

# Quarterly Report to Clients

First Quarter 2025

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## TABLE OF CONTENTS

- 2**     **COMMENTARY**  
In the face of global market volatility, we use our risk analysis framework to evaluate tariff impacts.
- 6**     **GLOBAL RESEARCH REVIEW**  
Despite the extreme performance divergence between U.S. and European stocks in the quarter, Europe remains attractively valued, and we are finding value opportunities across the market cap spectrum while trimming positions that benefited from the prevailing environment.
- 9**     **STEWARDSHIP INSIGHTS**  
Stewardship has always been integral to our investment process. We present the set of best practices we have honed over time.
- 11**    **HIGHLIGHTED HOLDING - SAMSUNG ELECTRONICS**  
Samsung Electronics is a global tech conglomerate possessing a fortress balance sheet, industry-leading scale, and a core memory chip business suffering from temporary headwinds, but we believe it is poised for long-term structural growth.
- 14**    **PORTFOLIO STRATEGIES**  
The first quarter saw a seismic shift away from U.S. stocks into international markets, predominantly Europe—which posted one of its best relative performance quarters in decades. Our portfolio performance was mixed, with non-U.S. strategies benefiting from the reallocation to global equities.

# To Our Clients

Global equity markets were mixed in the quarter, with U.S. stocks down and non-U.S. stocks broadly higher, while value outperformed. As the calendar turned to April, the U.S. administration announced broad-based tariffs, which sent global stock markets tumbling sharply lower, touching bear market territory. While our portfolios were not immune to the sell-off, in times like these, we are comforted by the deep fundamental research we do to ensure our holdings have the financial wherewithal to withstand a steep economic downturn.

Our Commentary discusses how we are examining the potential tariff war through the lens of our risk framework and offers some representative examples. Since we opened our doors 30 years ago, we have used our ownership stake to exert influence and drive long-term shareholder value creation. Our Creating Value Through Stewardship article details the set of best practices we have developed over time, which help us nurture constructive and lasting relationships with the management teams of the companies we invest in.

Our Global Research Review details the diverse opportunity set we are seeing across the globe in chemical producers, as well as some trims we made in financials and AI-related stocks, on strength. Finally, Samsung Electronics is our Highlighted Holding. The company is navigating a cyclical downturn in the global memory market, which has impacted its core business. We believe the company is well-positioned for sustainable earnings growth because of its dominance in conventional memory chips and strong consumer electronics franchises.

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

Sincerely,

Pzena Investment Management

## PZENA COMMENTARY

While tariff fears and economic volatility are testing markets, our systematic risk framework allows us to evaluate exposures and identify resilient companies amid global trade uncertainties.

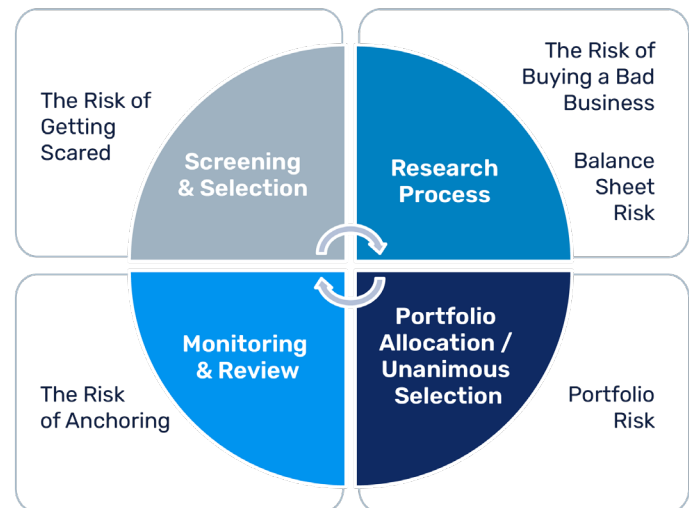
Volatility in global markets ticked up in the first quarter as investors grappled with uncertainty. Tariff fears have been at the forefront since President Trump won the U.S. presidential election in November of last year, exacerbated by the broad-based tariffs announced in April. In this essay, we discuss the following:

- Pzena’s risk analysis framework
- The unprecedented tariffs announced at the beginning of April
- How we assess both the tariff and broader economic risks within our risk framework

### PZENA’S RISK FRAMEWORK

Having an appropriate risk framework is critical to successful investing, to avoid what we believe is the ultimate impediment to long-term portfolio performance: permanent impairment of capital. As value investors, we seek opportunities among cheap stocks—where there is controversy and/or something has gone wrong, and the risk of impairment is low. This tension—buying cheap stocks versus avoiding permanent capital loss—is central to our process. The cost of safety is paying a premium for businesses with fewer issues, reducing potential returns; however, taking excessive risks can quickly impair performance. To manage this balance, among the many risks we consider, we focus on five key categories of risk: getting scared, buying a bad business, balance sheet events, portfolio construction, and anchoring on deeply researched positions (Exhibit 1).

