# INTERNATIONAL SMALL CAP DIVERSIFIED VALUE

## COMPOSITE PERFORMANCE (%) ANNUALIZED

| | QTR | YTD | 1 Yr | 3 Yr | 5 Yr | Inception |
|---|---|---|---|---|---|---|
| H&W International Small Cap Div Value (gross) | 7.48 | 17.75 | 20.42 | 21.94 | 13.10 | 18.35 |
| H&W International Small Cap Div Value (net) | 7.30 | 17.14 | 19.59 | 21.03 | 12.23 | 17.44 |
| MSCI World ex-USA Small Cap Index | 2.88 | 10.63 | 14.50 | 19.02 | 6.48 | 11.38 |
| MSCI World ex-USA Small Cap Value Index | 5.66 | 11.28 | 16.90 | 20.43 | 9.54 | 14.16 |

Commencement of ISCDV Composite: 7/1/20. Net performance results are presented after actual management fees and all trading expenses but before custodial fees; the composite includes all International Small Cap Diversified Value discretionary accounts. Additional disclosures provided in GIPS Report.

## MARKET COMMENTARY

The MSCI World ex-USA Small Cap Index returned +2.9% in the third quarter of 2026, bringing its year-to-date return to +10.6%. International small caps outperformed large caps, as the MSCI World ex-USA Index returned +0.9%, the reverse of the US, where small caps lagged by a wide margin.

Earnings growth outside the US appears to be in the low double digits, quite good by historical standards but well below that of the US, where quarterly earnings grew more than 30% year-over-year. Solid corporate earnings appeared to offset renewed conflict in the Middle East and rate hikes in both Europe and the US. The collapse of the US/Iran ceasefire and the subsequent campaign of tanker attacks near the Strait of Hormuz sent oil prices higher. Brent crude rose 45% to $104/barrel in the quarter. The energy sector of the MSCI World ex-USA Small Cap Index returned +9% in the quarter.

Inflation fears persist. The Harmonized Index of Consumer Prices ("HICP"), Europe's closest equivalent to the US Consumer Price Index, rose 3.8%, with higher energy prices a notable driver. The European Central Bank raised its benchmark rate by 25 basis points in September, its second hike of 2026. Around the world, long-term bond yields rose. Predictably, rate-sensitive sectors like utilities and real estate declined while financials rose.

Materials stocks returned +9%, led by metals and mining (+13%), which comprises nearly 9% of the index and accounted for about a third of its return. We are significantly underweight metals and mining, which we generally view as below-average quality commodity businesses. Dispersion by geographic region was modest. The US dollar was little changed relative to other major currencies, aside from the modest strengthening of the Japanese Yen.

After a spectacular run, enthusiasm for all things AI paused. Semiconductor stocks in the MSCI World ex-USA Small Cap Index declined 12%, the worst-performing industry in the index. Uncertainty about how the AI buildout will be financed appeared to grow.

The quarter also brought a meaningful change in market disposition. In the first half of the year, high beta and high momentum stocks dominated, while value and quality lagged. In the third quarter, this largely reversed, with value and quality performing better. A single quarter does not mark the end of a speculative cycle; still, the third quarter was a reminder that valuation and fundamentals eventually matter. We believe our portfolio of high quality, attractively valued, financially sound businesses is well positioned as that reality reasserts itself.

## ATTRIBUTION ANALYSIS – 3Q26

The International Small Cap Diversified Value portfolio outperformed the MSCI World ex-USA Small Cap Index in the third quarter of 2026 (gross and net of fees). Stock selection in industrials was the largest positive contributor. Financials was next best, both positive stock selection and the overweight position. The underweight position and stock selection in materials detracted.

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Endnotes:

Portfolio managers' opinions and data included in this commentary are as of September 30, 2026. Any discussion or view of a security, an asset class/segment, industry/sector and/or investment type are not investment recommendations, should not be assumed to be profitable, and are subject to change without notice. All investments contain risk and may lose value.

