PZENA Investment Management

Quarterly Report to Clients

Fourth Quarter 2024

TABLE OF CONTENTS

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To Our Clients

Global equity markets were mixed in the quarter, with the U.S. higher, once again driven by a few mega-cap stocks, while non-U.S. markets were broadly lower. The U.S. mega-cap outperformance continued the concentration trend of the past two years and led global markets to continue to concentrate more in U.S. stocks. Against this backdrop, growth broadly outperformed value, while our portfolios had mixed results relative to their benchmarks.

Our Commentary discusses the historical impact of performance concentration on investment styles and examines what has happened when the trend reversed. Additionally, we explore why it is so hard for market leaders to maintain their dominance.

The extreme performance dispersion, particularly in the U.S., has also created a substantial long-term opportunity. Our Global Research Review details the diverse opportunity set we are seeing in such geographies as the U.S., the U.K., and Korea, as well as such sectors as autos, health care, and consumer discretionary. We focus on one of these consumer discretionary stocks—Dollar General—as our Highlighted Holding. The company's management team is taking decisive actions to execute a multifaceted turnaround plan that, given the stock's record low valuation, we believe investors are not acknowledging.

Finally, in our Creating Value Through Stewardship article, we present three company examples to illustrate how our proprietary Opportunity List ratings can be helpful in identifying interim and, in some cases, final engagement outcomes.

We appreciate your support and the opportunity to share our research. We look forward to hearing your thoughts.

Sincerely,

Pzena Investment Management

PZENA COMMENTARY

Global equity markets have grown more concentrated, led by the U.S. and a few dominant stocks. Declining concentration could favor value stocks and active investment strategies over time.

Over the past decade, global equity markets have become increasingly concentrated, with the United States playing a central role in this trend. The share of the U.S. in global market capitalization has surged significantly, primarily driven by a handful of dominant companies. This concentration has become even more pronounced since the release of ChatGPT in November 2022; a small group of stocks accounted for a significant portion of U.S. market performance over the last couple of years, pushing market concentration levels to a 60-year high.

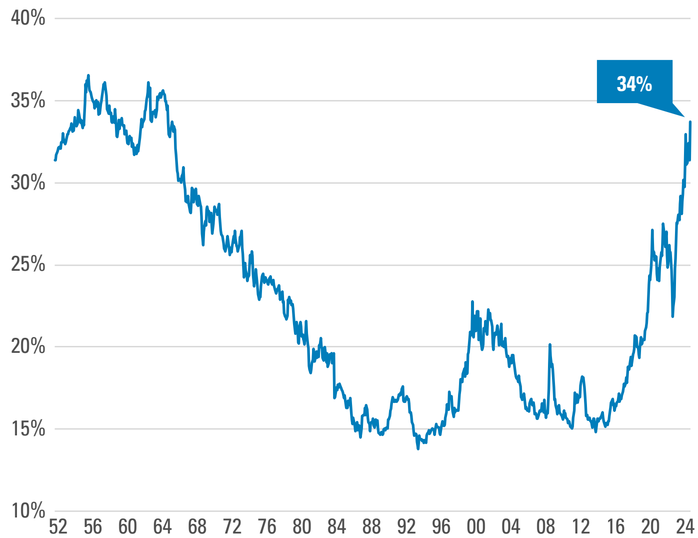
In this essay, we discuss

- The impact increasing concentration has had on investment styles and strategies
- Historical performance when market breadth widens (or expands)
- Why concentrated markets eventually broaden
- Forecasted earnings convergence in the U.S. market

INCREASING CONCENTRATION

U.S. market concentrations are at historic levels, with highs not seen for 60 years (Exhibit 1). Over the past two years, a mere 10 stocks have accounted for 62% of overall U.S. market performance. The level of concentration has become magnified since the release of ChatGPT in November 2022 and throughout the rise of investment in generative AI. Global equity markets have also become increasingly concentrated, with the U.S. acting as a major driver, as its share of the global market cap has grown to 66% from 44% since the Global Financial Crisis.

Exhibit 1: Market Concentration Has Been Increasing
U.S. Large-Cap Stocks Share of Total Market Capitalization in the Top-Ten Stocks | 1952 - 2024



Source: Empirical Research Partners, Pzena analysis
Universe is the 1,000 largest U.S. stocks ranked by market capitalization. Data from January 31, 1952 – December 31, 2024.

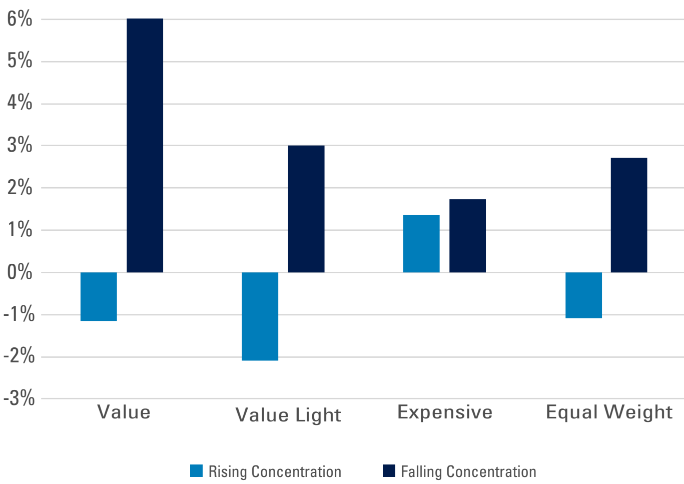
IMPLICATIONS OF CONCENTRATED PERFORMANCE

Since November 2022, the Russell 1000 Growth Index has outperformed the Russell 1000 Value Index by 54 percentage points, and the environment has been difficult for active investors[1], which is directionally in line with history (Exhibit 2). The historical performance is hardly surprising; as the largest, most expensive stocks perform well, market performance concentrates, thereby leading to value underperformance and poor alpha opportunity for active investors.

1. We found a high correlation (.76 R-squared) between the alpha of active management and the relative performance of an equally weighted index relative to a cap-weighted index.

Exhibit 2: Performance In Concentrating Markets

Average 5-Year Annualized Alpha by Market Concentration



Source: Empirical Research Partners, Sanford C. Bernstein & Co., Pzena analysis
Rising/Falling concentration = change in concentration percentage of the top 10 largest stocks in the universe versus five years ago.
Value = *stocks within the cheapest quintile based on price/book of the 1000 largest U.S. stocks (ranked by market cap).*
Value Light = *2nd cheapest quintile.*
Expensive = *most expensive quintile. The quintiles are measured on an equally weighted basis.*
Equal Weight = *1000 largest U.S. stocks on an equally weighted basis. Alpha for Value, Value Light, Expensive, and Equal Weighted are calculated versus the cap-weighted market (1000 largest U.S. stocks).*
Monthly rolling five-year data in U.S. dollars January 1, 1960 – December 31, 2024. Does not represent any specific Pzena product or service. Past performance is not indicative of future returns.

However, periods of declining concentration have historically lasted twice as long as rising concentration. Once market performance broadens and concentration levels fall, the previous effects are more than offset; value stocks significantly outperform expensive stocks, and the environment becomes more favorable for active investors. Interestingly, value-light stocks underperform value stocks in markets with both rising and falling concentration levels.

CONCENTRATION LEVELS TURN

While we cannot predict when market concentration will turn or what may drive it, history offers some guidance. The last five years have seen markets concentrate at a greater pace than during any other five-year period. The only other five-year period during which the market concentrated at levels similar to today was during the dot-com bubble of the late 1990s. The subsequent five-year periods saw a dramatic swing, as value stocks outperformed expensive stocks by nearly 1,500 basis points per year.

Market concentration can reverse for a variety of reasons. The culmination of a bubble period, as seen in the post-dot-com bubble at the turn of the twentieth century, could cause such a reversal. A general broadening of performance could also cause a reversal, as seen in the post-Nifty Fifty period in the early 1970s. Most importantly, it is extraordinarily difficult for market leaders to maintain their dominance indefinitely due to the power of capitalism and competitive markets. An analysis of the decade-by-decade top 10 global market cap leaders shows how challenging it is to remain a market leader[2]. Underperformance is a likely result of this rotation of the largest companies[3]. A nearly 60-year study found that sector leaders subsequently underperformed relative to the rest of the sector by 3–4% per year. The impact was even more powerful for the overall market cap leader, which trailed the market by 5–6% per year (Exhibit 3). That level of underperformance would have turned $100, reinvested annually into the biggest stock in the market since 1950, into just $4 today[4]. Such has been the plight of the largest stocks in the index.

Exhibit 3: Too Big to Succeed

Average Forward Relative Return | 1952 – 2009

	1Y	5Y	10Y
Overall Market Leader¹	-6.6%	-6.1%	-4.9%
Sector Leaders²	-3.5%	-3.9%	-3.3%

Source: Research Affiliates: Too Big to Succeed
https://www.researchaffiliates.com/content/dam/ra/publications/pdf/F_2010_June_Too_Big_to_Succeed.pdf

Universe is the 1,000 largest U.S. stocks ranked by market capitalization.
1. The largest market cap stock in the universe versus the universe return.
2. The average alpha for all 12 sector leaders (the largest market cap stock in each sector versus the average return of the sector).
Does not represent any specific Pzena product or service.
Past performance is not indicative of future returns.

While market leaders face fierce competition from existing companies, the biggest threat may come

2. https://www.visualcapitalist.com/how-the-top-sp-500-companies-have-changed-over-time/
3. Q2 2023 Newsletter
4. Mauboussin: Stock Market Concentration—How Much Is Too Much? https://www.morganstanley.com/im/publication/insights/articles/article_stock-marketconcentration.pdf

from companies that are not viewed as competition or ones that have not even been formed yet. On average, the so-called Magnificent Seven largest stocks have only been publicly traded for 26 years. Compare them to the top 10 stocks at the turn of the century (Exhibit 4). Only one remains among the top 10 today, and half of the current list went public after 1996. Nobody would have predicted at the time that all but Microsoft would be surpassed by the rest of the Magnificent Seven.

Exhibit 4: Top 10 U.S. Market Caps In 2000

1. Microsoft
2. General Electric
3. Cisco Systems
4. Wal-Mart Stores
5. Exxon Mobil
6. Intel
7. Lucent Technologies
8. IBM
9. Citigroup
10. AOL

Soucre: Morningstar

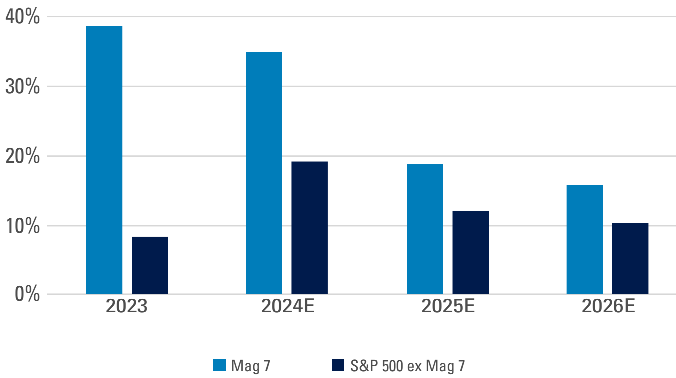
The NVIDIA-Intel rivalry is a great example of the brutal competitiveness of capitalism. At the turn of the century, Intel's market cap was $251bn, and it had a seemingly impenetrable competitive edge over NVIDIA, whose market cap was less than $1bn. Today, NVIDIA's $3.2tn market cap dwarfs that of Intel's at $86bn.

EARNINGS CONVERGENCE

The outsized recent performance of the Magnificent Seven stocks has been driven, at least in part, by incredible earnings growth. These companies have grown earnings by 37% per year in 2023 and 2024, which is approximately three times faster than the earnings of the rest of the market. The law of large numbers is catching up, however. Over the next few years, the earnings growth of these businesses is expected to decelerate and is only projected to grow a few percentage points more than the rest of the market (Exhibit 5), while trading at almost twice the valuation.

Exhibit 5: Earnings Convergence

Magnificent Seven Earnings Growth Is Moderating



Source: FactSet, Pzena Analysis
Magnificent Seven = Apple, NVIDIA, Microsoft, Amazon.com, Meta Platforms, Tesla, and Alphabet. Earnings data per FactSet as of December 31, 2024.

CONCENTRATION ONLY NEEDS TO ABATE, NOT REVERSE

As the law of large numbers looms, analysts are forecasting earnings growth of the Magnificent Seven to converge with the rest of the market, which may stem the tide of increasing market concentration. Historically, that's all that really needs to happen for style rotation to occur. The weight of the largest stocks does not need to reverse—it merely needs to stop going up. Once market concentration growth is relatively flat, value has historically outperformed the market by 460 basis points, beaten value-light strategies by 240 basis points, and outpaced expensive stocks by 370 basis points. Finally, as market concentration stops rising, equal weight (a proxy for active investing) has historically outperformed cap weight (a proxy for passive investing) by 150 basis points per year, even before market weights began to significantly diversify[5].

CONCLUSION

The rise of concentrated performance has had significant implications. Expensive stocks have consistently outperformed cheaper stocks over this period, creating a challenging environment for active managers. As the earnings growth of these dominant stocks begins to converge with the broader market, the tide may turn, which should benefit value stocks and create a more favorable environment for active investing strategies.

5. Pzena analysis. See definitions in Exhibit 2.

GLOBAL RESEARCH REVIEW

Valuation dispersion offers diverse opportunities in the U.S., the U.K., and Korea. We are finding undervalued companies in auto, health care, and consumer goods.

On the outcome of the 2024 U.S. Presidential Election, the U.S. market powered ahead, reflecting the prospect of more economic stimulus from a new Trump administration. Mega-cap growth names and financials fared well, the latter on hopes of bank deregulation measures. Value stocks have trailed growth names by a wide margin in the U.S. and hence, global indices; however, in Europe, growth and cyclical names have been impacted by recessionary concerns. China sold off on a reappraisal of its September stimulus measures and concerns about tariffs.