Exhibit 1: Pzena Risk Analysis Framework



### RISK OF GETTING SCARED

A central tenet of our philosophy as value investors is that you only get the opportunity to buy good businesses at a substantial discount when there is a problem. The challenge this presents to human beings with emotions is that the instinct is often to avoid problems and find something less scary. We avoid this bias by focusing our screens only on companies likely to be in the cheapest quintile. Focusing on the cheapest quintile ensures we look at the most promising names and maintain our valuation discipline.

Our starting point is a company’s previous 10 years of history, which we use in a systematic process to forecast future earnings. This ensures the forecast is based on the company's history and not the current fear.

### RISK OF BUYING A BAD BUSINESS

We seek to develop a deep understanding of the economics of the underlying business we are considering. We have several formal touchpoints where we gather as a team to debate, probe, and

deepen our understanding. During this process, we seek out the bear thesis and other contrarian views to bring different perspectives. We research each position as if we were buying the entire business and try to understand the underlying economic drivers, the industry's competitive dynamics, management's plans, supplier/customer behavior, and other key factors.

Once we have a fully baked investment thesis, we visit the management team on-site. These visits are intentionally done at the end of the process, so we have an informed view and are not just listening to management's standard pitch. We do a final review, debating the company's normal earnings power. When a research project completes this process, there have been multiple formal opportunities for everyone to debate the issues, ensuring we understand the business, its earnings potential, and the possible range of outcomes.

### **RISK OF A BALANCE SHEET EVENT**

Equally, if not more important, is whether the business has a liquidity profile that allows it the flexibility to reach that long-term potential. This involves looking at the level of debt and its maturity dates, in the context of our assessment of the company's cash flow profile. Leverage is the enemy of the value investor, as being right about the long-term outcome is meaningless if a liquidity event substantially dilutes the equity on its path to recovery.

To mitigate liquidity risk, we model equity issuance for each company to reduce its net debt to net working capital. This forces many of the most leveraged names—where cheapness of the equity may be a function of excessive balance sheet debt—out of the first quintile. If a name makes it through the process with high leverage, and we choose to invest, we will typically hold a smaller position in the portfolio than we might otherwise.

### **PORTFOLIO CONSTRUCTION RISK**

We regularly assess portfolio construction to manage industry and country exposures. Portfolio decisions require unanimous agreement among the portfolio managers, which sets a high bar, ensures thorough debate, and eliminates individual biases. When a stock underperforms, we ask: should we buy more, hold, or exit? We may increase our stake if incremental data supports our thesis, but the stock drops. If new data contradicts our thesis, we reduce or exit the position.

We also utilize external tools to monitor whether our perceived risks align with actual exposures. This helps ensure the portfolio remains balanced and diversified while maintaining our valuation discipline. It is also consistent with historical research highlighting that, over the longer term, the richest rewards lie in investing in the cheapest quintile of market valuations.

### **RISK OF ANCHORING**

Deep research can lead to emotional attachment. To counteract this, we enforce a strict sell discipline. Stocks are sold when their valuation reaches the market midpoint, with gradual trimming as they appreciate. This constant recycling into cheaper stocks maintains portfolio discipline.

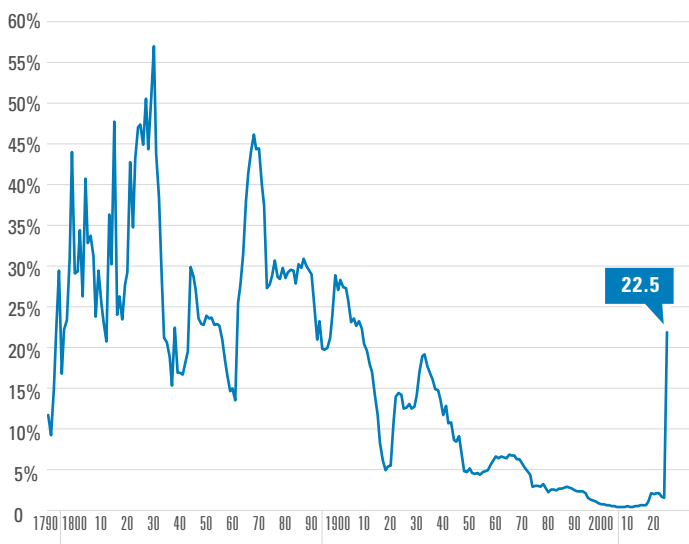
We continuously monitor industry news, earnings, and macro events to assess whether new information aligns with our original thesis. Contradictory data prompts re-evaluation and potential position adjustments. We also speak with management periodically and meet with them at least annually to stay informed.

We rotate industry coverage among analysts every 3–5 years to prevent cognitive biases. This fresh perspective helps avoid anchoring and complacency, while enhancing team development.

## TARIFFS

Our investment process is focused on identifying and analyzing all the risks of a potential investment before it enters the portfolio, while ensuring a company has the market position and financial wherewithal to absorb unforeseen risks that inevitably arise. Broad-based tariffs and trade concerns have emerged as a significant market risk over the past six months, particularly after the April 2nd announcement (see Exhibit 2).