Portfolio characteristics and attribution are based on a representative International Small Cap Diversified Value portfolio. The representative portfolio is used for informational purposes only, does not predict future portfolio characteristics, and may differ from other portfolios in the strategy due to asset size, client guidelines, and other variables. H&W selected the representative portfolio based on non-performance criteria. The portfolio reflects the management style of the strategy, is part of the strategy's composite, and has the longest continuous duration under the Adviser's discretion. Selection of the representative portfolio considers one or more of the following factors, such as the portfolio's investment guidelines/ restrictions, cash flow activity, or continuous duration under the Adviser's discretion. Based on the selection factors, the representative portfolio may change over the period shown.

Attribution is an analysis of a portfolio's gross of fee returns (without the deduction of fees and expenses) relative to the Index. Bloomberg calculates returns using daily holdings information. Returns calculated using this buy-and-hold methodology can differ from actual client portfolio returns due to data differences, cash flows, trading, and other activity (report is generated at a point in time and will not include any adjustments thereafter). Sector performance only covers the subset of investments specific to that sector. Analysis for different time periods and/or market environments can result in significantly different results.

The value discipline used in managing accounts in the International Small Cap Diversified Value strategy may prevent or limit investment in major stocks in the MSCI World ex-USA Small Cap and returns may not be correlated to the index. Composite performance is available at www.hwcm.com, located on the strategy's Performance tab; 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 ex-USA Small Cap Index is a free float-adjusted weighted index capturing small cap representation across 22 of 23 Developed Markets countries, excluding the United States. The MSCI World ex-USA Small Cap Value Index is a free float-adjusted weighted index capturing small cap representation, exhibiting overall value style characteristics, across 22 of 23 Developed Markets (DM) countries, excluding the United States. The Harmonized Index of Consumer Prices (HICP) is a standardized measure of inflation and consumer price changes used across the European Union, the Eurozone, and other participating countries. exhibiting overall value or growth style characteristics, respectively. The Consumer Price Index measures the overall change in consumer prices based on a representative basket of goods and services over time.

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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**Artificial Intelligence (AI); Basis point (bp)** is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument; **Beta** is a measure of a stock's volatility in relation to the overall market; and **Brent Crude** oil is a major light, sweet crude oil extracted from offshore fields in the North Sea.

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.

Investing in foreign as well as emerging markets involves additional risk such as greater volatility, political, economic, and currency risks and differences in accounting methods. Investing in smaller, medium-sized and/or newer companies involves greater risks not associated with investing in large company stocks, such as business risk, significant stock price fluctuations and illiquidity. 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. Principal Risks Disclosure for the firm's strategies are described in Part 2A of Form ADV of H&W (www.hwcm.com/wp-content/uploads/HW-Principal-Risks.pdf).

Data source: H&W, MSCI, Bloomberg

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**GIPS Report:**

Hotchkis and Wiley Capital Management, LLC (the "Firm" or "H&W") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. H&W has been independently verified for the periods October 9, 2001 through December 31, 2024. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The International Small Cap Diversified Value Composite has had a performance examination for the periods July 1, 2020 through December 31, 2024. The verification and performance examination reports are available upon request.

H&W is an independent investment management firm registered with the U.S. Securities and Exchange Commission and manages value equity and high yield assets for institutional and mutual fund investors. Its predecessor firm was established in 1980. The equity team of the predecessor firm established H&W in October 2001.

H&W refers to itself as a "registered investment adviser" in materials distributed to current and prospective clients. As a registered investment adviser with the SEC, H&W is subject to the rules and regulations adopted by the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Registration as an investment adviser is not an indication that H&W or its directors, officers, employees or representatives have attained a particular level of skill or ability.