As the table below shows, valuations at the cheapest end of the markets remain compelling, with double-digit normal earnings yields being the norm, compared to a mid-single-digit earnings yield on the overall global market.

Global Valuations: Price-to-Normalized Earnings Mid-Points

As of December 31, 2024

	Cheapest Quintile[1]	Universe[2]
Global	7.5	14.3
U.S.	7.5	13.7
Europe	7.0	12.0
Japan	7.8	13.3
Emerging Markets	9.2	17.7

Source: Pzena analysis
1.The "cheapest quintile" includes the cheapest 20% of stocks based on Pzena's estimates of their price-to-normal earnings valuations, measured on an equally weighted basis within their relative universes (as defined below).
2. Universes comprise the largest stocks by market capitalization for each region as follows:~2,000 largest global; ~1,000 largest U.S.; ~750 largest European; ~750 largest Japanese; ~1,500 largest emerging markets.

Today, the weighted average price-to-normal-earnings ratios for two of our longer running strategies (Global Focused Value and U.S. Large-Cap Value) versus their universe median valuations sit at the lower end of the longer-term readings.

TRUMP IMPACTS

No major portfolio changes have been made as a result of the U.S. election results. Our assessment is that certain Trump policies will be positive for our portfolio, including a lower U.S. corporate tax rate and bank deregulation. Tariff threats, however, create some uncertainty, and, while it is tempting to see some of the early announcements as starting offers or bargaining ploys, the regime will clearly change.

Assessing our companies for possible tariff impacts is an ongoing part of our research effort. Take, for instance, steel maker ArcelorMittal. North America accounts for roughly 40% of Arcelor's revenue. The company imports finished steel from Canada into the U.S. and semi-finished steel from Mexico. While we do not yet know how steel imports specifically may be treated, if the mooted tariffs are rolled out, Arcelor will clearly be impacted. Much of Arcelor's production is higher-end steel for the automotive industry, which cannot be replaced by U.S. domestic producers. Interestingly, Mexico imports more steel from the U.S. than it exports to the country. We are looking at various scenarios to understand the potential impacts on Arcelor's normal earnings power.

RECYCLING INTO CHEAPER NAMES

Valuation dispersion is extreme; so too is sentiment dispersion. Unloved value stocks tend to be hard hit by investors, even for minor disappointments, which contrasts with the modest corrections and a "buy-the-dip" mentality applied to the darling growth cohort. Extreme share price reactions in "low expectation stocks" have given us the opportunity to add to positions on even more attractive valuations.

We started buying U.S. healthcare name Humana early in 2024, after its share price had collapsed by over one-third from its 2023 high. Recovery in elective surgery claims post-Covid had negatively impacted the profitability of its dominant Medicare Advantage business. We discussed the company as our Highlighted Holding in our Q2 2024 newsletter. Recently, the Centers for Medicare & Medicaid Services (CMS) reduced the company's star rating (a quality score that drives bonus payments in its Medicare Advantage unit), thus impacting next year's earnings potential. This surprising downgrade – with admittedly material near-term implications – saw the shares fall by some 20%, allowing us to add to our position. The downgrade, apparently based on just one of 40 factors considered (there had been a rogue call center issue), is being appealed by Humana. Our longer-term thesis remains intact.

UK-based household goods and health products name Reckitt Benckiser saw its shares sell off earlier this year when a class action judgment was announced, claiming that the company's infant formula product was responsible for gastrointestinal incidences in premature babies. A recent "not guilty" finding in a small suit bodes well for pending court hearings. In other news, the company is exploring the sale of its homecare assets at a price tag of £6 bn, somewhat larger than previously assumed.

NAVIGATING THE EV REVOLUTION

Disruption arising from structural changes in business models can be a fertile source of opportunity, as the switch from internal combustion engine (ICE) vehicles to electric vehicles (EVs) exemplifies. As it remains unclear who the winners will be, we have several positions in parts suppliers, notably those that are ICE versus EV agnostic, or, in some cases, at the vanguard of the EV revolution.

Last quarter, we referred to Magna International's pioneering EV work, including on battery enclosures, and there are other names we have recently added to various portfolios. Japanese conglomerate TDK is the leading provider of lithium-ion batteries for smartphones and notebooks, as well as a major provider of passive components to the automotive end market, which we expect should continue to grow. Its historical driver of profits has been its magnetic devices unit, which is now stalling, as demand for hard disk drives shrinks. However, we believe growth in batteries should continue, driven by increasing energy density requirements. As the leader in market share and technology, TDK should disproportionately benefit going forward, as it commercializes its breakthrough silicone anode battery.

NEW CONSUMER OPPORTUNITIES

Iconic British luxury apparel company Burberry Group has experienced weakness in its ready-to-wear apparel and leather goods sales, resulting in a churn in its creative leadership. However, the core trench coat and scarf businesses have proved resilient. Chinese buyers account for nearly a quarter of revenues, and the headwinds appear to be abating. The company is implementing a new distribution model and lowering some pricing points, as it refocuses its marketing effort around its core products. The final piece is cost shedding, as the company writes down its large inventory, clearing the decks for a full earnings recovery.

Korean snack food company Orion Corporation was punished by investors when it took a 25% investment stake in an unrelated (albeit very successful) bio science company, LigaChem, bringing into question management's capital allocation discipline. The company has promised that future acquisitions will be relevant to its core snack food business, which is well run. It has significant sales in China, Korea, and elsewhere in the region. Trading on a 10% free cash flow yield, the shares stand at 11x our normal earnings estimate.

BRANDED GOODS COMPANIES NAVIGATING THE HEADWINDS

Branded goods companies have confronted difficult conditions in the COVID/post-COVID world. General economic headwinds, inventory swings exacerbated by supply chain issues, and raw material and distribution cost inflation have challenged them. Grooming and care products manufacturer Helen of Troy is trading at its lowest valuation in a decade on concerns that its brand portfolio is not growing organically. Brands include OXO, Braun, Vicks, and Revlon, among others. The COVID-driven pull forward of sales has yet to fully normalize; meanwhile, Helen of Troy has struggled to pass through rising raw materials costs. The stock is at a 40% discount to long-term multiples, despite earning roughly the same profit as in 2019. Assuming modest (5%) future organic growth and an 8% profit margin, the shares trade at under 9x our normal earnings estimate.

Newell Brands is widely held across our portfolios. Management has done a good job of navigating the challenges and improving operations and logistics by better leveraging scale and simplifying operations. They have stepped up their investment in brand innovation, and their strategy of focusing on the medium and high price points in retail is consistent with macro trends at the consumer level. Newell only has roughly 15% manufacturing exposure to China (mostly baby products, which were exempt from Trump's previous tariffs), and marginal production in Mexico, putting the company in a strong position to navigate through any potential tariffs.

PARING FINANCIALS

To fund some of our recent acquisitions, we have continued to pare exposure to one of the top performing sectors over the past year—namely financials, including banks. For example, the share price of the UK's NatWest has doubled off its Q3 2023 low, and, in the U.S., Capital One has been on a similar trajectory. As previously noted, banking deregulation may give the stocks a further spur, but we have already seen big moves to this point. Notwithstanding, our exposure to this sector remains substantial.

SUMMARY

The research team is working hard, as new uncertainties or company-specific issues create potentially attractive valuation anomalies for us to exploit. As valuation-focused investors, operating in a market of valuation extremes, we continue to find many good companies trading at deeply discounted prices.

STEWARDSHIP INSIGHTS

We continue to enhance our Opportunity List, most recently by tracking engagement outcomes over time. Three company examples illustrate how our proprietary Opportunity List ratings can be helpful in identifying interim and, in some cases, final engagement outcomes.

We take the opportunity in the fourth quarter to provide examples of our stewardship and engagement activities, illustrating our ongoing commitment to long-term active ownership. Being an active owner means sitting down with the management teams and boards of companies we own and advocating for what we believe is in the best long-term interests of shareholders. As active owners, we also believe that we have the potential to influence the decisions and trajectories of the companies in which we invest. That is not to say that we are always successful, and even when we are, outcomes may take time to materialize. Nevertheless, we seek to build relationships with management teams, such that we can exert a constructive and trusted influence.

STEWARDSHIP OUTCOMES

Over time, we have more explicitly tracked progress against our engagement objectives, starting with the creation of the Pzena Opportunity List[1] and culminating in the development of proprietary ratings[2] for all companies on the Opportunity List. As a result of these process enhancements, we can report interim and, in certain cases, final outcomes for some of our engagement activities.

Some of our engagement objectives are inherently shorter-term and more discreet than others. For longer-term engagement objectives, tracking rating changes over time has proven especially helpful. The direction of travel gives us an indication of whether the company is making progress against our objectives, giving us the opportunity to escalate our engagement as needed.

In public markets where there is diversified ownership, it may take several investors advocating for the same thing to see progression, whether collaborating intentionally or not. Given that we run concentrated portfolios, we do not often need to collaborate with other investors to amplify our voice; however, we occasionally talk to other investors to share our perspective on an issue and/or test our assumptions.

Below are examples of interim and final engagement outcomes from the prior year, across our portfolios.

EXAMPLE 1: HON HAI, TAIWANESE MULTINATIONAL ELECTRONICS CONTRACT MANUFACTURER

Hon Hai was originally added to the Opportunity List because of the escalating number of labor-related controversies, as first discussed in detail in our Q4 2021 newsletter. After nearly four years of monitoring improvements in labor relations, we decided to remove Hon Hai from the Opportunity List and consider our engagement on this issue complete. The decision to fully remove Hon Hai follows their upgrade from a 2 to a 3 on our proprietary rating scale, as previously reported in our Q4 2023 newsletter.

Our primary concern was that Hon Hai could cede market share to competitors if it developed a reputation for poor management of its workforce. We maintained an ongoing dialogue with Hon Hai, discussing best operating practices and increased disclosure specific to human rights and equal treatment of workers. The company has now had close to two years without a major labor-related controversy, which, in our view, was grounds to remove Hon Hai from the Opportunity List. If these issues were to resurface, we would consider adding Hon Hai back onto the Opportunity List.

1. Consists of a subset of our portfolio companies for which ESG matters are among the most financially material issues.
2. Companies are rated from 1 to 3 to measure progress against our stated engagement objectives. A score of 1 indicates that a company has made little to no progress on the outlined objectives and/or has not acknowledged the issues. A score of 3 means the company is making substantial progress in addressing our objectives and/or is highly engaged in addressing the issues.

EXAMPLE 2: BAYER, GERMAN LIFE SCIENCES MULTINATIONAL

Bayer was originally added to the Opportunity List to track and assess litigation payments related to glyphosate and PCBs (polychlorinated biphenyls). We upgraded Bayer from a 1 to a 2 on our proprietary rating system as an interim indication of progress addressing the glyphosate litigation. This upgrade reflects management's focus on resolving the outstanding litigation, signs of progression in resolving the litigation, and the desire to maintain a robust dialogue with shareholders on the topic. Glyphosate is an herbicide widely used in agriculture and landscaping. Its safety has been debated, and the plaintiff's attorneys have had success in linking its use to non-Hodgkin's lymphoma. As of October 2024, Bayer has won 14 cases, lost 10 cases, and settled ~110 k cases for ~$11 bn. There are ~55 k remaining cases in inventory with ~$7 bn provisioned. Under new CEO Bill Anderson, Bayer is exploring additional legislative options to resolve the outstanding litigation. For example, the company is working with state and federal legislators on bills that protect manufacturers from litigation if the Environmental Protection Agency-approved label states that the product does not cause cancer. We continue to closely monitor this issue and engage with management on an ongoing basis.

EXAMPLE 3: KANTO DENKA KOGYO, JAPANESE CHEMICALS MULTINATIONAL

Not all our engagements are immediately successful, and sometimes, we downgrade a company on our proprietary rating system, as happened with Kanto Denka, which was downgraded from a 2 to a 1 to reflect the limited willingness of the management team to engage with us. Our engagement objectives for Kanto Denka were to seek clarity on the post-2030 plan for the energy transition, unwind cross-shareholdings, and discontinue anti-takeover defense measures, including removing the poison pill. In May 2024, Kanto Denka did abolish its poison pill, and management has shown a greater willingness to engage with us. Consequently, we may decide to upgrade Kanto Denka back to a 2 at our next six-month Opportunity List check-in. We will continue our efforts for an ongoing dialogue with management on our ESG engagement objectives.

HIGHLIGHTED HOLDING: DOLLAR GENERAL

Dollar General's management team is taking decisive actions to execute a multifaceted turnaround plan that, given the stock's record low valuation, we believe investors are not acknowledging.

Dollar General (DG) is the largest retailer in the U.S. by store count, with more than 20,000 locations across the country. Its core business is selling a limited assortment of daily necessities, including groceries, household supplies, and other staples, typically to lower-income shoppers in rural America. DG's unique combination of value and convenience has fueled impressive network expansion since its first location opened in 1955, and approximately 75% of the U.S. population now lives within five miles of a store[1]. Following decades of strong growth and enviable returns on capital, the company was caught off guard by the post-pandemic shift in consumer buying patterns, compounded by company-specific missteps and the outsized impact of inflation on DG's core customer. Despite near-term headwinds, we do not believe the company's value proposition has fundamentally changed; we believe management has a clear and credible plan to improve profitability, resulting in a very attractive valuation.

A REPUTABLE BUSINESS MODEL

DG generates the bulk of its sales from the sub-$35,000/year income bracket—a cohort that includes more than 27 million households[2]. In contrast to other domestic dollar chains, DG's footprint leans overwhelmingly rural, with approximately 80% of its stores located in towns with fewer than 20,000 people[3]. These communities are often underserved by competing food retail channels, including traditional grocers and big-box formats, creating an opening for DG to establish itself as a ubiquitous, small-box neighborhood market, where shoppers needing to stretch their budgets can grab necessities in non-bulk at competitive prices in between less frequent "stock up" trips to Walmart and the like. DG's pricing is generally within three percent of Walmart's, but the company's playbook is to take share from less competitive channels, particularly conventional grocers and drugstores, where price gaps are closer to 20% and 40%, respectively.