**Exhibit 2 – Proposed US Tariffs: Highest Level in Over 100 Years**  
The US Effective Tariff Rate on Dutiable Imports 1790 Through 2025



Source: Empirical Research Partners  
Data as of April 9, 2025.

Global markets sold off sharply following the announcement, on fears that the tariff war would trigger a global recession. We've previously written extensively about the impact of recessions ([2Q22 Commentary](#)). We found the following to be true:

- It is incredibly hard to predict recessions. Paul Samuelson, a Nobel Prize winner in Economics, famously said, "The stock market has predicted nine out of the last five recessions."
- Successfully trading around recessions requires not only calling the recession itself but timing both exit and re-entry points.
- By the time a recession is declared, the pain

has already been felt, and the outlook for equity investors is typically attractive.

- Value tends to underperform in the sell-off leading into a recession, but significantly outperforms coming out of a recession, ultimately well ahead of the market for the period starting from the pre-recession peak.

## TARIFFS THROUGH THE PZENA RISK FRAMEWORK

Tariffs and trade wars are always a threat, and we assess these risks on a company-by-company basis under the same framework described above:

- **Bad Business/Balance Sheet** – With the final policy so uncertain, our starting point was to stress-test all portfolio companies to assess the potential impact on normal earnings in a worst-case scenario and ensure each balance sheet was not at risk of impairment.
- **Getting Scared** – There are potentially new companies in the cheapest quintile due to trade fears.
- **Portfolio Construction** – We want to ensure our portfolios aren't overly exposed to any potential tariffs.
- **Anchoring** – N/A

The current iteration of the Trump administration's policies is far more punitive than most had predicted, though the potential impact of tariffs on the global economy remains to be seen. It is crucial to evaluate the impact on a company-by-company basis, considering the core value-add and market position of each relative to competitors. This helps identify which companies or industries may gain or lose market share due to specific tariffs and which have the pricing power to transfer these costs to customers.

We undertook a review of all companies in our portfolios to determine their relative vulnerabilities to tariffs and their strategies for coping. Below, we offer examples:

- Over the past several years, U.S. consumer products company Newell Brands has cut its

Chinese manufacturing down to roughly 15% of the cost of goods sold, with a plan to reduce this number to 10% by the end of 2025. Most of the Chinese exposure is in the baby division, and it is currently exempt from Section 301 tariffs to give relief to young families. Initially, we believed this would give the company a significant cost advantage, but the broad geographic tariffs announced in early April touched geographies the company had shifted to. Additionally, only 5% of the company's cost of goods sold (COGS) is in Mexico, and the Canadian exposure is negligible. With most of its manufacturing and sourcing in the U.S., we believe the company should still likely have a cost advantage over its competitors.

- Tire manufacturing represents a non-discretionary replacement item that should be able to pass through the tariffs to the end user, but this might affect competitors in very different ways. Roughly 60% of U.S. tires are imported. French tire manufacturer Michelin supplies about 75% of its U.S. demand from local production, which is not subject to tariffs. The company could benefit as import tariffs would raise the cost of cheaper, low-end tires produced by Asian competitors. On the cost side, Michelin has manufacturing flexibility to move production longer term, while raw materials for tires are typically sourced locally, so supply chain issues should be manageable.
- Chinese home appliance maker Haier generates about 30% of its revenue in North America, with 50% of that sourced from the U.S., 30% from Mexico, and 10% from China. Tariffs primarily impact the 10% from China, equating to around 3% of revenue. To address tariff pressures, Haier plans to share costs with suppliers, improve manufacturing efficiency, and adjust prices without sacrificing market share. In the case of severe tariffs, Haier would increase U.S. production with additional capital spending, which could be easily accommodated with its strong cash flows. Despite potential downstream economic effects, Haier's appliance business remains stable, as a large portion

of revenue is driven by replacements and upgrades rather than new home sales, making it more resilient than other consumer categories.

These are just a few examples, but they are indicative of the broader conversations our research team is having regarding tariff risk. Many of our companies with manufacturing assets in China have downsized their production capacity since the last tariff iteration in 2018–2019, only to see the broad tariffs announced once again impact them. There is still a high degree of uncertainty regarding future and final policies from the Trump administration, especially since they are broad-based. And because we don't know what tariffs may look like, we stress-test our holdings with potential exposure to quantify the earnings impact in a worst-case scenario.

## CONCLUSION

While tariffs and trade uncertainties present risks to global businesses, history suggests ingenuity of management and adaptability of business models could mitigate the impact of trade issues. At Pzena, our rigorous risk framework allows us to navigate these uncertainties with discipline and focus. By concentrating on fundamental business quality, balance sheet strength, portfolio construction, and maintaining valuation discipline, we aim to mitigate potential downside and explore potential opportunities created by the uncertainty, positioning for long-term returns. Although the ultimate impact of current trade policies remains uncertain, our investment approach ensures that we assess each company's ability to withstand and adapt to evolving conditions. This disciplined, research-driven methodology enables us to capitalize on opportunities that arise from market fears while attempting to safeguard against permanent capital impairment.



