

GLOBAL VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWGIX | HWGAX



PERFORMANCE (%) as of December 31, 2025

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/12
Global Value Fund – I Shares	3.80	23.77	23.77	20.09	14.15	10.60	10.31
MSCI World Value Index	3.34	20.79	20.79	14.51	11.35	9.23	8.88
MSCI World Index	3.12	21.09	21.09	21.17	12.15	12.17	11.58

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 1.06% for I Shares; 0.70% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2026. 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 MSCI World Index returned +3.1% in the fourth quarter of 2025, bringing its calendar year return to +21.1%. A full 17 years have now passed since the global financial crisis of 2007/2008. Since then, the MSCI World is up nearly sevenfold and has generated positive returns in 13 of the 17 calendar years. Earnings growth over this period has been impressive. However, the multiple that the market is willing to pay for those earnings has also expanded meaningfully. The MSCI World's forward P/E ratio climbed from a multidecade low of about 11x at end of 2008 to nearly 23x today. That level ranks in the 89th percentile since 1995 and has been exceeded only during the dot.com bubble and briefly during COVID, when earnings estimates temporarily collapsed. Many commentators argue that higher multiples are justified by the market's shift toward more capital-light businesses and structurally higher returns on capital. This argument has merit, but 23x earnings implies an earnings yield of just over 4%, a valuation with little margin of safety. Moreover, the capital-light narrative is being challenged by a renewed investment cycle. Market-wide capital intensity is rising and is expected to continue increasing. The hyperscalers alone spent about \$400 billion in capital expenditures in 2025, a figure that is expected to grow by about 25% in 2026.

In our view, today's elevated valuation should prompt investor caution—particularly for passive equity investors. The price paid for an investment affects its prospective return. Fortunately, the elevated valuation is heavily influenced by a small handful of stocks. Market leadership has been highly concentrated, and today's largest companies are massive. Opportunities outside of this group remain abundant, however, with overall valuations near average and select opportunities quite attractive. Excluding the Magnificent 7, the MSCI World's forward P/E would be 17.3x, nearly identical to its 30-year average of 17.4x. The portfolio trades at 13x forward earnings and less than 10x normal earnings.

In US dollar terms, stocks outside the US outperformed stocks inside the US by a wide margin in 2025. The non-US portion of the MSCI World Index returned +32% compared to +16% for the US portion. The difference is entirely explained by currency, however, as the dollar weakened significantly relative to other major currencies. Consequently, the wide valuation gap between US and non-US stocks was little changed despite the performance difference, and we remain considerably overweight the latter.

In the US, growth slightly outperformed value in the year. Interestingly, international value stocks outperformed international growth stocks by a wide margin. The MSCI World ex-USA Value Index returned +42% compared to +22% for its growth counterpart. The difference is almost entirely explained by financials, which comprised an average weight of 38.5% of the non-US value index and returned +60% in the year; it comprised less than 12% of the growth index. The portfolio's non-US financials also performed well, and we meaningfully reduced our exposure to the sector for the second consecutive year.

We view the prospects of select software companies as highly compelling. We generally consider F5 Inc. a software company despite its communications equipment GICS classification. Including F5, software is the portfolio's largest industry exposure on both an absolute and relative to the MSCI World Value Index. Over the course of the year, we used the valuation improvements to increase our exposure, and two of our largest four purchases were both software positions: Workday and Salesforce. These companies trade at discounts to their own history and to the broad market, despite being higher quality businesses, in our view. They have a sticky customer base, which helps facilitate recurring revenues and thus more predictable businesses. The growth prospects are compelling, the balance sheets are strong, and the management teams are shareholder friendly, in our opinion.

(continued)

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.**

GLOBAL VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWGIX | HWGAX



The portfolio also remains overweight healthcare. Over the past decade, the healthcare sector's return is about half that of the rest of the market. Historically, the sector has traded at a 14% valuation premium to the broad market on average, reflecting the quality of the businesses and growth prospects. Today, however, it trades at a 14% discount. It has traded at a deeper discount only 9% of the time since 1995. Over the past two years, we have also increased our exposure to consumer staples and utilities. The portfolio's exposure in these three non-cyclical sectors has gone from a 13 percentage point underweight two years ago, to an equal weight today. Financials represents the largest source of this capital shift, as we trimmed/exited several positions that have performed well.