1. Company filings
2. U.S. Census Bureau, 2023
3. Company filings

		Earnings Per Share			Price/Earnings		
	Price	CY24E	CY25E	Normal*	CY24E	CY25E	Normal*
Dollar General	$75.82	$5.90	$5.92	$13.12	12.9x	12.8x	5.8x

*Fiscal quarter-end December 31. *Pzena estimate of normalized earnings.*
Source: FactSet, Pzena analysis. Data as of December 31, 2024

Importantly, DG has been an aggressive first mover in many of its rural markets, effectively boxing out competing dollar chains in areas too small to sustain a second player. Superior network density and the resulting convenience advantage enables DG to compete against Walmart and deep discounters like Aldi. Given that the average ticket at DG is less than $20, even if a competitor further away is offering marginally lower prices, the incremental fuel costs quickly become material, rendering the trip uneconomical for low-income consumers.

Despite a proven business model, channel-leading scale, and a track record of profitable growth, DG shares are down nearly 70% over the past two years, and are now trading at an all-time low valuation multiple[4].

THE DOWNTURN

In response to the stimulus-fueled boom in consumer spending during the pandemic, coupled with the procurement challenges faced by countless retailers in 2020/21, DG took on too much of the wrong inventory in management's overzealousness to improve in-stock levels. For context, DG's product mix is roughly 80% consumables and 20% higher-margin, non-consumables (e.g., home products, apparel). The timing proved inopportune, as consumer demand for discretionary goods was waning just as DG was building inventory and adding SKUs in the category. With so much excess product, DG's existing distribution centers were quickly overwhelmed, forcing the company to lease inefficient temporary warehouse space to handle the overflow. DG's inventory mismanagement triggered another

4. FactSet; P/E – NTM (monthly)

headache for the company: elevated "shrink", or theft (both internal and external), as well as damages that resulted from having too much product at the distribution centers and on store shelves.

Meanwhile, in-stock levels for the highest-velocity consumables that shoppers did want were unacceptably low, further eroding the in-store experience. At the same time, employee turnover rates spiked, as an already demanding job became intolerable for many. The company ultimately parted ways with its CEO in late 2023 after less than a year, opting to bring back former CEO Todd Vasos (2015–2022) for a second act.

DG's same-store-sales growth (SSS) today remains well below its pre-COVID average of 2–4%[5], while operating margins have been cut in half. DG's single biggest margin headwind is higher "shrink", and while it is far from the only retail chain facing pressure in that area, the impact has been more acute given DG's over-inventoried supply chain, untimely rise in employee turnover, and low-cost operating model. The company had also added self-checkouts to most of its stores in recent years, and as staff became increasingly preoccupied triaging inventory, the front end of too many stores was neglected or abandoned altogether, exacerbating external theft.

Against this backdrop, the macroeconomic elephant in the room has been inflation, given its disproportionate impact on DG's lower-income demographic, compounded by the roll-off of COVID-era stimulus payments, including SNAP benefit emergency allotments. Inflationary periods have historically been a boon for dollar stores, as middle-income households traded down into the channel, but the current cycle has been different, with persistently low unemployment and real wage growth for the upper end of the income spectrum. This has proven to be an inauspicious combination for DG: its core customer has pulled back on spending, especially in the most profitable non-consumable categories, but the shortfall has not been fully offset by incremental trade-down activity.

A CLEAR, PROFITABLE PATH FORWARD

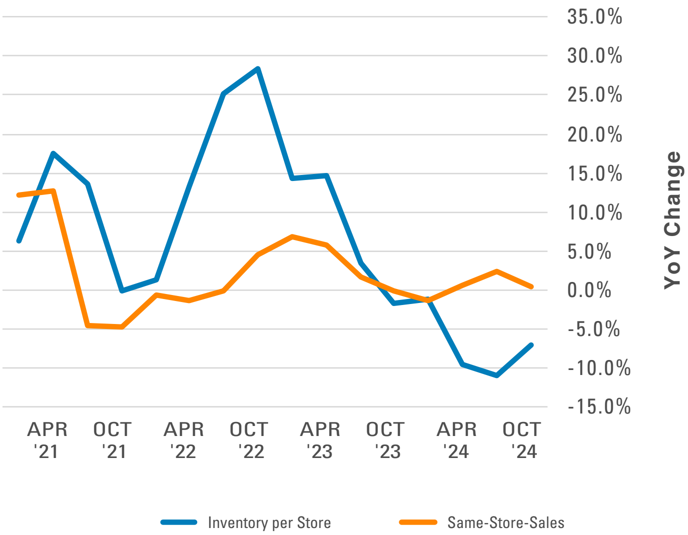
DG's challenges came to a head when the company reported quarterly results in August 2024, which revealed disappointing growth, a near-20% reduction in full-year EPS guidance, and incremental uncertainty regarding its longer-term recovery, prompting a 30% share price decline. Near-term earnings pressure notwithstanding, we believe management is taking the appropriate actions to right the ship and improve profitability.

Specifically, CEO Todd Vasos is laser focused on getting DG "Back to Basics", starting with addressing the inventory situation. This measure will take time, but we are seeing signs of progress: whereas inventory was growing at more than three times the rate of SSS as recently as 2022, it has since turned negative (Exhibit 1). Importantly, this normalization is being driven by non-consumables, which declined year-over-year by 17% and 9% on a per store basis in 2Q24 and 3Q24, respectively. This has enabled DG to exit 15 temporary warehouse facilities within the last year, and management expects to exit three more in 2025[6].

5. FactSet; Avg. annual SSS growth from 2011–2020

6. Company filings

Exhibit 1: Inventory vs. Sales Growth



Source: Factset

Beyond basic inventory reduction, DG has removed self-checkout functionality from most of its stores, which should reduce external shrink. Employee turnover is also down across the organization—an important step toward combatting internal shrink. Together, these and other initiatives, such as new anti-shrink incentives for managers, investments in labor, and bolstering the front end of stores, are already yielding results, as shrink flipped from a headwind to a 29-basis point tailwind[7] in 3Q24. While this is a small improvement, it is important proof that management's actions are bearing fruit.

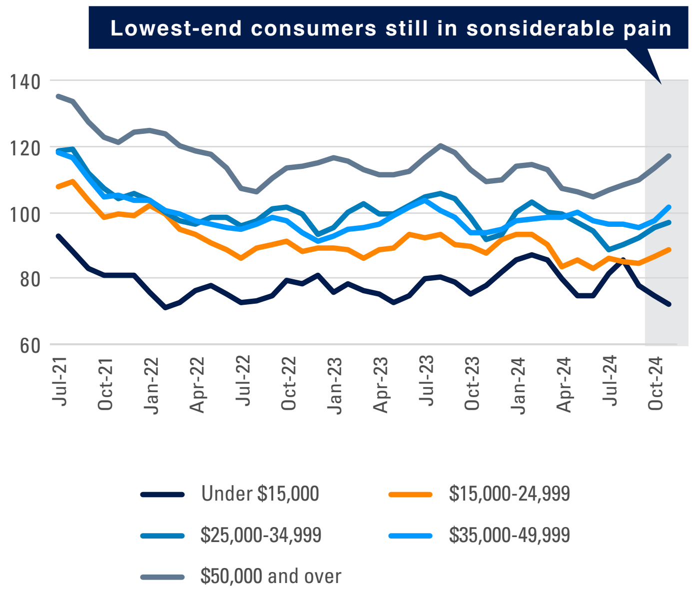
In another positive move, DG is reallocating a large portion of its capex[8] from growth to store remodels, with plans to upgrade around 20% of its existing footprint in 2025 alone—all without increasing total capital spending. Beyond 2025, management is considering upgrading most stores within the next three to five years, roughly doubling the prior remodel cadence. We believe this to be a good use of capital that should improve the in-store experience for customers in a variety of ways, such as expanding refrigerated space, installing more reliable HVAC systems, and reoptimizing planograms.

7. Company filings
8. Capital expenditures

CONCLUSION

From our perspective, DG has the right management team in place, which has been empowered to execute a turnaround, and we are seeing green shoots despite the unfavorable macro environment. While consumer sentiment has improved in recent months, there is a clear distinction between income brackets, and sentiment is still broadly lower than pre-inflation levels across the spectrum (Exhibit 2).

Exhibit 2: Consumer Confidence Index (3-month Average)



Source: FactSet, The Conference Board

In our opinion, the current stock price is so low that only small improvements are needed for the shares to re-rate higher. In our model, we assume SSS growth never reverts to >2%, and that DG ultimately recovers about half the margin compression from the last few years; on both fronts, we believe improvement is largely within management's control. Meanwhile, the eventual recovery of the lower-end consumer provides an additional souce of upside to both SSS and margins via mix benefits (i.e., a higher proportion of non-consumable sales). Given these assumptions, which we believe to be on the conservative side, DG is trading at under 6x our estimate of normal earnings.

Pzena Investment Strategies

	APPROXIMATE HOLDINGS	INVESTMENT UNIVERSE	TYPICAL CLIENT BENCHMARKS	STRATEGY INCEPTION DATE	PAGE #
GLOBAL/NON-U.S. STRATEGIES					
Global Value	60 - 95	2,000 Largest Companies Worldwide	MSCI World[1]	1/2010	14
Global Focused Value	40 - 60	2,000 Largest Companies Worldwide	MSCI ACWI	1/2004	15
International Value	60 - 80	1,500 Largest non-U.S. Companies	MSCI EAFE[1]	11/2008	16
International Focused Value	30 - 50	1,500 Largest non-U.S. Companies	MSCI ACWI ex USA	1/2004	17
International Small Cap Focused Value	40 - 70	MSCI World ex USA Small Cap	MSCI World ex USA Small Cap	10/2016	18
Emerging Markets Focused Value	40 - 80	1,500 Largest Companies in Non-Developed Markets	MSCI Emerging Markets	1/2008	19
European Focused Value	40 - 50	750 Largest European Companies	MSCI Europe	8/2008	20
Japan Focused Value	25 - 40	750 Largest Japanese Companies	TOPIX	7/2015	21
U.S. STRATEGIES					
Large Cap Value	50 - 80	500 Largest U.S. Companies	Russell 1000 Value®	7/2012	22
Large Cap Focused Value	30 - 40	500 Largest U.S. Companies	Russell 1000 Value®	10/2000	23
Focused Value	30 - 40	1,000 Largest U.S. Companies	Russell 1000 Value®	1/1996	24
Mid Cap Focused Value	30 - 40	1,000 U.S. Companies (ranked 201 – 1200)	Russell Mid Cap Value®	9/1998	25
Small Cap Focused Value	40 - 50	2,000 U.S. Companies (ranked 1001 – 3000)	Russell 2000 Value®	1/1996	26

All our strategies follow the same value investment process and philosophy; the primary difference lies in the universe considered for investment.

[1] MSCI ACWI and MSCI ACWI ex-USA versions also available

PZENA GLOBAL VALUE

Global equity markets were lower in the fourth quarter, as investors struggled with a combination of political turmoil, an uptick in U.S. interest rates, and renewed tariff threats. Our portfolio trailed the broader indices due to underweight positions in the U.S. and in the technology sector.

Health care was the largest detracting sector, with both CVS and medical products company Baxter underperforming on the back of post-election rhetoric from the incoming Trump administration implying disdain for intermediaries in the health care space. CVS also missed earnings estimates, withdrew guidance, and announced the departure of its CEO, while Baxter's 4Q guidance was weaker than expected, primarily due to higher-than-expected costs related to the impact of Hurricane Helene on its key IV manufacturing facility. Another underperformer, chemical producer Dow Inc., moved lower on weak end demand in Europe, an unplanned outage in the U.S., and continued capacity additions in China.

Financials was the top-contributing sector, with Wells Fargo, Capital One, and Citigroup all benefitting from rising interest rates, while investors are anticipating a more benign regulatory environment, as well as a pick-up in M&A activity moving forward.

We initiated a position in TDK, the Japanese manufacturer of high-density hard disk drives. We believe investors are underappreciating the company's growth drivers, including technology for batteries with very high energy density, which is becoming increasingly crucial towards reducing the size of mobile devices. We also added to our positions in CVS, Samsung Electronics, and merchant acquirer Global Payments on share price weakness, sourcing cash from trims of Japanese regional lender Resona, semiconductor distributor Avnet, and life insurer Equitable Holdings on improved valuations.

Our portfolios continue to shift gradually toward technology and health care, while retaining a significant weight in financials and consumer discretionary. ■

PERFORMANCE SUMMARY

periods greater than 1 year annualized in USD as of December 31, 2024

	4Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 1/1/10
Pzena Global Value Composite - Gross	-4.2%	6.7%	6.7%	5.9%	8.4%	7.7%	8.6%
Pzena Global Value Composite - Net	-4.4%	6.1%	6.1%	5.3%	7.8%	7.1%	8.0%
MSCI World Index	-0.2%	18.7%	18.7%	6.3%	11.2%	9.9%	10.0%
MSCI World Value Index	-4.2%	11.5%	11.5%	5.1%	7.0%	6.7%	7.5%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 27.
Past Performance is not indicative of future results.
Returns could be impacted, positively or negatively, by currency fluctuations, where applicable.