## GLOBAL RESEARCH REVIEW

We trimmed some exposure to global banks and several technology companies on strength before the tariff-induced market sell-off. We have been adding to global chemical producers on industry weakness, as well as businesses facing more idiosyncratic controversies.

U.S. stocks started the year on solid footing in a continuation of late 2024's post-election rally, and we scaled back our positions in each of the big four banks (as well as other financials) following a period of outperformance. U.S. markets eventually succumbed to investor concerns over economic policy uncertainty, high valuations at the index level, and plunging consumer sentiment toward the end of the quarter.

From a global perspective, U.S. weakness was offset by strength in Chinese equities on signs of stabilization in the troubled property market, possible support from the government aimed at boosting domestic consumption, and enthusiasm surrounding the country's AI prospects. Europe also served as a positive counterweight, spurred on by a more dovish ECB (relative to the Fed), cautious optimism regarding a potential ceasefire in Ukraine, and Germany's €500bn fiscal bazooka to be spent on infrastructure and defense.

Global valuations have shifted somewhat quarter-over-quarter, reflecting the extreme performance divergence between U.S. and non-U.S. stocks; despite European value's rally, the cohort remains cheap on an absolute basis.

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

As of March 31, 2025

	Cheapest Quintile <sup>1</sup>	Universe <sup>2</sup>
Global	7.7	14.1
U.S.	7.3	12.9
Europe	7.5	12.3
Japan	7.4	12.3
Emerging Markets	9.4	17.5

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 US; ~750 largest European; ~750 largest Japanese; ~1,500 largest in non-developed markets.

### A UK GROCERY SWAP

Last February, we met with the management teams of UK grocers Tesco and J Sainsbury, both of which we held. We also took the opportunity to tour a number of stores, including those of competitors, across a variety of formats and postcodes. We came away from these meetings broadly encouraged: both companies' efforts to become more price competitive vis-à-vis German discounters Aldi and Lidl were bearing fruit, and both teams sounded confident that the bulk of the requisite investment had already been made. Subsequent earnings reports confirmed these observations, as Tesco and Sainsbury steadily gained grocery market share driven by a healthy balance of unit growth and strategic pricing.

For Sainsbury, despite strong performance in grocery, results have been weighed down by softer sales and negative margins in general merchandise, which makes up ~20% of its in-store mix. Tesco, in contrast, has significantly less exposure to general merchandise. Investors rendered their judgment by sending shares of Tesco higher in 2024, while Sainsbury underperformed. As the former's valuation premium reached double-digit territory, we began trimming our position and reallocating the proceeds to Sainsbury.

In our view, despite strong momentum in Sainsbury's core business, the market is overly fixated on general merchandise, which we believe is underperforming largely due to temporary macro pressure (i.e., weak discretionary demand among UK consumers, similar to the U.S.). We also expect Sainsbury's reliance on general merchandise to diminish over time, as management reallocates more existing floor space to grocery to bring the company's full food range into more stores, which we believe is the right strategy.

### TOPPING UP ON CHEMICALS

The shares of global chemical companies soared amid 2020-21's stimulus-fueled surge in consumer

spending on discretionary goods. Consumer preferences subsequently shifted from goods to services; China's economy sputtered, feedstock costs spiked—particularly in Europe, following the war in Ukraine—and irrational marginal producers, mostly from China, flooded the market with cheap petrochemicals. Chemical stocks have severely underperformed the market for the last two years as a result, and sentiment around the sector remains especially depressed despite long-term fundamentals remaining intact, presenting ideal conditions for active value investors.

Cyclical commodity chemical producer Dow, Inc.'s valuation has been hit hard by an extended chemicals downcycle, perpetuated by a supply-demand imbalance. Management is cutting expenses and dialing back capex to mitigate current headwinds, which we expect to be temporary. We believe that Dow's key competitive advantage—access to cheap feedstock given the location of its crackers on the U.S. Gulf Coast—remains intact and should enable the company to weather the current downturn. Even at trough EBITDA levels, Dow should be able to pay out the bulk of its dividend, which equates to a 7% yield on the current market cap. We increased our stake in the chemical giant with shares trading under 6x our estimate of normal earnings.

We also added to European diversified chemicals producer Arkema, which is exposed to auto and construction end markets via its coatings and adhesives business. Earnings have been below trend due to weak commercial and industrial activity in both Europe and the U.S., but the company is cutting capex materially after a period of elevated investment on growth initiatives, and we expect free cash flow generation to improve throughout the year. Shares are trading at ~7x our normal earnings estimate.

We finished building our initial stake in Huntsman Corp., a U.S. small-cap producer of methylene diphenyl diisocyanate (MDI), the main chemical used in rigid polyurethane foams for insulation.

The MDI industry is an attractive oligopoly, with the top five players, including Huntsman, composing approximately 90% of the market. Given its high exposure to construction end markets and durable products, the MDI industry is currently depressed, but we expect Huntsman's shares to recover as these end markets ultimately rebound. In the interim, management is conserving cash by cutting capex, reducing corporate head count, and reevaluating their European assets. At ~6x our normal earnings estimate, we believe the stock offers a positive risk-reward skew today, with MDI expected to grow above GDP over the long run.