Over the course of the year, we improved the portfolio's risk profile without sacrificing return potential. We remain optimistic about the portfolio's positioning and prospects, particularly relative to the broad market which we view as expensive.

ATTRIBUTION ANALYSIS – 4Q25 & 2025

The Hotchkis & Wiley Global Value Fund outperformed the MSCI World Value Index in the fourth quarter of 2025. Positive stock selection in communication services and consumer discretionary helped relative performance, as did the overweight position in technology. Stock selection in technology, materials, healthcare, and industrials detracted from performance in the quarter.

Over the full calendar year, the Fund also outperformed the MSCI World Value Index. Positive stock selection in consumer discretionary, industrials, and healthcare drove the outperformance. The overweight position in technology also helped. Stock selection in technology and the underweight position in financials detracted from performance in the year.

LARGEST INDIVIDUAL CONTRIBUTORS – 4Q25

Alphabet (GOOGL US) is a holding company whose primary subsidiary is Google, which is the largest advertising company in the world. Other than Search, Alphabet's other businesses are its enterprise cloud platform and venture-stage companies collectively reported as "Other Bets". The company's stock outperformed following strong 3Q25 results that beat expectations across the board, increasing investor confidence in the company's ability to convert AI opportunities into growth. That outperformance continued as Google delivered strong new AI products that appear to be taking material share of Consumer Chatbot activity from OpenAI's ChatGPT.

Warner Bros. Discovery (WBD US) is a top global TV networks and production company. Its Discovery and Turner networks are major players in U.S. Pay TV, while the Warner Bros. Studio is a leading TV production studio and film studio. WBD's direct-to-consumer video service, HBO Max, is the third largest global streaming platform. On June 9, WBD announced its intention to split into two companies: the Streaming and Studios segments

will become "Warner Bros." while the linear TV networks will become "Discovery Global". The company's stock rallied over the quarter due to a bidding war for the company's assets between Netflix and Paramount Skydance, which Netflix appears to have won with a cash offer for its studio and streaming business that values the company ~50% higher than its stock price at the end of September.

Ericsson (ERIC US/ERICB SS) is one of the largest vendors of hardware and software needed to operate wireless networks outside China. Ericsson's earnings are below normal as demand for wireless equipment is low in Japan and India. Management is turning around its mismanaged Cloud Software and Services business. We believe valuation is attractive even if Ericsson's competitors do not lose market share due to political or scale problems, but there is substantial additional upside if these possible outcomes occur. Ericsson's stock outperformed as the company signaled a pivot towards returning more capital to shareholders and 3Q25 results were modestly better than expected: company gross margins and the Cloud Software and Services business continued to improve.

LARGEST INDIVIDUAL DETRACTORS – 4Q25

F5 Inc. (FFIV US) is a global provider of application delivery, security, and performance solutions that help enterprises run and protect applications across hybrid and multi-cloud environments. Shares fell after the company disclosed that state-backed hackers from China had breached its networks and gained access to certain files from the company's BIG-IP application services. While the direct impact of the breach has been limited – no sensitive customer data was leaked and F5's operations were not impacted – management expects a modest impact to new bookings in the near term as customers are currently focused on evaluating the security posture of existing IT assets rather than buying new products. In response to the breach, F5 offered weak guidance for next quarter, and consensus earnings expectations have declined 7% for 2026 relative to pre-breach levels. While the breach may have a near-term impact on profit growth, our research suggests that the impact of security breaches at similar IT vendors have been short-lived and have very rarely led to impairment of long-term earnings power. Also, F5's strong free cash flow, net cash balance sheet, and high switching costs should help protect the company from any near-term impacts to bookings that may occur this year. We believe F5 should be able to grow revenue in the high-single-digits for many years given the strong tailwinds the company is seeing related to data center modernization and application traffic growth and limited competition in its core markets. Now trading at about 10x our estimate of next year's normal operating profit, F5's shares offer a very attractive risk/reward outlook, in our opinion.