TOP 10 HOLDINGS

(See Portfolio Notes on page 28)

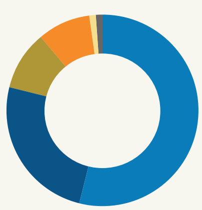
Cognizant Tech	3.4%
Nokia	2.9%
Amdocs Ltd	2.8%
Daimler Truck Holding	2.5%
Citigroup	2.4%
Taiwan Semiconductor Mfg.	2.4%
Wells Fargo	2.4%
Charter Communications	2.4%
Capital One Financial	2.3%
SS&C Technologies Holdings	2.3%
Total	25.8%

PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings[1]	7.7x	14.3x *
Price / Earnings (1-Year Forecast)	11.8x	20.7x
Price / Book	1.3x	3.6x
Median Market Cap ($B)	$30.0	$20.5
Weighted Average Market Cap ($B)	$83.1	$768.4
Active Share	95.7%	-
Standard Deviation (5-Year)	22.3%	17.8%
Number of Stocks (model portfolio)	60	1,395

Source: MSCI World Index, Pzena analysis
*Investment universe median; [1]Pzena's estimate of normal earnings.

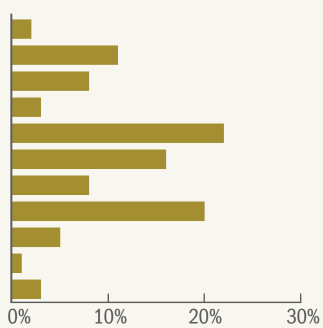
REGION CONCENTRATION



	Strategy	Index
North America	54%	77%
Europe ex-U.K.	25%	11%
United Kingdom	10%	3%
Emerging Markets	9%	0%
Japan	1%	5%
Dev. Asia ex-Japan	1%	1%
Australia/New Zealand	0%	2%

Country weights adjusted for cash - may appear higher than actual.

SECTOR WEIGHTS



	Strategy	Index
Communication Services	2%	8%
Consumer Discretionary	11%	11%
Consumer Staples	8%	6%
Energy	3%	4%
Financials	22%	16%
Health Care	16%	10%
Industrials	8%	11%
Information Technology	20%	26%
Materials	5%	3%
Real Estate	1%	2%
Utilities	3%	2%

Sector weights adjusted for cash - may appear higher than actual. Numbers may not add to 100% due to rounding.

PZENA GLOBAL FOCUSED VALUE

Global equity markets were lower in the fourth quarter, as investors struggled with a combination of political turmoil, an uptick in U.S. interest rates, and renewed tariff threats. Our portfolio trailed the broader indices due to underweight positions in the U.S. and in the technology sector.

Health care was the largest detracting sector, with both CVS and medical products company Baxter underperforming on the back of post-election rhetoric from the incoming Trump administration implying disdain for intermediaries in the health care space. CVS also missed earnings estimates, withdrew guidance, and announced the departure of its CEO, while Baxter's 4Q guidance was weaker than expected, primarily due to higher-than-expected costs related to the impact of Hurricane Helene on its key IV manufacturing facility. Shares of Chinese e-commerce giant Alibaba suffered, as investors fled China in the quarter amid persistent macroeconomic weakness.

Financials was the top-contributing sector, with Wells Fargo, Capital One, and Citigroup all benefitting from rising interest rates, while investors are anticipating a more benign regulatory environment, as well as a pick-up in M&A activity moving forward.

We initiated a position in Samsung Electronics on weakness amid the market's concerns, which we believe are overblown, about the company's positioning in the high bandwidth memory chip market, geared to AI demand. We also added TDK, a Japanese manufacturer of high-density hard disk drives. We believe investors are underappreciating the company's growth drivers, including technology for batteries with very high energy density, which is becoming increasingly crucial towards reducing the size of mobile devices. We also added to our health care positions in CVS and Humana on share price weakness, sourcing cash from U.K. grocer Tesco, life insurer Equitable Holdings, and Standard Chartered, all on improved valuations.

Our portfolios continue to shift gradually toward technology and health care, while retaining a significant weight in financials and consumer discretionary. ■

PERFORMANCE SUMMARY

periods greater than 1 year annualized in USD as of December 31, 2024

	4Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 1/1/04
Pzena Global Focused Value Composite - Gross	-5.0%	6.1%	6.1%	5.9%	8.1%	7.3%	6.5%
Pzena Global Focused Value Composite - Net	-5.2%	5.3%	5.3%	5.1%	7.3%	6.5%	5.6%
MSCI All Country World Index	-1.0%	17.5%	17.5%	5.4%	10.1%	9.2%	8.0%
MSCI All Country World Value Index	-4.7%	10.8%	10.8%	4.6%	6.4%	6.2%	6.4%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 27.
Past Performance is not indicative of future results.
Returns could be impacted, positively or negatively, by currency fluctuations, where applicable.

TOP 10 HOLDINGS

(See Portfolio Notes on page 28)

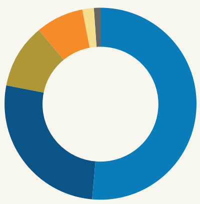
Cognizant Tech A	3.3%
Daimler Truck Holding	3.0%
Capital One Financial	2.8%
Charter Communications	2.8%
Wells Fargo	2.7%
Magna International	2.6%
Citigroup	2.6%
CVS Health	2.5%
Baxter Intl	2.5%
Dollar General	2.4%
Total	27.2%

PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings[1]	7.3x	14.3x *
Price / Earnings (1-Year Forecast)	11.2x	19.6x
Price / Book	1.2x	3.3x
Median Market Cap ($B)	$28.3	$12.6
Weighted Average Market Cap ($B)	$64.6	$708.6
Active Share	96.2%	-
Standard Deviation (5-Year)	23.5%	17.3%
Number of Stocks (model portfolio)	50	2,647

Source: MSCI ACWI Index, Pzena analysis
*Investment universe median; [1]Pzena's estimate of normal earnings.

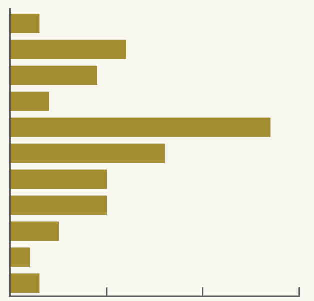
REGION CONCENTRATION



	Strategy	Index
North America	52%	69%
Europe ex-U.K.	27%	10%
United Kingdom	11%	3%
Emerging Markets	8%	9%
Japan	2%	5%
Dev. Asia ex-Japan	1%	1%
Australia/New Zealand	0%	2%

Country weights adjusted for cash - may appear higher than actual.

SECTOR WEIGHTS



	Strategy	Index
Communication Services	3%	8%
Consumer Discretionary	12%	11%
Consumer Staples	9%	6%
Energy	4%	4%
Financials	27%	17%
Health Care	16%	10%
Industrials	10%	10%
Information Technology	10%	26%
Materials	5%	3%
Real Estate	2%	2%
Utilities	3%	3%

Sector weights adjusted for cash - may appear higher than actual. Numbers may not add to 100% due to rounding.

PORTFOLIO STRATEGIES

PZENA INTERNATIONAL VALUE

Equity markets outside the U.S. had a weak end to the year, highlighted by European macro concerns and a sharp correction in Chinese bourses. Our portfolio was down in the quarter, in line with its MSCI EAFE benchmark.

U.K.-based Asian trade banks and wealth managers Standard Chartered and HSBC were both strong after reporting solid third quarter results, underpinned by strength in their wealth management segments, and expectations of higher-for-longer interest rates. Both banks also reiterated their medium-term ROTE guidance and commitments to return capital to shareholders. Additionally, French hotel operator Accor performed well, as travel and leisure demand in Europe remains robust.

The portfolio's largest detractor, pharmaceutical and biotech company Bayer AG, continues to struggle amid ongoing uncertainty around its glyphosate and PCB litigation, exacerbated by management's downbeat 2025 outlook for its crop business. E-commerce giant Alibaba, a top contributor last quarter, was weak in the period due to the lack of any substantive follow-through stimulus by the Chinese government. Tire manufacturer Michelin was also down, owing to general weakness in the European automotive sector.

We initiated a position in Samsung Electronics on weakness amid the market's concerns, which we believe are overblown, about the company's positioning in the high bandwidth memory chip market, geared to AI demand. We also added Arkema, a French-domiciled chemicals company that has transformed its portfolio to skew more toward higher margin specialty products over time. We believe a demand recovery and better utilization of recent capex will drive significant earnings growth going forward.

We added to Danish lender Danske Bank and U.K. grocer Sainsbury, while continuing to build our position in Continental AG and selling out of chemical producer Covestro. Our strategy is still weighted towards businesses in recovery mode, and we are excited by our portfolio of idiosyncratic businesses that are cheap when assessed against their fundamentals. ■

PERFORMANCE SUMMARY

periods greater than 1 year annualized in USD as of December 31, 2024

	4Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 11/1/08
Pzena International Value Composite - Gross	-8.1%	6.4%	6.4%	5.5%	7.0%	6.3%	8.9%
Pzena International Value Composite - Net	-8.2%	5.8%	5.8%	4.9%	6.4%	5.7%	8.3%
MSCI EAFE Index	-8.1%	3.8%	3.8%	1.6%	4.7%	5.2%	6.7%
MSCI EAFE Value Index	-7.1%	5.7%	5.7%	5.9%	5.1%	4.3%	6.0%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 27.
Past Performance is not indicative of future results.
Returns could be impacted, positively or negatively, by currency fluctuations, where applicable.

TOP 10 HOLDINGS

(See Portfolio Notes on page 28)

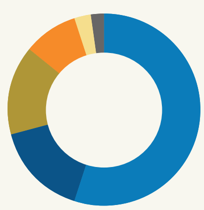
Daimler Truck Holding	2.9%
Reckitt Benckiser Group	2.9%
Roche Holding	2.8%
Sanofi	2.7%
Teleperformance	2.6%
Equinor	2.5%
HSBC Holdings	2.5%
BASF	2.4%
Michelin	2.3%
Komatsu	2.3%
Total	25.9%

PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings[1]	7.5x	14.6x *
Price / Earnings (1-Year Forecast)	9.8x	14.6x
Price / Book	1.1x	1.9x
Median Market Cap ($B)	$23.2	$14.4
Weighted Average Market Cap ($B)	$47.3	$85.2
Active Share	89.5%	-
Standard Deviation (5-Year)	21.1%	17.7%
Number of Stocks (model portfolio)	62	722

Source: MSCI EAFE Index, Pzena analysis
*Investment universe median; [1]Pzena's estimate of normal earnings.

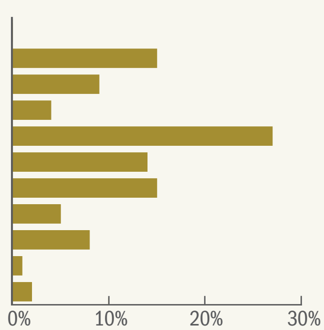
REGION CONCENTRATION



	Strategy	Index
Europe ex-U.K.	55%	50%
Japan	16%	23%
United Kingdom	15%	15%
Emerging Markets	9%	0%
North America	3%	0%
Dev. Asia ex-Japan	2%	4%
Australia/New Zealand	0%	8%
Dev. Africa/Middle East	0%	1%

Country weights adjusted for cash - may appear higher than actual.

SECTOR WEIGHTS



	Strategy	Index
Communication Services	0%	5%
Consumer Discretionary	15%	11%
Consumer Staples	9%	8%
Energy	4%	3%
Financials	27%	22%
Health Care	14%	12%
Industrials	15%	18%
Information Technology	5%	9%
Materials	8%	6%
Real Estate	1%	2%
Utilities	2%	3%

Sector weights adjusted for cash - may appear higher than actual. Numbers may not add to 100% due to rounding.

PZENA INTERNATIONAL FOCUSED VALUE

Equity markets outside the U.S. had a weak end to the year, highlighted by European macro concerns and a sharp correction in Chinese bourses. Our portfolio modestly underperformed its MSCI ACWI ex-USA benchmark in the quarter.

The portfolio's largest detractor, pharmaceutical and biotech company Bayer AG, continues to struggle amid ongoing uncertainty around its glyphosate and PCB litigation, exacerbated by management's downbeat 2025 outlook for its crop business. E-commerce giant Alibaba, a top contributor last quarter, was weak in the period due to the lack of any substantive follow-through stimulus by the Chinese government, while German chemicals giant BASF underperformed, given concerns about the European economy and rising energy prices impacting the cyclically depressed chemicals market.

U.K.-based Asian trade banks and wealth managers Standard Chartered and HSBC were both strong after reporting solid third quarter results, underpinned by strength in their wealth management segments and expectations of higher-for-longer interest rates. Another contributor, dialysis products and services provider Fresenius Medical Care, outperformed on the back of encouraging third quarter results that displayed sequential volume improvement and accelerating margin expansion.

We initiated a position in Samsung Electronics on weakness amid the market's concerns, which we believe are overblown, about the company's positioning in the high bandwidth memory chip market, geared to AI demand. We also added Europe-based auto parts and tire manufacturer Continental AG. We believe Continental AG should see significant profitability improvement, as it restructures its underperforming automotive segment, which is slated to be spun off toward the end of this year.

We added to our positions of global staffer Randstad and U.K. grocer Sainsbury, while selling out of chemical producer Covestro and electronics assembler Hon Hai.

Our strategy is still weighted toward businesses in recovery mode, and we are excited by our portfolio of idiosyncratic businesses that are cheap when assessed against their fundamentals. ■

PERFORMANCE SUMMARY

periods greater than 1 year annualized in USD as of December 31, 2024

	4Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 1/1/04
Pzena International Focused Value Composite - Gross	-8.0%	8.6%	8.6%	6.2%	7.5%	6.9%	6.7%
Pzena International Focused Value Composite - Net	-8.1%	7.8%	7.8%	5.4%	6.7%	6.1%	5.8%
MSCI All Country World Ex-U.S. Index	-7.6%	5.5%	5.5%	0.8%	4.1%	4.8%	5.7%
MSCI ACWI ex USA Value - Net Index	-7.3%	6.0%	6.0%	4.4%	4.5%	4.1%	5.3%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 27.
Past Performance is not indicative of future results.
Returns could be impacted, positively or negatively, by currency fluctuations, where applicable.