Lastly, we topped up our position in Pittsburgh-based wood treatment chemicals producer, Koppers. After exhibiting impressive resilience amid a weak home repair and remodel environment, the margins of Koppers' Performance Chemicals segment began to normalize lower, and investors reacted by sending the stock down nearly 50% from its 2024 high. While this business is cyclically depressed, the bulk of Koppers' revenue is generated by its more stable Railroad and Utility Products segment, which benefits from mostly long-term contracts to produce railroad ties and electric utility poles. We believe Koppers, trading at roughly 5.5x our normal earnings estimate, represents an attractive value opportunity; it is a high cash-generating business, and management has prioritized returning capital to shareholders.

### **A COMPANY-SPECIFIC, SMALL-CAP OPPORTUNITY**

During the quarter, we continued building our stake in Envista, a leading dental products manufacturer with a strong focus on implants and orthodontics. The company owns several of the most well-known brands in the industry and maintains sizable market share positions in key verticals. Envista's share price has declined for the better part of the last three years for two key reasons: 1) U.S. premium implant sales, which Envista is overexposed to, have softened due to higher interest rates and reduced post-COVID investments, and 2) the company recently introduced



a clear aligner line that is not yet profitable, though management expects it to reach breakeven by the back half of this year. We believe Envista is well positioned in its core segments and that earnings should normalize as end markets recover and management bolsters its implants franchise, while the clear aligner business matures. In the interim, the company is buying back shares with the stock trading at ~7x our normal earnings estimate.

### TAKING GAINS FROM AI MOMENTUM

The Chinese tech sector rallied in the wake of DeepSeek's revelations. E-commerce and cloud computing giant Alibaba was particularly strong, as the company unveiled AI models that performed on par with DeepSeek's, while Apple selected it to provide AI capabilities on iPhones sold in China. Shares of Tencent, which has a competing AI business that investors are increasingly excited about, also outperformed amid China's AI-driven tech rally. We reduced our positions in both holdings on strength. In a similar vein, shares of NVIDIA's chip supplier, TSMC, as well as United Integrated Services—TSMC's cleanroom contractor—have surged over the past couple years, due in large part to strong underlying demand for AI chips, and we consequentially trimmed each position in early 2025 on valuation.

### CONCLUSION

The early months of 2025 were brimming with headlines on tariffs and trade wars, ceasefire negotiations in Ukraine and the Middle East, macroeconomic developments in Europe and China, and, of course, AI. Our research team remains intensely focused on understanding the potential investment implications of these developments on our holdings and on analyzing whether the resulting uncertainty will breed attractive opportunities.

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## STEWARDSHIP INSIGHTS

Stewardship is our way of exerting influence in service of long-term shareholder value creation. Over time, we have developed a set of best practices that help us develop constructive and lasting relationships with the management teams of the companies we invest in.

Stewardship refers to the responsible management of assets through influence, in service of long-term shareholder value creation for clients and beneficiaries. Influence can be best exerted through ongoing constructive conversations with company management about the key issues affecting the business. We have therefore spent a considerable amount of time thinking about the most effective way to have these conversations. It is through these discussions that we can a) understand the businesses we invest in and the risk/reward trade-offs, and b) nudge the company in the direction of long-term shareholder value creation, when needed.

Stewardship has always been an integral part of our long-term active investment philosophy. Below are some of the principles that have come to define our approach to stewardship and have stood the test of time as part of our investment process.

### STEWARDSHIP PRINCIPLES

#### 1. Conduct deep research to understand the business

Being intellectually curious about the companies and businesses we are researching is the foundation for successful stewardship. This deep curiosity leads us to interrogate the key issues, test hypotheses, and develop informed conclusions. The key issues must then also be quantified to size the potential investment risks and opportunities. Building a successful mental and financial model for a potential investment requires the following:

- a. Avoiding incremental thinking: It is important to understand why a business has earned its historical margins from a fundamental rather than short-term viewpoint. A zero-based modeling approach helps uncover the actual opportunity of or threat to a business. For example, we ask ourselves why a company makes money at all, rather than why the earnings may be up or down by a certain percentage.
- b. Debating key issues with a range of experts: Intentionally soliciting a wide range of perspectives from different sources is important. This includes, but is not limited to, management, industry experts, and sell-side analysts. In particular, the perspective of a bear analyst is an effective way to pressure-test assumptions.

#### 2. Focus the conversation on the most important issues

Deep research is essential to focus conversations with management on the issues with the greatest potential to impact the investment thesis. That does not mean that, going into a meeting with a management team, we should know everything there is to know about the company or that we should have the investment thesis entirely figured out. It can be much more productive to use the discussion to test a hypothesis, maintaining an openness to “knowing what we don’t know.” It can also be effective to temper individual beliefs and convictions, at least initially, and make space for the management team to share their perspectives first. Listening can go a long way toward establishing credibility and uncovering important lines of discussion that may not otherwise have been apparent.

