNG—became significantly more valuable as supply disruptions drove wider basis differentials.

Crescent Energy (CRGY) is an independent E&P operating in the Permian, Eagle Ford and Uinta Basins. Following their merger with Vital Energy, which expanded their geography into the Permian Basin, the Company will be the tenth largest US independent E&P. We own Crescent for its low valuation relative to free cash flow generation (over \$700 million annually), improved scale and public float. Crescent outperformed in the first quarter as oil prices surged following the Strait of Hormuz closure, with Brent crude peaking near \$127. The company's Eagle Ford assets benefited from the geopolitical risk premium, while its natural gas hedge book protects cash flows.

LARGEST INDIVIDUAL DETRACTORS – 1Q26

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). Workday's formidable competitive advantages lead to compelling unit economics (97% gross retention, 38% normal EBIT margin, low-teens subscription revenue growth) and its ERP software markets are both the largest and least cloud-penetrated in the application software universe. This provides Workday with a long runway to invest at high returns while trading at a valuation that is attractive for an established franchise. Workday posted a good Q4 that slightly beat expectations. However, continued market concerns that AI agents will displace traditional software have pressured the stock, despite switching costs and compliance risks making displacement scenarios unrealistic.

WPP (WPP LN) was the world's largest ad agency holding company before its disastrous 2025 performance and the Omnicom-IPG merger, with operations across creative services (45%), media services (40%), and public relations. We own WPP for its attractive valuation and good balance sheet, believing the company can deliver positive returns as margins expand from 12.5% to normalized 16% levels. WPP shares fell to near their lowest level since 1998 as the company reported weak results driven by client assignment losses and reduced client spending. After issuing a weak sales outlook in early 2025 then cutting that outlook in Q2 and again in Q3, the company fired its CEO of 7-years with a new CEO who started in early September. Despite weak near-term outlook, WPP reported net new business wins in Q4 2025 with momentum continuing into early 2026. The company has a good balance sheet and is trading at a very low multiple of consensus earnings, which we believe are depressed.

American International Group (AIG) is a leading commercial property-casualty insurer that has achieved improved underwriting margins and expense discipline through a multi-year turnaround. We own AIG for its strong underwriting results and attractive valuation. AIG underperformed in the first quarter, as shares fell on the announcement that CEO Peter Zaffino would step down mid-year with Aon executive Eric Andersen taking over. Eric Andersen officially joined the company on February 16 with no further senior leadership changes. Management reaffirmed Investor Day targets including low-to-mid teens premium growth in 2026.

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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.

Investing in small and medium-sized companies involves greater risks than those associated with investing in large company stocks. Please read the fund prospectus for a full list of fund risks. All investments contain risk and may lose value. Equities, bonds, and other asset classes have different risk 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. Specific securities identified are the largest contributors (or detractors) on a relative basis to the Russell Midcap Value Index. Securities' absolute performance may reflect different results. The Fund may not continue to hold the securities mentioned and the Advisor has no obligation to disclose purchases or sales of these securities. Attribution is an analysis of the portfolio's return relative to a selected benchmark, is calculated using daily holding information and does not reflect the payment of transaction costs, fees and expenses of the Fund.

The **Russell Midcap® Index**, an unmanaged index, measures the performance of the 800 smallest companies in the Russell 1000® Index. The **Russell Midcap® Value Index** measures the performance of those Russell Midcap® companies with lower price-to-book value ratios and lower forecasted growth values. The **Russell Midcap® Growth Index** measures the performance of US midcap growth stocks. The **Russell 1000® Index** measures the performance of the large-cap segment of the US equity universe. The **CBOE Volatility Index (VIX)** measures the stock market's expectation of volatility over the next 30 days based on S&P 500® Index option prices. The **S&P 500® Index** is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The indices do not reflect

the payment of transaction costs, fees and expenses associated with an investment in the Fund. The Fund's value disciplines may prevent or restrict investment in major stocks in the benchmark indices. It is not possible to invest directly in an index.

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Top ten holdings as of 3/31/26 as a % of the Fund's net assets: Kosmos Energy Ltd. 4.6%, APA Corp. 4.3%, Workday Inc. 4.0%, American Int'l Group Inc. 3.4%, Popular Inc. 3.1%, Olin Corp. 3.0%, Fluor Corp. 3.0%, SLM Corp. 2.8%, Crescent Energy Co. 2.7%, and Ericsson 2.4%.

Liquefied natural gas (LNG) is natural gas that has been cooled to liquid form for ease and safety of non-pressurized storage or transport; **Exploration and Production (E&P)** is the initial stage of oil and gas production, which involves finding and extracting oil and natural gas; and **Earnings before interest and taxes (EBIT)** measures a company's net income before income tax and interest expenses are deducted.

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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