TOP 10 HOLDINGS

(See Portfolio Notes on page 28)

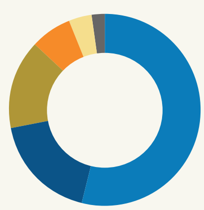
Fresenius Medical Care	3.3%
BASF	3.1%
Daimler Truck Holding	3.0%
Reckitt Benckiser Group	2.9%
Sanofi	2.8%
Randstad	2.8%
Teleperformance	2.6%
Enel	2.5%
Michelin	2.5%
UBS Group	2.5%
Total	28.0%

PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings [1]	7.3x	14.6x *
Price / Earnings (1-Year Forecast)	9.2x	14.3x
Price / Book	1.1x	1.9x
Median Market Cap ($B)	$23.4	$9.7
Weighted Average Market Cap ($B)	$47.7	$106.5
Active Share	92.6%	-
Standard Deviation (5-Year)	22.2%	17.1%
Number of Stocks (model portfolio)	49	2,058

Source: MSCI ACWI (ex USA) Index, Pzena analysis
*Investment universe median; [1]Pzena's estimate of normal earnings.

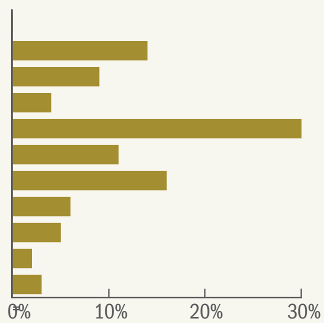
REGION CONCENTRATION



	Strategy	Index
Europe ex-U.K.	55%	31%
Emerging Markets	18%	30%
United Kingdom	14%	9%
Japan	7%	14%
Dev. Asia ex-Japan	3%	2%
North America	2%	8%
Australia/New Zealand	0%	5%
Dev. Africa/Middle East	0%	1%

Country weights adjusted for cash - may appear higher than actual.

SECTOR WEIGHTS



	Strategy	Index
Communication Services	0%	6%
Consumer Discretionary	14%	11%
Consumer Staples	9%	7%
Energy	4%	5%
Financials	30%	24%
Health Care	11%	9%
Industrials	16%	14%
Information Technology	6%	14%
Materials	5%	6%
Real Estate	2%	2%
Utilities	3%	3%

Sector weights adjusted for cash - may appear higher than actual. Numbers may not add to 100% due to rounding.

PORTFOLIO STRATEGIES

PZENA INTERNATIONAL SMALL CAP FOCUSED VALUE

Underlying non-U.S. small-cap markets were weak during the quarter, as concerns around the continued economic and political deterioration in France and Germany impacted share prices. Our portfolio's return was negative for the period but ahead of its benchmark.

The top individual contributor, industrial manufacturer THK Co., announced measures to improve governance and increased capital returns via share buybacks in the period, while Ukrainian iron ore miner Ferrexpo doubled on hopes for a negotiated end to the war with Russia. Lastly, shares of U.K. motor and home insurer Direct Line spiked after peer Aviva launched a friendly takeover offer.

On the negative side of the ledger, sensor and lighting producer ams-OSRAM was down following lower earnings guidance and a deteriorating balance sheet due to its failed fab project in Malaysia. Irish agri-services company Origin Enterprises was negatively impacted by a weather-driven, subdued planting season, and Dublin-based lender Permanent tsb Group's underperformance was driven by lower rates and continued delays in the normalization of the regulatory environment.

New positions in the quarter include U.K. luxury retailer Burberry Group, New Zealand-based building products conglomerate Fletcher Building, French homebuilder Nexity, and Australian mining services business Perenti. We believe each of these represents a fundamentally good business that is currently burdened with a combination of idiosyncratic and industry-specific controversies.

We fully exited Balfour Beatty, Ituran, Flow Traders, Deutz, and Hokkoku Financial Holdings, and reduced our stakes in THK, Direct Line, Anima, Transcontinental, and Sankyu, all on valuation.

We remain very excited about the positioning of the portfolio, maintaining a large assortment of idiosyncratic investment controversies around the world, as wide valuation spreads continue to suggest that the opportunity set remains broad and deep with high potential returns.

PERFORMANCE SUMMARY

periods greater than 1 year annualized in USD as of December 31, 2024

	4Q	YTD	One Year	Three Year	Five Year	Since Inception 10/1/16
Pzena International Small Cap Focused Value Composite - Gross	-6.4%	6.6%	6.6%	9.6%	9.3%	8.3%
Pzena International Small Cap Focused Value Composite - Net	-6.7%	5.5%	5.5%	8.5%	8.2%	7.3%
MSCI World ex USA Small Cap Index	-7.9%	2.8%	2.8%	-2.8%	2.9%	5.1%
MSCI World ex USA Small Cap Value Index	-8.1%	3.0%	3.0%	0.5%	3.4%	5.1%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 27.
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Returns could be impacted, positively or negatively, by currency fluctuations, where applicable.

TOP 10 HOLDINGS

(See Portfolio Notes on page 28)

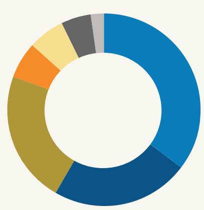
Senior	4.1%
Origin Enterprises	3.3%
Ibstock	3.1%
Sabre Insurance Group	3.0%
Perenti	2.9%
C&C Group	2.8%
BPER Banca	2.8%
Signify	2.8%
Aurubis	2.8%
Sawai Group Holdings	2.7%
Total	30.3%

PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings[1]	6.6x	11.9x *
Price / Earnings (1-Year Forecast)	10.1x	13.6x
Price / Book	0.9x	1.3x
Median Market Cap ($B)	$1.7	$1.3
Weighted Average Market Cap ($B)	$2.0	$3.0
Active Share	98.1%	-
Standard Deviation (5-Year)	25.2%	20.2%
Number of Stocks (model portfolio)	43	2,249

Source: MSCI World ex USA Small Cap Index, Pzena analysis
*Investment universe median; [1]Pzena's estimate of normal earnings.

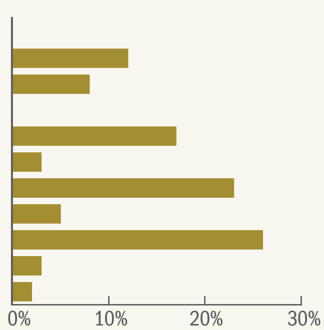
REGION CONCENTRATION



	Strategy	Index
Europe ex-U.K.	35%	28%
United Kingdom	23%	13%
Japan	22%	33%
North America	6%	10%
Australia/New Zealand	6%	9%
Dev. Asia ex-Japan	5%	3%
Emerging Markets	2%	0%
Dev. Africa/Middle East	0%	3%

Country weights adjusted for cash - may appear higher than actual.

SECTOR WEIGHTS



	Strategy	Index
Communication Services	0%	4%
Consumer Discretionary	12%	12%
Consumer Staples	8%	6%
Energy	0%	5%
Financials	17%	12%
Health Care	3%	5%
Industrials	23%	22%
Information Technology	5%	9%
Materials	26%	11%
Real Estate	3%	11%
Utilities	2%	3%

Sector weights adjusted for cash - may appear higher than actual. Numbers may not add to 100% due to rounding.

PORTFOLIO STRATEGIES

PZENA EMERGING MARKETS FOCUSED VALUE

Emerging markets had a very weak finish to the year, driven by concerns around the incoming U.S. administration and the potential impact of tariffs, trade wars, and foreign policy uncertainty. In this environment, our strategy closed the period in the red and trailed its benchmark.

Our biggest absolute detractor was Samsung Electronics, largely driven by the weak memory cycle and delays in securing customer approval for its high bandwidth memory product. E-commerce giant Alibaba and real estate developer China Overseas Land & Investment, both top contributors last quarter, were weak in the period due to the lack of any substantive follow-through stimulus by the Chinese government.

The top contributor, semiconductor cleanroom engineering and construction company United Integrated Services, surged in November after reporting excellent quarterly results, driven by increasing capex at its key customer, TSMC. In a similar vein, TSMC continues to benefit from robust AI demand and operational issues at its competitors, most notably Intel. Lastly, Abu Dhabi Commercial Bank reported strong operating results in the quarter, sending shares higher.

We initiated a position in Saudi Aramco—a best-in-class, integrated oil company with the lowest cost resource base in the world, a professional management team, and a clearly defined capital allocation policy that favors shareholder returns. Another addition, Orion Corp., is a Korean snack company that primarily operates in Korea and China; it is a staple business that prides itself on quality, differentiated and unique tastes, and affordable prices. We expect shares to ultimately re-rate higher, as management embraces a more conventional, shareholder-friendly capital allocation policy.

While there continues to be fear and uncertainty over U.S.-centric policies such as tariffs, and domestic issues such as those in Brazil and South Korea, we are excited by our portfolio of idiosyncratic businesses that are cheap when assessed against their fundamentals. ■

PERFORMANCE SUMMARY

periods greater than 1 year annualized in USD as of December 31, 2024

	4Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 1/1/08
Pzena Emerging Markets Focused Value Composite - Gross	-10.2%	6.6%	6.6%	7.2%	7.8%	7.4%	4.8%
Pzena Emerging Markets Focused Value Composite - Net	-10.5%	5.5%	5.5%	6.1%	6.7%	6.4%	3.7%
MSCI Emerging Markets Index	-8.0%	7.5%	7.5%	-1.9%	1.7%	3.6%	1.6%
MSCI Emerging Markets Value Index	-9.2%	4.5%	4.5%	0.2%	2.0%	2.8%	1.1%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 27.
Past Performance is not indicative of future results.
Returns could be impacted, positively or negatively, by currency fluctuations, where applicable.

TOP 10 HOLDINGS

(See Portfolio Notes on page 28)

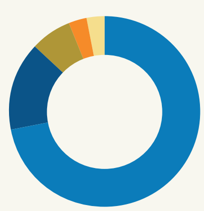
Taiwan Semiconductor Mfg	5.0%
Samsung Electronics	3.4%
China Overseas Land & Investment	2.9%
Cognizant Tech A	2.7%
WH Group	2.7%
Alibaba Group Holding	2.6%
Haier Smart Home H	2.6%
Ambev	2.5%
Weichai Power H	2.5%
Baidu A	2.4%
Total	29.3%

PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings[1]	8.1x	17.7x *
Price / Earnings (1-Year Forecast)	8.1x	13.1x
Price / Book	1x	1.8x
Median Market Cap ($B)	$11.7	$7.5
Weighted Average Market Cap ($B)	$99.4	$163.4
Active Share	80.7%	-
Standard Deviation (5-Year)	20.4%	18.3%
Number of Stocks (model portfolio)	53	1,252

Source: MSCI Emerging Markets Index, Pzena analysis
*Investment universe median; [1]Pzena's estimate of normal earnings

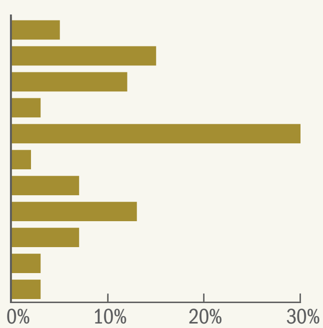
REGION CONCENTRATION



	Strategy	Index
Asia	72%	81%
Latin America	15%	7%
Europe	7%	2%
Africa/Middle East	3%	10%
North America	3%	0%

Country weights adjusted for cash - may appear higher than actual.

SECTOR WEIGHTS



	Strategy	Index
Communication Services	5%	9%
Consumer Discretionary	15%	13%
Consumer Staples	12%	5%
Energy	3%	5%
Financials	30%	24%
Health Care	2%	3%
Industrials	7%	7%
Information Technology	13%	24%
Materials	7%	6%
Real Estate	3%	2%
Utilities	3%	3%

Sector weights adjusted for cash - may appear higher than actual. Numbers may not add to 100% due to rounding.

PZENA EUROPEAN FOCUSED VALUE

European markets fell sharply in the fourth quarter due to concerns about potential U.S. tariffs, sluggish economic growth, and continued political uncertainty. In this context, value materially outperformed growth, and our portfolio outperformed both the MSCI Europe and MSCI Europe Value Indices.

Only the financials sector contributed to absolute performance. U.K. motor insurer Direct Line's shares jumped after it agreed to be acquired by large insurer Aviva for a significant premium. U.K.-domiciled, Asian-focused bank HSBC rose after its new CEO announced a restructuring plan aimed at cutting costs and making the organization nimbler. Its peer, Standard Chartered, was also up after providing a better-than-expected outlook and boosting buybacks.

Industrials was the largest detracting sector. Pharmaceutical and crop science company Bayer AG fell after providing a cautious 2025 outlook. Sensor and lighting producer ams-OSRAM was down sharply after reducing its full-year guidance, while German chemicals giant BASF remained weak due to a slower-than-expected recovery in the cyclically depressed chemicals sector.

During the quarter, we added Umicore, a materials company with leading market positions in auto catalysts and metals recycling. Despite uncertainty surrounding its EV battery materials business, we see good value in Umicore's auto catalyst and recycling units and believe the company will be rational in future capital allocation decisions. We also added British luxury apparel company Burberry Group, as we believe the company is taking the right steps to turn around performance by refocusing on its core trench coat and scarf business, and it should eventually benefit from a recovery in Chinese demand.