We may be deeply familiar with the key issues at hand, or we may need extensive help understanding the decisions of the management team. The topics may or may not be environmental, social, or governance-related. If these issues are among the most financially material, then they should be discussed in as much depth as any other core business concern.

#### 3. Build and maintain relationships over time

One of the advantages we have as deep value investors is that the companies we invest in are experiencing temporary difficulty. The management team is therefore more likely to be curious about our

point of view on key business issues. However, we must earn the right to have our viewpoints taken into consideration. Some of the ways we have successfully built and maintained these relationships over time include:

- a. In-person meetings: We think it is important to make in-person visits to all the management teams of companies we invest in. Ideally, we conduct these visits off-cycle from formal roadshows where there may only be a specific company agenda on the table for discussion. We also prefer convenings of smaller groups of key decision makers to facilitate a candid but detailed conversation.
- b. Proactive communication: In case-by-case instances where we think it is necessary to escalate our discussions, e.g., voting against management during proxy season, it is important to communicate the rationale for these votes to the management team ahead of time. We find that this helps preserve the relationship, even if we are publicly disagreeing with management decisions. To do this effectively, we must have first earned the trust and respect of the management team.

Building those relationships for the long term is essential. Getting shut out of conversations because of a failure to exercise effective stewardship is detrimental to our understanding of the business and, ultimately, our ability to exert influence.

### STEWARDSHIP EXAMPLES

For more information about our approach to stewardship and examples from 2024, please see our recently published [Stewardship Report](#).

### CONCLUSION

Exerting influence is not the same as making demands of a management team. The former requires deep knowledge of the company, a genuine understanding of what matters, and the establishment of our position as a trusted advisor over time. We benefit from having an integrated investment team of experts in their companies and industries, rather than a separate stewardship team or checklist of questions to ask management during every conversation. If the mindset going into engagement conversations is one of long-term partnership, in our experience, we are often afforded the opportunity to act accordingly—which is ultimately in the best interests of our clients as well.

## HIGHLIGHTED HOLDING: SAMSUNG ELECTRONICS

Samsung is navigating a cyclical downturn in the global memory market, which is impacting its core business; however, its dominance in conventional memory chips, strong consumer electronics franchises, and robust balance sheet position it well for a powerful recovery and long-term, sustainable earnings growth.

Korea's Samsung Electronics is perhaps best known for its high-end OLEDTVs, audio equipment, popular Galaxy smartphones, and wide array of home appliances. A part of the business that consumers don't see—memory chips—drives the bulk of the conglomerate's earnings, but it is also what has been weighing on the stock's valuation. A memory downcycle has impacted Samsung's profitability, while investors worry its competitors have an insurmountable lead in a specific type of high-end memory required for AI applications.

We expect the characteristically cyclical memory market to ultimately normalize, as supply and demand come back into balance, while Samsung should maintain its dominance in conventional chips. With shares trading at a low double-digit earnings multiple despite 15% projected annual earnings growth<sup>1</sup>, we believe investors are underappreciating Samsung's scale and financial strength, moderating growth capex<sup>2</sup>, and dominant smartphone, display, and consumer electronic franchises, while overreacting to its technological gap with peers on next-generation memory chips.

### SAMSUNG: A SPRAWLING GLOBAL ELECTRONICS CONGLOMERATE

While memory is the main driver of Samsung's expected earnings improvement, roughly a third of the company's estimated normal earnings power—representing approximately \$147bn in FY24 sales—is derived from its other segments (Exhibit 1). Its 58,000-employee, \$20bn revenue subsidiary, Samsung Display, designs and manufactures OLED display panels for devices such as smartphones, laptops, and TVs. This business has a leading 50% global market share<sup>3</sup>, and makes up ~10% of Samsung's companywide revenue.

1. FactSet; Est. EBIT CAGR FY24-FY27  
2. Capital expenditures  
3. TechInsights

	Price	Earnings Per Share			Price/Earnings		
		FY 25E	FY 26E	Normal*	FY 25E	FY 26E	Normal**
Samsung Electronics	KRW 57,800	KRW 4,697	KRW 6,003	KRW 8,200	12.3x	9.6x	8.2x

Fiscal year-end March 31.

\*Pzena estimate of normal earnings.

\*\*Globally adjusted price-to-normal multiple based on Korean discount rate.

Source: FactSet, Pzena analysis. Data as of March 31, 2025

Samsung's semiconductor foundry business, though relatively subscale, is still the second largest chip manufacturer in the world behind TSMC<sup>4</sup>, generating \$18bn in annual sales. This business has been in the red for the past two years, though losses are expected to narrow by way of yields improving or capacity reductions, and we are only assuming breakeven profitability in our model.