(continued)

GLOBAL VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWGIX | HWGAX



Workday (WDAY US) is a leading cloud-based enterprise software company providing human capital management, financial management, and analytics solutions to large and mid-sized organizations. Shares fell modestly as the company reported strong Q2 results but only reaffirmed full-year guidance, which disappointed investors hoping for a beat-and-raise quarter. Sentiment around application software deteriorated over the course of the quarter, with the valuation gap between application software and semiconductor indices widening to near an all-time high. While the consensus view in the market today is that AI poses a headwind to application software vendors, our research suggests AI is more likely to be a tailwind as vendors like Workday incorporate AI-powered features into their software suites. Even without an AI tailwind, Workday should be able to grow sales in the teens for many years. Given low customer churn rates and high gross margins, Workday should earn a normal EBIT margin in the high-30s as the business matures. At a normal profit margin, Workday trades for a low-to-mid teens multiple of operating profit, vs. high-teens for the S&P 500. We believe Workday has favorable business quality attributes to the average S&P 500 company and has a net cash balance sheet and is returning cash to shareholders. This represents a compelling risk/reward.

Fiserv (FISV US) is a financial technology company that provides payments and other solutions to merchants and financial institutions. The company's scale, diversification, and ability to compound earnings at a double-digit rate make current valuation attractive. There was a sharp reset in Q3, with the FY25 outlook cut materially after a large miss versus expectations concentrated in the Financial Solutions segment, where both topline growth and profitability disappointed. While 2026 guidance has not been formally introduced, the new CEO framed FY26 as a transition year that resets the long-term growth algorithm to a lower baseline. Once earnings stabilize, we believe Fiserv offers a combination of strong topline growth, margin expansion, and cash generation.

GLOBAL VALUE FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

HWGIX | HWGAX



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.

The Fund may invest in foreign and emerging markets securities, which subjects the Fund to increased risk. 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 MSCI World 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 Global Industry Classification Standard was developed by and is the exclusive property and a service mark of MSCI Inc. and S&P and is licensed for use by H&W. All rights reserved. Neither S&P nor MSCI is liable for any errors or delays in this report, or for any actions taken in reliance on any information contained herein. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. See www.hwcm.com for full disclaimer.

The **MSCI World Index** is a free float-adjusted weighted index capturing large and mid cap stocks. The **MSCI World Value Index** is a free float-adjusted weighted index capturing large and mid cap stocks, exhibiting overall value style characteristics across 23 Developed Markets (DM) countries and include reinvestment of dividends, net foreign withholding taxes. 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.

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.

Top 10 holdings as of 12/31/25 as a % of the Fund's net assets: Workday Inc. 4.7%, F5 Inc. 4.5%, Elevance Health Inc. 3.7%, Ericsson 3.3%, American Int'l Group Inc. 3.0%, Comcast Corp. 2.8%, GE HealthCare Technologies 2.7%, UnitedHealth Group Inc. 2.4%, US Bancorp 2.3%, and BNP Paribas SA 2.2%.

The **Magnificent 7** represents Meta, Alphabet, Tesla, Nvidia, Apple, Amazon, and Microsoft; **Global Industry Classification Standard (GICS)** is a system for categorizing every public company by economic sector and industry group; **Earnings yield** is a financial ratio that measures the rate of return a company generates for each dollar invested; **Margin of safety** is the difference between the intrinsic value of a stock and its market price; **Earnings before interest and taxes (EBIT)** measures a company's net income before income tax and interest expenses are deducted; **Forward price-to-earnings (P/E) ratio** divides the current share price of a company by the estimated future "forward" earnings per share of that company; **Hyperscalers** are large-scale data centers that provide a wide range of cloud computing and data solutions for businesses that need vast digital infrastructure, processing, and storage; and **free cash flow** represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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.

Mutual fund investing involves risk. Principal loss is possible.
NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE
The Hotchkis & Wiley Funds are distributed by Quasar Distributors, LLC

WWW.HWCM.COM