The European value opportunity set remains disparate and idiosyncratic, enabling us to maintain a well-diversified portfolio we believe that offers multiple paths back to the full restoration of our companies' normal earnings potential. ■

PERFORMANCE SUMMARY

periods greater than 1 year annualized in USD as of December 31, 2024

	4Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 8/1/08
Pzena European Focused Value Composite - Gross	-7.9%	2.1%	2.1%	6.1%	7.0%	5.8%	5.7%
Pzena European Focused Value Composite - Net	-8.0%	1.4%	1.4%	5.4%	6.3%	5.1%	5.0%
MSCI Europe Index	-9.7%	1.8%	1.8%	1.2%	4.9%	5.0%	3.6%
MSCI Europe Value Index	-8.4%	4.2%	4.2%	5.0%	4.5%	3.6%	2.3%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 27.
Past Performance is not indicative of future results.
Returns could be impacted, positively or negatively, by currency fluctuations, where applicable.

TOP 10 HOLDINGS

(See Portfolio Notes on page 28)

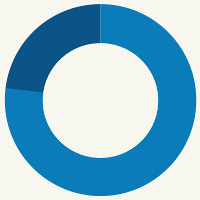
Continental	3.5%
Signify	3.4%
Reckitt Benckiser Group	3.3%
Fresenius Medical Care	3.2%
HSBC Holdings	3.1%
Enel	3.1%
Amundi	3.0%
Julius Baer Gruppe	3.0%
BASF	2.9%
Sanofi	2.8%
Total	31.3%

PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings[1]	6.9x	12x *
Price / Earnings (1-Year Forecast)	9.5x	14.2x
Price / Book	1.1x	2x
Median Market Cap ($B)	$16.3	$15.3
Weighted Average Market Cap ($B)	$36.8	$97.9
Active Share	86.7%	-
Standard Deviation (5-Year)	26.1%	19.2%
Number of Stocks (model portfolio)	44	414

Source: MSCI Europe Index, Pzena analysis
*Investment universe median; [1]Pzena's estimate of normal earnings.

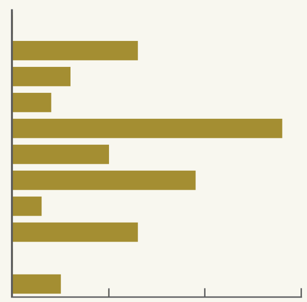
REGION CONCENTRATION



	Strategy	Index
Europe ex-U.K.	77%	77%
United Kingdom	23%	23%

Country weights adjusted for cash - may appear higher than actual.

SECTOR WEIGHTS



	Strategy	Index
Communication Services	0%	4%
Consumer Discretionary	13%	10%
Consumer Staples	6%	10%
Energy	4%	5%
Financials	28%	20%
Health Care	10%	15%
Industrials	19%	17%
Information Technology	3%	8%
Materials	13%	6%
Real Estate	0%	1%
Utilities	5%	4%

Sector weights adjusted for cash - may appear higher than actual. Numbers may not add to 100% due to rounding.

PORTFOLIO STRATEGIES

PZENA JAPAN FOCUSED VALUE

Japanese equity markets advanced in local currency, as concerns over rapid yen appreciation against the U.S. dollar subsided this quarter. In U.S. dollar terms, only financials contributed to absolute returns, whereas health care, information technology, and communication services all detracted, partly due to the yen's relative weakness. Our Japan Focused Value portfolio outperformed its TOPIX benchmark for the quarter.

THK, a leading linear motion guide supplier, outperformed after announcing revised management plans designed to improve ROE by emphasizing capital efficiency and substantially increasing shareholder returns. Coca-Cola Bottlers Japan also performed well following a revised shareholder return policy, underpinned by management's heightened confidence in the company's earnings recovery. Sumitomo Electric Industries, an industrial conglomerate, posted strong gains after reporting better-than-expected results across its core businesses.

Conversely, Taiyo Yuden, a leading multi-layer ceramic capacitor supplier, detracted the most amid a weakening outlook for core end markets such as general-purpose servers and high-end smartphones. Yamaha Corp., the world's largest musical instrument manufacturer, underperformed due to concerns over musical instrument demand uncertainty in China. Olympus Corp., a medical equipment supplier, also lagged after its former CEO stepped down amid allegations of illegal drug purchases. Despite these headwinds, we remain confident in our longer-term forecasts.

This quarter, we initiated positions in leading semiconductor wafer supplier Sumco Corp., major carbon product provider Tokai Carbon, seating systems specialist Toyota Boshoku, and industrial equipment supplier Daihen Corp. While each company faces near-term earnings pressure from soft end-market demand and elevated costs, they each possess solid market positions. We believe their earnings will recover over time, driven by normalization of demand and costs alongside self-help initiatives.

We increased our stakes in Taiyo Yuden and Japan Airlines, while divesting from Net One Systems, and trimming Toray, DIC, and Resona, all on valuations.

Looking ahead, our strategy continues to focus on selectively investing in undervalued Japanese companies, particularly those undertaking structural reforms to enhance capital efficiency and shareholder returns. ■

PERFORMANCE SUMMARY

periods greater than 1 year annualized in USD as of December 31, 2024

	4Q	YTD	One Year	Three Year	Five Year	Since Inception 7/1/15
Pzena Japan Focused Value Composite - Gross	-3.7%	10.2%	10.2%	7.4%	6.1%	5.6%
Pzena Japan Focused Value Composite - NET	-3.9%	9.3%	9.3%	6.5%	5.2%	4.8%
TOPIX Index	-4.1%	7.7%	7.7%	3.0%	4.4%	5.1%
TOPIX Value Index	-1.9%	13.2%	13.2%	10.0%	7.2%	5.8%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 27.
Past Performance is not indicative of future results.
Returns could be impacted, positively or negatively, by currency fluctuations, where applicable.

TOP 10 HOLDINGS

(See Portfolio Notes on page 28)

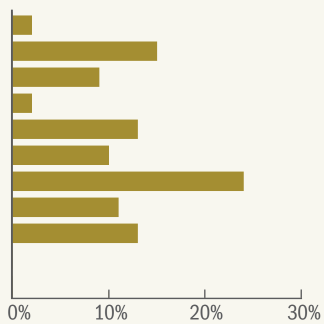
Coca-Cola Jp H	3.7%
THK	3.5%
Sumitomo Electric Inds	3.4%
Yamaha	3.4%
Toray Industries	3.3%
Bridgestone	3.3%
TDK	3.2%
Sankyu	3.2%
NSK	3.2%
Suntory Beverage & Food	3.1%
Total	33.3%

PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings [1]	8.6x	13.3x *
Price / Earnings (1-Year Forecast)	14.5x	14.9x
Price / Book	1x	1.4x
Median Market Cap ($B)	$4.2	$0.4
Weighted Average Market Cap ($B)	$11.4	$53.5
Active Share	92.1%	-
Standard Deviation (5-Year)	17.8%	15.3%
Number of Stocks (model portfolio)	38	2,124

Source: TOPIX Index, Pzena Analysis
*Investment universe median; [1]Pzena's estimate of normal earnings.

SECTOR WEIGHTS



	Strategy	Index
Communication Services	2%	7%
Consumer Discretionary	15%	18%
Consumer Staples	9%	6%
Energy	2%	1%
Financials	13%	14%
Health Care	10%	7%
Industrials	24%	25%
Information Technology	11%	13%
Materials	13%	5%
Real Estate	0%	2%
Utilities	0%	1%

Sector weights adjusted for cash - may appear higher than actual. Numbers may not add to 100% due to rounding.

PZENA LARGE CAP VALUE (U.S.)

The fourth quarter marked another period of significant outperformance by the growth cohort. The value index lagged growth by 900 basis points, bringing the total underperformance for the year to 1,900 basis points. Against this backdrop, our Large Cap Value portfolio performed broadly in line with its benchmark but still significantly lagged for the full year.

Financials was the top-contributing sector, with Wells Fargo and Capital One being the largest individual contributors. Both lenders benefited from higher interest rates, a continued benign credit environment, and expectations of a more favorable regulatory stance from the incoming administration. Outside of financials, consumer discretionary and telecommunications also contributed positively to the quarter. Consumer products company Newell Brands was another top performer, as the company continues to execute on its turnaround, while sales appear to be at or near trough levels.

Health care, consumer staples, and industrials all declined in the quarter. The largest individual detractor, health services company CVS, was weak after the company missed earnings estimates, withdrew guidance, and announced the departure of its CEO. Chemical producer Dow Inc. moved lower on weak end demand in Europe and continued capacity additions in China. Roughly 40% of Dow's capacity is tied to construction end markets in some way, which continue to struggle amid the higher interest rate environment. Lastly, medical products company Baxter's shares declined, as 4Q guidance was weaker than expected, primarily due to higher-than-expected costs related to the impact of Hurricane Helene on its key IV manufacturing facility.

We added one new position during the quarter: Corebridge Financial, formerly the life and retirement business of AIG, trading at a significant discount to its tangible book value despite a well-positioned annuities business. We increased our stakes in CVS and Baxter, along with pure-play Medicare Advantage insurer Humana, making them among the largest positions in the portfolio and reflecting, in our view, each company's significant valuation discount. Humana shares have remained under pressure, as the company continues to face elevated medical costs due to increased utilization, combined with a significant reduction in star quality ratings for its 2026 plans. We also added to our positions in Dow, radio frequency component manufacturer Skyworks, and discount retailer Dollar General, all on weakness. We funded these purchases by trimming positions in financials Goldman Sachs, Bank of America, and JPMorgan, as well as defense contractor Leidos and regulated utility Edison International, all on strength.

Market reactions to short-term events have been particularly severe in recent quarters, resulting in higher dispersion. Despite this observation, we believe that the portfolio remains well-positioned in companies with attractive valuations and businesses poised for long-term earnings normalization. ■

PERFORMANCE SUMMARY

periods greater than 1 year annualized in USD as of December 31, 2024

	4Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 7/1/12
Pzena Large Cap Value Composite - Gross	-1.3%	7.1%	7.1%	6.5%	9.1%	8.6%	11.6%
Pzena Large Cap Value Composite - Net	-1.4%	6.7%	6.7%	6.1%	8.6%	8.2%	11.1%
Russell 1000 Value Index	-2.0%	14.4%	14.4%	5.6%	8.7%	8.5%	11.0%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 27.
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TOP 10 HOLDINGS

(See Portfolio Notes on page 28)

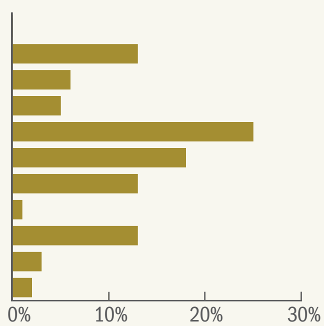
Capital One Financial	4.4%
Wells Fargo	3.5%
Citigroup	3.4%
MetLife	3.3%
Global Payments	3.3%
SS&C Technologies Holdings	3.2%
Equitable Holdings	3.0%
Charter Communications	2.9%
Humana	2.9%
Baxter Intl	2.9%
Total	32.8%

PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings[1]	7.8x	14.3x *
Price / Earnings (1-Year Forecast)	12.3x	17.7x
Price / Book	1.5x	2.5x
Median Market Cap ($B)	$39.0	$13.4
Weighted Average Market Cap ($B)	$82.0	$158.5
Active Share	87.2%	-
Standard Deviation (5-Year)	24.2%	18.7%
Number of Stocks (model portfolio)	50	869

Source: Russell 1000® Value, Pzena analysis
*Investment universe median; [1]Pzena's estimate of normal earnings.

SECTOR WEIGHTS



	Strategy	Index
Basic Materials	0%	3%
Consumer Discretionary	13%	10%
Consumer Staples	6%	6%
Energy	5%	7%
Financials	25%	21%
Health Care	18%	14%
Industrials	13%	19%
Real Estate	1%	5%
Technology	13%	7%
Telecommunications	3%	4%
Utilities	2%	5%

Sector weights adjusted for cash - may appear higher than actual. Numbers may not add to 100% due to rounding.

PORTFOLIO STRATEGIES

PZENA LARGE CAP FOCUSED VALUE (U.S.)

The fourth quarter marked another period of significant outperformance by the growth cohort. The value index lagged growth by 900 basis points, bringing the total underperformance for the year to 1,900 basis points. Against this backdrop, our Large Cap Focused Value portfolio outperformed its benchmark for the quarter, but still significantly lagged for the full year.

Financials was the top-contributing sector, with Wells Fargo, Capital One, and Citigroup being the largest individual contributors. All three lenders benefited from higher interest rates, a continued benign credit environment, and expectations of a more favorable regulatory stance from the incoming administration. Outside of financials, consumer discretionary and telecommunications also contributed positively to the quarter.

Health care, consumer staples, and technology all declined in the quarter, and the largest individual detractor, chemical producer Dow Inc., moved lower on weak end demand in Europe and continued capacity additions in China. Roughly 40% of Dow's capacity is tied to construction end markets, which continue to struggle amid the higher interest rate environment. Management announced a strategic review of its European polyurethane assets, as well as a sale of the company's infrastructure assets to shore up the balance sheet. Health services company CVS was weak after the company missed earnings estimates, withdrew guidance, and announced the departure of its CEO. Additional headlines surrounding the pharmacy benefit management industry, as well as overall negative sentiment, further weighed on the stock. Lastly, medical products company Baxter's shares declined, as 4Q guidance was weaker than expected, primarily due to higher-than-expected costs related to the impact of Hurricane Helene on its key IV manufacturing facility.

We increased our stakes in CVS and Baxter, along with pure-play Medicare Advantage insurer Humana, making them among the largest positions in the portfolio and reflecting, in our view, each company's significant valuation discount. Humana shares have remained under pressure, as the company continues to face elevated medical costs due to increased utilization, combined with a significant reduction in star quality ratings for its 2026 plans. We also added to our positions in discount retailer Dollar General and payment processor Global Payments, both on weakness. We funded these purchases by exiting regulated utility Edison International on valuation, and trimming positions in financials Citigroup, Wells Fargo, Goldman Sachs, and Capital One, all on strength.