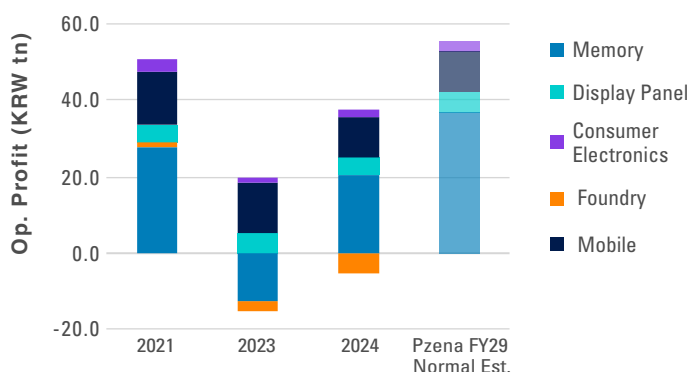
Samsung's mobile unit is a global juggernaut, responsible for 223 million smartphone sales last year (behind only Apple)<sup>5</sup>, translating to \$7bn in operating profit. This segment, which we estimate makes up about 20% of normal operating income, has acted as an earnings ballast for the company, with stable volumes, low-double-digit margins that are rangebound, and steadily rising ASP<sup>6</sup> driven by high-end popular models like its foldable Galaxy Z phone.

Through its massive consumer electronics arm, Samsung sold 31 million PCs last year (fifth most sold globally)<sup>7</sup>, is a leading manufacturer of refrigerators, microwaves, washing machines, and other appliances, and is the largest TV-maker in the world—a position it has held for 19 consecutive years<sup>8</sup>.

4. Bloomberg Intelligence  
5. Bloomberg Intelligence  
6. Average selling price  
7. Bloomberg Intelligence  
8. Samsung, Omdia

## HIGHLIGHTED HOLDING CONT.

**Exhibit 1: Samsung's Segment Earnings**



Source: Company filings, Pzena analysis

### MEMORY: AN ESSENTIAL COMPONENT OF MODERN COMPUTING

Dynamic random access memory, or DRAM, is a type of memory that provides a CPU or GPU with fast access to temporary data storage for programs to run efficiently. It is a crucial component in increasingly powerful electronic devices, such as smartphones, PCs, tablets, and servers. Since 2007, DRAM demand has grown at a nearly 26% CAGR<sup>9</sup>, with industrywide revenue reaching \$100bn in 2024<sup>10</sup>. DRAM typically makes up less than 10% of a system's total cost, but it is essential for modern CPUs to function, meaning volumes should continue to grow with computing power.

The industry is structured as an attractive oligopoly, with Samsung's leading 39% market share followed by Korean peer SK Hynix and US-based Micron. These three companies collectively supply nearly 94% of the market<sup>11</sup>. Samsung's historical dominance in conventional DRAM is a result of its scale and superior technology, affording it a discernable unit cost advantage over Hynix and Micron.

High-bandwidth memory (HBM) is a type of non-conventional DRAM enabling extremely high-bandwidth data transfer needed for artificial intelligence and other emerging technologies. While not a major part of the memory stack today, HBM is expected to become an increasingly larger piece of the profit pool over time, making it an important growth driver.

9. Compound annual growth rate; UBS Total DRAM Demand (M 1Gb) 2007-24

10. UBS

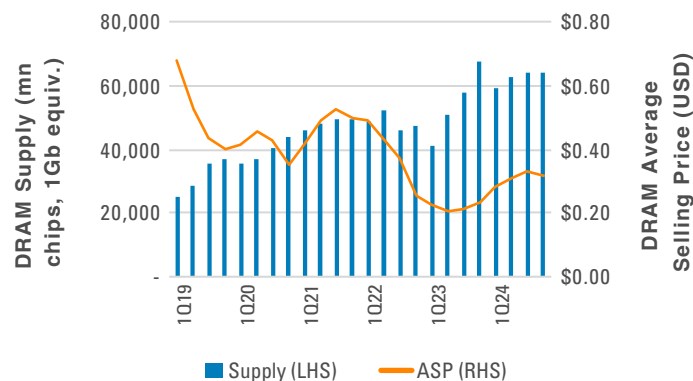
11. Bernstein 2024 shipment estimates

While it is a much smaller portion of their overall memory business, Samsung also maintains a leading ~29% market share<sup>12</sup> position in NAND flash, a type of storage technology used in portable memory devices such as thumb drives and SD cards. The NAND industry is roughly half the size of DRAM, but it is similarly concentrated, with the largest 6 players controlling 90% of the supply<sup>13</sup>.

### A TURN IN THE MEMORY CYCLE

The surge in consumer spending during the early months of the COVID-19 pandemic was particularly acute for consumer electronics, with unit sales of notebooks and tablets up 44% and 81% respectively in the fourth quarter of 2020<sup>14</sup>. Memory suppliers, assuming sustained peak demand, boosted capacity throughout 2021/22 just before end demand started to normalize; as a result, conventional DRAM prices collapsed, sinking industrywide profitability in 2023, and the market is still digesting the oversupply today. NAND, similarly affected by oversupply, also entered a downcycle, with prices falling nearly 50% year-over-year in 2023, exacerbating the profit decline in Samsung's core memory unit.