Valuations and returns are stated in U.S. dollars. Investment returns include reinvestment of dividends, interest, capital gains, and are net of withholding taxes. Gross performance results are presented before management and custodial fees but after all trading expenses. Net performance results are presented after actual management fees and all trading expenses but before custodial fees. H&W's management fees are described in Part 2A of its Form ADV. The standard International Small Cap Diversified Value management fee schedule is 80 basis points on the first $15 million, 75 basis points on the next $35 million and 70 basis points thereafter. Internal dispersion is calculated using the equal-weighted standard deviation of all portfolios (gross returns) that were included in the Composite for the entire year. A list of composite and broad distribution pooled fund descriptions and policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance is no guarantee of future performance. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

**Composite**: The Composite includes all International Small Cap Diversified Value discretionary accounts. The International Small Cap Diversified Value strategy seeks capital appreciation primarily through investments in equity securities of non-U.S. small capitalization companies, which may include companies located or operating in developed or emerging markets. Under normal conditions, it typically will hold equity securities of approximately 250 to 300 different companies. The strategy will be based on bottom-up investment research and valuation, but will have an awareness of geographic, industry and currency exposures. The typical market cap range of the strategy is consistent with the market cap range of the MSCI World ex-USA Small Cap Index. (Composite creation & inception date: 7/1/2020)

**Indexes**: The MSCI World ex-USA Small Cap Index ("MSCIWxUSA SmallCap") is a free float-adjusted weighted index capturing small cap representation across 22 of 23 Developed Markets (DM) countries, excluding the United States. The MSCI World ex-USA Small Cap Value Index ("MSCIWxUSASmallCapVal") is a free float-adjusted weighted index capturing small cap representation, exhibiting overall value style characteristics, across 22 of 23 Developed Markets (DM) countries, excluding the United States. The indexes assume reinvestment of dividends and capital gains (net foreign withholding taxes), and assumes no management, custody, transaction or other expenses. The strategy used in managing the accounts in the Composite may prevent or limit investment in major stocks in the MSCIWxUSASmallCap and MSCIWxUSASmallCapVal. Additionally, the Composite strategy allows for investments in emerging markets stocks, which are not included in the MSCIWxUSASmallCap and MSCIWxUSASmallCapVal. These differences may lead to returns that are not correlated to the returns of the indexes. Benchmark returns are not covered by the report of independent verifiers.

The 3-year annualized standard deviation measures the variability of the composite (using gross returns) and the benchmark(s) return over the preceding 36-month period. As of December 31, 2022, the Composite did not have a 3-year track record.

| | % Total Return Gross of Fees | % Total Return Net of Fees | % Total Return MSCIW xUSA SmallCap | % Total Return MSCIW xUSA SmallCap Val | No. of Accts | Internal Dispersion (%) | Comp. Assets ($M) | Total Firm Assets ($M) |
|---|---|---|---|---|---|---|---|---|
| 2025 | 32.1 | 31.2 | 34.1 | 38.6 | <6 | n/m | 5 | 36,906 |
| 2024 | 5.4 | 4.6 | 2.8 | 3.0 | <6 | n/m | 5 | 33,144 |
| 2023 | 21.9 | 21.0 | 12.6 | 14.7 | <6 | n/m | 7 | 31,220 |
| 2022 | -7.8 | -8.5 | -20.6 | -14.0 | <6 | n/m | 6 | 28,330 |
| 2021 | 17.6 | 16.7 | 11.1 | 13.3 | <6 | n/m | 7 | 34,902 |
| 2020[1] | 32.2 | 31.7 | 29.4 | 29.0 | <6 | n/a | 6 | 31,687 |

**3-Year Annualized Standard Deviation (%)**

| | Composite | MSCIW xUSA Small Cap | MSCIW xUSA Small CapVal |
|---|---|---|---|
| 2025 | 11.9 | 13.4 | 13.0 |
| 2024 | 17.0 | 18.2 | 17.2 |
| 2023 | 17.2 | 18.0 | 17.1 |

**As of December 31, 2025 (%)**

| | 1 Yr | 5 Yr | S.I. |
|---|---|---|---|
| Composite - Gross | 32.1 | 13.0 | 17.6 |
| Composite - Net | 31.2 | 12.1 | 16.6 |
| MSCIWxUSASmallCap | 34.1 | 6.5 | 11.0 |
| MSCIWxUSASmallCapVal | 38.6 | 9.8 | 14.0 |

Average annual total returns for periods greater than one year.

[1] Period from July 1, 2020 (composite inception) through December 31, 2020.
n/a – not applicable for periods less than one year.
n/m – not considered meaningful for composites with five accounts or less for the full year.

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