Market reactions to short-term events have been particularly severe in recent quarters, resulting in higher dispersion. Despite this observation, we believe that the portfolio remains well-positioned in companies with attractive valuations and businesses poised for long-term earnings normalization. ■

PERFORMANCE SUMMARY

periods greater than 1 year annualized in USD as of December 31, 2024

	4Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 10/1/00
Pzena Large Cap Focused Value Composite - Gross	-0.3%	5.0%	5.0%	5.9%	8.8%	8.3%	7.8%
Pzena Large Cap Focused Value Composite - Net	-0.5%	4.3%	4.3%	5.2%	8.0%	7.5%	7.0%
Russell 1000 Value Index	-2.0%	14.4%	14.4%	5.6%	8.7%	8.5%	7.5%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 27.
Past Performance is not indicative of future results.
Returns could be impacted, positively or negatively, by currency fluctuations, where applicable.

TOP 10 HOLDINGS

(See Portfolio Notes on page 28)

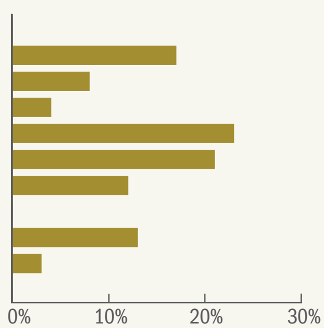
CVS Health	5.1%
Baxter Intl	5.0%
Citigroup	4.6%
Humana	4.3%
Wells Fargo	4.1%
Capital One Financial	4.1%
Dow	3.8%
Global Payments	3.8%
Fresenius Medical Care	3.7%
Dollar General	3.6%
Total	42.1%

PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings[1]	7.2x	14.3x*
Price / Earnings (1-Year Forecast)	12x	17.7x
Price / Book	1.4x	2.5x
Median Market Cap ($B)	$34.5	$13.4
Weighted Average Market Cap ($B)	$69.6	$158.5
Active Share	92.7%	-
Standard Deviation (5-Year)	26.6%	18.7%
Number of Stocks (model portfolio)	32	869

Source: Russell 1000® Value, Pzena analysis
*Investment universe median; [1]Pzena's estimate of normal earnings.

SECTOR WEIGHTS



	Strategy	Index
Basic Materials	0%	3%
Consumer Discretionary	17%	10%
Consumer Staples	8%	6%
Energy	4%	7%
Financials	23%	21%
Health Care	21%	14%
Industrials	12%	19%
Real Estate	0%	5%
Technology	13%	7%
Telecommunications	3%	4%
Utilities	0%	5%

Sector weights adjusted for cash - may appear higher than actual. Numbers may not add to 100% due to rounding.

PORTFOLIO STRATEGIES

PZENA FOCUSED VALUE (U.S.)

The fourth quarter marked another period of significant outperformance by the growth cohort. The value index lagged growth by 900 basis points, bringing the total underperformance for the year to 1,900 basis points. Against this backdrop, our Focused Value portfolio trailed its benchmark for the quarter and the year.

Health care, consumer staples, and industrials all declined in the quarter, and the largest individual detractor, window and door manufacturer JELD-WEN, reported a considerable earnings miss due to weak end markets in North America and Europe, along with the loss of a major customer to a non-domestic manufacturer. Later in the quarter, the company was forced to sell a plant at a very low price. While we are disappointed with the outcome, we are pleased that the legal saga, which had been an overhang on the stock, has been put to bed. In addition, the company continues to consolidate its facilities, which should support cost take-outs of about $100mn in 2025. Health services company CVS was weak after the company missed earnings estimates, withdrew guidance, and announced the departure of its CEO. Additional headlines surrounding the pharmacy benefit management industry, as well as overall negative sentiment, further weighed on the stock. Lastly, medical products company Baxter's shares declined, as 4Q guidance was weaker than expected, primarily due to higher-than-expected costs related to the impact of Hurricane Helene on its key IV manufacturing facility.

Financials was the top-contributing sector, with Wells Fargo, Capital One, and Citigroup being the largest individual contributors. All three lenders benefited from higher interest rates, a continued benign credit environment, and expectations of a more favorable regulatory stance from the incoming administration. Outside of financials, consumer discretionary and telecommunications also contributed positively in the quarter.

We increased our stakes in CVS and Baxter, along with pure-play Medicare Advantage insurer Humana, making them among the largest positions in the portfolio and reflecting, in our view, each company's significant valuation discount. Humana shares have remained under pressure, as the company continues to face elevated medical costs due to increased utilization, combined with a significant reduction in star quality ratings for its 2026 plans. We also added to our positions in discount retailer Dollar General and auto supplier Magna International, both on weakness. We funded these purchases by exiting regulated utility Edison International on valuation and trimming positions in Capital One, Citigroup, C.H. Robinson, and Charter Communications, all on strength.

Market reactions to short-term events have been particularly severe in recent quarters, resulting in higher dispersion. We believe that the portfolio remains well-positioned in companies with attractive valuations and businesses poised for long-term earnings normalization. ■

PERFORMANCE SUMMARY

periods greater than 1 year annualized in USD as of December 31, 2024

	4Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 1/1/96
Pzena Focused Value Composite - Gross	-2.6%	6.5%	6.5%	8.7%	10.3%	8.6%	10.4%
Pzena Focused Value Composite - Net	-2.8%	5.5%	5.5%	7.6%	9.2%	7.5%	9.3%
Russell 1000 Value Index	-2.0%	14.4%	14.4%	5.6%	8.7%	8.5%	9.0%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 27.
Past Performance is not indicative of future results.
Returns could be impacted, positively or negatively, by currency fluctuations, where applicable.

TOP 10 HOLDINGS

(See Portfolio Notes on page 28)

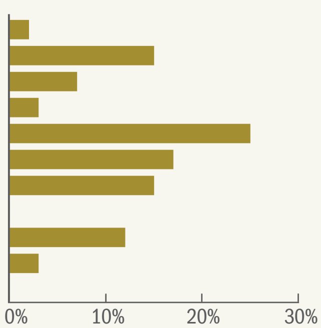
Citigroup	4.6%
Wells Fargo	4.6%
CVS Health	4.5%
Capital One Financial	4.1%
Baxter Intl	4.0%
Humana	3.8%
Global Payments	3.5%
Lear	3.2%
Dollar General	3.1%
Charter Communications	3.0%
Total	38.4%

PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings[1]	7.1x	13.7x*
Price / Earnings (1-Year Forecast)	11.8x	17.7x
Price / Book	1.4x	2.5x
Median Market Cap ($B)	$16.6	$13.4
Weighted Average Market Cap ($B)	$54.2	$158.5
Active Share	93.5%	-
Standard Deviation (5-Year)	27.2%	18.7%
Number of Stocks (model portfolio)	37	869

Source: Russell 1000® Value, Pzena analysis
*Investment universe median; [1]Pzena's estimate of normal earnings.

SECTOR WEIGHTS



	Strategy	Index
Basic Materials	2%	3%
Consumer Discretionary	15%	10%
Consumer Staples	7%	6%
Energy	3%	7%
Financials	25%	21%
Health Care	17%	14%
Industrials	15%	19%
Real Estate	0%	5%
Technology	12%	7%
Telecommunications	3%	4%
Utilities	0%	5%

Sector weights adjusted for cash - may appear higher than actual. Numbers may not add to 100% due to rounding.

PZENA MID CAP FOCUSED VALUE (U.S.)

The U.S. mid-cap market was essentially flat for the quarter, trailing large caps, which have been increasingly driven by a few mega-cap growth stocks. Value continued to lag growth due to tariff threats and inflation concerns, and we significantly underperformed the value benchmark, as is typical in a growth-centric market.

The largest sector detractors were health care, basic materials, and industrials. Window and door manufacturer JELD-WEN reported a sizable earnings miss due to weak end markets in North America and Europe, as well as from the loss of a major customer to a non-domestic manufacturer. Later in the quarter, the company was forced to sell a plant at a very low price, disappointing the market. Another underperformer, chemical producer Dow Inc., moved lower on weak end demand in Europe, while China continues to add capacity, pressuring pricing. Also, roughly 40% of Dow's capacity is tied to construction in some way, which continues to struggle amid the higher interest rate environment. Olin, another basic materials company, was weak after a competitor announced it was adding chlor-alkali capacity.

Consumer discretionary, financials, and telecommunications all gained. Delta Air Lines was our strongest contributor, with shares advancing on the bankruptcy of Spirit Airlines, along with planned capacity reductions by competing airlines. Advance Auto Parts contributed after announcing the sale of its Worldpac business for $1.5 billion. The company is also in the process of consolidating distribution facilities while increasing its large market hubs, with the goal of bringing products closer to its end customers. Longer term, we believe an aging car fleet and increased vehicle complexity should prove to be natural tailwinds for the business. Lastly, Capital One powered ahead on the results of the U.S. election, effectively decreasing the likelihood of CFPB restrictions being enacted, and raising the likelihood of its merger with Discover being approved.

We increased our position in insurer Humana after the stock faced heavy selling pressure due to a financial article claiming that the Medicare Advantage industry—particularly Humana—profits excessively from low-utilizing veterans with duplicative coverage from the VA. Our analysis found that the article omitted key context, such as the competitive nature of the industry and the fact that the Centers for Medicare & Medicaid Services reviews and approves the margin profile of every Medicare Advantage plan. We remain confident in Medicare Advantage's role in improving senior care while managing Medicare costs, and we believe Humana is well-positioned to benefit from plan repricing to account for a more normalized post-COVID utilization environment.

Market reactions to short-term events have been particularly severe in recent quarters, resulting in higher dispersion. Despite this observation, we believe that the portfolio remains well-positioned in companies with attractive valuations and businesses poised for long-term earnings normalization. ■

PERFORMANCE SUMMARY

periods greater than 1 year annualized in USD as of December 31, 2024

	4Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 9/1/98
Pzena Mid Cap Focused Value Composite - Gross	-4.6%	1.8%	1.8%	5.8%	11.2%	9.6%	12.1%
Pzena Mid Cap Focused Value Composite - Net	-4.8%	0.8%	0.8%	4.8%	10.1%	8.5%	11.0%
Russell Midcap Value Index	-1.7%	13.1%	13.1%	3.9%	8.6%	8.1%	9.9%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 27.
Past Performance is not indicative of future results.
Returns could be impacted, positively or negatively, by currency fluctuations, where applicable.

TOP 10 HOLDINGS

(See Portfolio Notes on page 28)

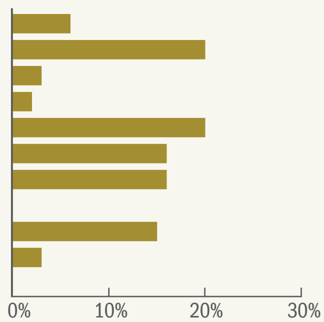
Humana	4.2%
Baxter Intl	3.8%
Dollar General	3.5%
Global Payments	3.3%
Lear	3.3%
Charter Communications	3.3%
Dow	3.2%
Magna International	3.2%
Delta Air Lines	3.1%
Robert Half	3.1%
Total	34.0%

PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings[1]	7.2x	13.2x *
Price / Earnings (1-Year Forecast)	11.7x	17.1x
Price / Book	1.5x	2.3x
Median Market Cap ($B)	$12.8	$10.3
Weighted Average Market Cap ($B)	$18.2	$25.0
Active Share	94.9%	-
Standard Deviation (5-Year)	28.5%	22.0%
Number of Stocks (model portfolio)	38	711

Source: Russell Midcap® Value, Pzena analysis
*Investment universe median; [1]Pzena's estimate of normal earnings.

SECTOR WEIGHTS



	Strategy	Index
Basic Materials	6%	3%
Consumer Discretionary	20%	14%
Consumer Staples	3%	6%
Energy	2%	6%
Financials	20%	16%
Health Care	16%	8%
Industrials	16%	21%
Real Estate	0%	10%
Technology	15%	8%
Telecommunications	3%	1%
Utilities	0%	7%

Sector weights adjusted for cash - may appear higher than actual. Numbers may not add to 100% due to rounding.

PORTFOLIO STRATEGIES

PZENA SMALL CAP FOCUSED VALUE (U.S.)

Markets were volatile to end the year, as post-election gains were offset by a reversal in December. Both swings were particularly pronounced in small caps and contributed to a flat quarter for the broad small-cap index. For the full year, small caps lagged large caps markedly. Against this backdrop, value lagged growth. Our portfolio declined and slightly underperformed the benchmark this quarter.

Industrials, basic materials, and technology all detracted from performance this quarter. The biggest individual detractor was window and door manufacturer JELD-WEN, whose earnings were pressured by a combination of housing-demand and client-specific issues. Additionally, the courts forced the company to sell its Towanda plant for a highly depressed valuation. The stock remains attractively valued, but the range of outcomes has widened as industry competition has increased. Chlor-alkali chemical company Olin faced earnings pressures related to Hurricane Beryl. More significantly, one of its customers is vertically integrating by building new chlor-alkali capacity, thereby increasing industry competition. Automotive seat manufacturer Adient detracted due to continued auto end market weakness, combined with restructuring expenses, as the company actively reduces its European exposure.

The top contributing sectors were financials, health care, and consumer discretionary. The top individual contributor was retailer Genesco, owner of Journeys and Johnson & Murphy, among other brands. Same-store sales turned positive on easier comps, and management has confidence that it has worked through product assortment issues, putting it in a better position going into 2025. Bread Financial, a provider of private-label credit cards, also contributed, as the Republican election victories reduced regulatory risks for the company. Auto part retailer Advance Auto Parts was strong, as the company's balance sheet improved. Management is taking action to exit less profitable markets and fix underlying operational issues.

We added dental products manufacturer Envista to the portfolio this quarter. The company holds substantial market share in several categories, including implants and orthodontics. Earnings are depressed due to weak consumer expenditures on elective procedures, underinvestment in innovation and in its sales force, and losses in its clear aligner business. Ultimately, we believe Envista is well-positioned in its core markets; we believe earnings should normalize as end markets recover, the company bolsters its implants franchise, and the clear aligner business matures.

We continued to build our position in chemical company Huntsman and added to automotive seat manufacturer Adient and customer service outsourcer Concentrix, both on weakness. We funded these buys by exiting apparel retailer Gap, cable and connectors manufacturer Belden, and flooring manufacturer Interface, all on strength. We also trimmed a few financials holdings on strength.

While 2024 was a challenging year for small caps, value stocks, and our portfolio, we used market volatility as an opportunity to add to existing positions. The portfolio remains positioned toward more economically sensitive and cyclical names, as valuations remain quite attractive. ■

PERFORMANCE SUMMARY

periods greater than 1 year annualized in USD as of December 31, 2024

	4Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 1/1/96
Pzena Small Cap Focused Value Composite - Gross	-1.3%	3.0%	3.0%	7.1%	10.2%	9.4%	12.8%
Pzena Small Cap Focused Value Composite - Net	-1.5%	2.0%	2.0%	6.1%	9.1%	8.4%	11.6%
Russell 2000 Value Index	-1.1%	8.1%	8.1%	1.9%	7.3%	7.1%	9.1%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 27.
Past Performance is not indicative of future results.
Returns could be impacted, positively or negatively, by currency fluctuations, where applicable.

TOP 10 HOLDINGS

(See Portfolio Notes on page 28)

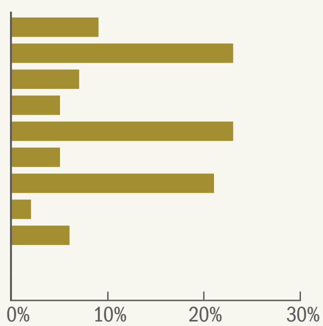
MRC Global	3.4%
Advance Auto Parts	3.3%
CNO Finl Group	3.2%
Korn Ferry	3.1%
Old National Bancorp	3.0%
Adient	3.0%
Spectrum Brands Holdings	2.9%
TriMas	2.8%
Orion	2.8%
Webster Finl	2.7%
Total	30.2%

PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings[1]	7.3x	12.3x *
Price / Earnings (1-Year Forecast)	12.2x	13.9x
Price / Book	1.2x	1.3x
Median Market Cap ($B)	$1.9	$0.8
Weighted Average Market Cap ($B)	$2.8	$2.8
Active Share	96.0%	-
Standard Deviation (5-Year)	30.1%	25.4%
Number of Stocks (model portfolio)	48	1,434

Source: Russell 2000® Value, Pzena analysis
*Investment universe median; [1]Pzena's estimate of normal earnings.

SECTOR WEIGHTS



	Strategy	Index
Basic Materials	9%	4%
Consumer Discretionary	23%	12%
Consumer Staples	7%	2%
Energy	5%	7%
Financials	23%	29%
Health Care	5%	9%
Industrials	21%	13%
Real Estate	2%	12%
Technology	6%	4%
Telecommunications	0%	2%
Utilities	0%	5%

Sector weights adjusted for cash - may appear higher than actual. Numbers may not add to 100% due to rounding.

Calendar Year Returns *FIGURES IN USD*

GLOBAL VALUE

	2020	2021	2022	2023	2024
Global Value - Gross	4.4%	20.6%	-7.3%	20.1%	6.7%
Global Value - Net	3.9%	19.9%	-7.8%	19.4%	6.1%
MSCI World Index	15.9%	21.8%	-18.1%	23.8%	18.7%
MSCI World Value Index	-1.2%	21.9%	-6.5%	11.5%	11.5%

GLOBAL FOCUSED VALUE

	2020	2021	2022	2023	2024
Global Focused Value - Gross	3.7%	20.2%	-7.4%	20.8%	6.1%
Global Focused Value - Net	3.0%	19.3%	-8.1%	19.9%	5.3%
MSCI ACWI Index	16.3%	18.5%	-18.4%	22.2%	17.5%
MSCI ACWI Value Index	-0.3%	19.6%	-7.5%	11.8%	10.8%

INTERNATIONAL VALUE

	2020	2021	2022	2023	2024
International Value - Gross	5.8%	12.9%	-7.6%	19.4%	6.4%
International Value - Net	5.2%	12.3%	-8.1%	18.7%	5.8%
MSCI EAFE Index	7.8%	11.3%	-14.5%	18.2%	3.8%
MSCI EAFE Value Index	-2.6%	10.9%	-5.6%	19.0%	5.7%

INTERNATIONAL FOCUSED VALUE

	2020	2021	2022	2023	2024
International Focused Value - Gross	5.7%	13.2%	-8.7%	20.8%	8.6%
International Focused Value - Net	4.9%	12.3%	-9.4%	19.9%	7.8%
MSCI ACWI ex USA Index	10.7%	7.8%	-16.0%	15.6%	5.5%
MSCI ACWI ex USA Value Index	-0.8%	10.5%	-8.6%	17.3%	6.0%

INTERNATIONAL SMALL CAP FOCUSED VALUE

	2020	2021	2022	2023	2024
Int. Small Cap Focused Value - Gross	0.3%	18.0%	-0.3%	24.0%	6.6%
Int. Small Cap Focused Value - Net	-0.7%	16.8%	-1.3%	22.8%	5.5%
MSCI World ex-USA Small Cap Index	12.8%	11.1%	-20.6%	12.6%	2.8%
MSCI World ex-USA Small Cap Value Index	2.6%	13.3%	-14.0%	14.7%	3.0%

EMERGING MARKETS FOCUSED VALUE

	2020	2021	2022	2023	2024
EM Focused Value - Gross	10.0%	7.5%	-5.7%	22.4%	6.6%
EM Focused Value - Net	9.0%	6.4%	-6.6%	21.2%	5.5%
MSCI Emerging Markets Index	18.3%	-2.5%	-20.1%	9.8%	7.5%
MSCI Emerging Markets Value Index	5.5%	4.0%	-15.8%	14.2%	4.5%

EUROPEAN FOCUSED VALUE

	2020	2021	2022	2023	2024
European Focused Value - Gross	0.3%	17.2%	-6.2%	24.8%	2.1%
European Focused Value - Net	-0.4%	16.5%	-6.8%	24.0%	1.4%
MSCI Europe Index	5.4%	16.3%	-15.1%	19.9%	1.8%
MSCI Europe Value Index	-5.1%	13.2%	-7.2%	19.7%	4.2%

JAPAN FOCUSED VALUE

	2020	2021	2022	2023	2024
Japan Focused Value - Gross	0.1%	8.3%	0.7%	11.6%	10.2%
Pzena Japan Focused Value - Net	-0.7%	7.5%	-0.1%	10.7%	9.3%
TOPIX	12.6	0.8%	-15.2%	19.6%	7.7%
TOPIX Value	0.8%	5.5%	-5.0%	23.9%	13.2%

LARGE CAP VALUE

	2020	2021	2022	2023	2024
Large Cap Value - Gross	-1.4%	29.5%	-4.1%	17.5%	7.1%
Large Cap Value - Net	-1.8%	29.0%	-4.5%	17.0%	6.7%
Russell 1000® Value	2.8%	25.2%	-7.5%	11.5%	14.4%

LARGE CAP FOCUSED VALUE

	2020	2021	2022	2023	2024
Large Cap Focused Value - Gross	-1.5%	30.2%	-5.7%	20.0%	5.0%
Large Cap Focused Value - Net	-2.2%	29.3%	-6.3%	19.2%	4.3%
Russell 1000® Value	2.8%	25.2%	-7.5%	11.5%	14.4%

FOCUSED VALUE

	2020	2021	2022	2023	2024
Focused Value - Gross	-0.1%	27.2%	-6.4%	28.7%	6.5%
Focused Value - Net	-1.1%	26.0%	-7.4%	27.4%	5.5%
Russell 1000® Value	2.8%	25.2%	-7.5%	11.5%	14.4%

MID CAP FOCUSED VALUE

	2020	2021	2022	2023	2024
Mid Cap Focused Value - Gross	7.8%	32.9%	-5.0%	22.6%	1.8%
Mid Cap Focused Value - Net	6.8%	31.6%	-6.0%	21.4%	0.8%
Russell Midcap® Value	5.0%	28.3%	-12.0%	12.7%	13.1%

SMALL CAP FOCUSED VALUE

	2020	2021	2022	2023	2024
Small Cap Focused Value - Gross	1.4%	30.5%	-5.8%	26.7%	3.0%
Small Cap Focused Value - Net	0.3%	29.2%	-6.8%	25.5%	2.0%
Russell 2000® Value	4.6%	28.3%	-14.5%	14.6%	8.1%

See Portfolio Notes/Disclosures and important risk information beginning on the following page.
Past Performance is not indicative of future results.
Returns could be impacted, positively or negatively, by currency fluctuations, where applicable.
Gross rates of return are presented gross of investment management fees and net of the deduction of transaction costs. An investor's actual return will be reduced by investment management fees. Net Returns are derived using a model fee applied monthly to Gross returns. Pzena uses the highest tier fee schedule, excluding performance fees, to illustrate the impact of fees on performance returns. As product fees change, the current highest tier schedule will be in effect.

PORTFOLIO NOTES

The contents of this document are for informational purposes only, and highlight certain investment strategies that Pzena Investment Management, LLC ("PIM") manages. It does not constitute an offer to sell, or a solicitation of an offer to buy, any strategy referenced herein.

The specific portfolio securities discussed in the Commentary, Global Research Review, and Stewardship Insights section of this report were selected for inclusion based on their ability to help you understand our investment process and not based on performance. They do not represent all of the securities purchased or sold or recommended for our client accounts during the quarter, and it should not be assumed that investments in such securities were or will be profitable. The portfolio security discussed in the Highlighted Holding section of this report (Dollar General) was held in our Focused Value, Global Focused Value, Global Value, Large Cap Focused Value, Large Cap Value, Mid Cap Focused Value, and other strategies during the fourth quarter 2024. These securities were selected to illustrate our research process and not based on performance. Top 10 holdings for our strategies have been derived from the strategy's composite. Holdings will vary among client accounts as a result of different product strategies having been selected thereby. Holdings also may vary among client accounts as a result of opening dates, cash flows, tax strategies, etc. There is no assurance that any securities discussed herein remain in your portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and, in the aggregate, may represent only a small percentage of an account's portfolio holdings.

Gross rates of return are presented gross of investment management fees and net of the deduction of transaction costs. An investor's actual return will be reduced by investment management fees. Net Returns are derived using a model fee applied monthly to Gross returns. Pzena uses the highest tier fee schedule, excluding performance fees, to illustrate the impact of fees on performance returns. As product fees change, the current highest tier schedule will be in effect.

RISK INFORMATION

All investments involve risk, including loss of principal. Investments may be in a variety of currencies and therefore changes in rates of exchange between currencies may cause the value of investments to decrease or increase. The price of equity securities may rise or fall because of economic or political changes or changes in a company's financial condition, sometimes rapidly or unpredictably. Investments in foreign securities involve political, economic and currency risks, greater volatility and differences in accounting methods. These risks are greater for investments in Emerging Markets. Investments in small-cap or mid-cap companies involve additional risks such as limited liquidity and greater volatility than larger companies. PIM's strategies emphasize a "value" style of investing, which targets undervalued companies with characteristics for improved valuations. This style of investing is subject to the risk that the valuations never improve or that returns on "value" securities may not move in tandem with the returns on other styles of investing or the stock market in general.

Past performance is no guarantee of future results, and the past performance of any accounts or commingled funds managed by PIM should not be considered indicative of the future performance of any accounts or commingled funds managed by PIM. Investment return and principal value of an investment will fluctuate over time. The performance information provided is historical in nature. The performance information presented for each investment strategy represents composite performance of separately-managed accounts and/or commingled funds (depending on the particular investment strategy presented).

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Benchmarks are used for comparative purposes only. The Russell, MSCI, and TOPIX indices cannot be invested in directly. The Pzena strategies are significantly more concentrated in their holdings and have different sector/ regional weights than their respective benchmarks. Accordingly, the performance of the Pzena Composites will be different from, and at times more volatile, than that of the indices.

The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected growth values. The Russell 2000® Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap® Value Index measures the performance of the midcap value segment of the U.S. equity universe. It includes those Russell Midcap® Index companies with lower price-to-book ratios and lower forecasted growth values.

The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance and provides equity returns including dividends net of withholding tax rates as calculated by MSCI. The MSCI All Country World Index (ACWI) is a free float-adjusted market capitalization index that is designed to measure developed and emerging market equity performance and provides equity returns including dividends net of withholding tax rates as calculated by MSCI. The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada, and provides equity returns including dividends net of withholding tax rates as calculated by MSCI. The MSCI ACWI ex USA Index is a free float-adjusted market capitalization index that is designed to measure developed and emerging market equity performance, excluding the U.S., and provides equity returns including dividends net of withholding tax rates as calculated by MSCI. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets, and provides equity returns including dividends net of withholding tax rates as calculated by MSCI. The MSCI World ex-USA Small Cap Index is a free float-adjusted market capitalization index that is designed to measure small cap developed market equity performance, excluding the United States, and provides equity returns including dividends net of withholding tax rates as calculated by MSCI. The TOPIX Net Total Return Index is a free-float adjusted market capitalization-weighted index that is calculated based on all the domestic common stocks listed on the TSE First Section including dividends net of withholding tax rates as calculated by TOPIX. The MSCI Europe Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of the developed markets in Europe, and provides equity returns including dividends net of withholding tax rates as calculated by MSCI.

The MSCI World Value Index, MSCI ACWI Value Index, MSCI EAFE Value Index, MSCI ACWI ex USA Value Index, MSCI Emerging Markets Value Index, MSCI World ex-USA Small Cap Value Index, TOPIX Value Index and MSCI Europe Value Index are constructed from their respective parent index. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price, and dividend yield.

FURTHER INFORMATION

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