**Exhibit 2: Conventional DRAM Prices React to Oversupply**



Source: Mizuho; ASP and supply of conventional DRAM (excludes HBM)

Samsung shelled out billions of dollars to boost production of conventional, more lagging-edge memory chips whose demand was waning due to inventory destocking. For context, Samsung's DRAM capex between 2021 and 2023 accounted for 51% of total industry investment<sup>15</sup>, while its DRAM sales only represented 43% of global industry revenue<sup>16</sup>. Its cash return on DRAM, which incorporates both operating

12. Morgan Stanley

13. Morgan Stanley

14. Morgan Stanley

15. Mizuho

16. Mizuho, company filings, Pzena analysis



## HIGHLIGHTED HOLDING CONT.

costs and capex, plummeted to 3% in 2023 after averaging over 30% pre-COVID<sup>17</sup>. With the stock down roughly 50% from its early 2021 high, we significantly increased our stake in late 2024.

### DRAM MIX SHIFT AND THE HBM CONTROVERSY

Samsung's management is focusing on what they can control to improve profitability in their core memory business. The company is pulling back capex on wafer expansion and redirecting spending towards node migration and HBM capacity. This should result in a memory mix that's less exposed to lagging-edge nodes in oversupply, and more in line with Hynix and Micron's leading-edge skew.

Investors have unsurprisingly been fixated on HBM, given its long-term growth potential and importance in powering the AI revolution. To that end, Samsung has thus far lagged both Hynix and Micron in qualifying for high-end HBM used in AI GPUs—specifically NVIDIA's—eliciting some concern from investors. Based on our research, we believe that Samsung's lack of qualification is more a result of being caught off guard by how quickly AI demand has exploded versus it having an insurmountable technology gap with peers on HBM chips. We therefore believe Samsung will ultimately participate in the anticipated demand wave, potentially capturing market share nearly proportional to its conventional DRAM share.

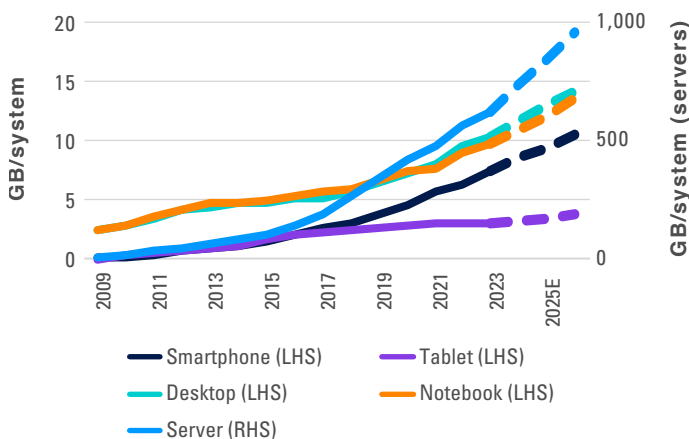
### FORTRESS BALANCE SHEET SUPPORTS HIGHER CAPITAL RETURNS

It's also worth noting that Samsung has \$63bn in net cash on its balance sheet, whereas its two competitors—Hynix and Micron—are both levered. The tech giant clearly has the financial wherewithal to return capital to shareholders, and management has been doing just that. Since 2018, when Samsung enhanced its capital return policy, the company has paid out nearly \$67bn in cumulative dividends to shareholders, which equates to 34% of aggregate net income<sup>18</sup>. Encouragingly, for the first time since 2017, Samsung started buying back its stock, and we expect the company to continue returning more of its war chest to shareholders going forward.

## CONCLUSION

It's easy to envision a more electrified, connected, and technologically advanced world in the near future. DRAM—particularly leading-edge nodes and, increasingly, HBM—will undeniably play a critical role in enabling such an environment. Memory content per device has steadily risen over the past two decades, with server DRAM exhibiting exponential growth (driven, in part, by AI servers), as computing power continues to expand.

### Exhibit 3: DRAM Content per System Should Continue to Grow



Source: Bernstein

After a period of somewhat short-sighted overinvestment, Samsung is, in our view, well-positioned to capitalize on an anticipated memory upcycle. Regarding the U.S. tariff risk, smartphones, PCs, and other electronics - including memory chips themselves - are currently exempt from reciprocal levies, so the direct impact on Samsung is minimal. Regardless, we are closely monitoring the situation, and our model reflects a wider range of outcomes reflecting U.S. trade policy uncertainty.

Even in the unlikely scenario that Samsung proves to be structurally behind its peers at the leading edge in HBM, and the company's historical competitive dynamic in conventional DRAM deteriorates, resulting in commodity-like returns in perpetuity—none of which we've seen any evidence of—we believe the stock is fairly valued today, implying the HBM downside scenario is largely priced in.

In a concentrated, three-player market, we believe the gains from DRAM growth should largely accrue to Samsung in the years ahead, which the market, by ascribing a 8.2x multiple on our estimate of normal earnings, isn't appreciating, in our view.

17. Company filings, Pzena analysis

18. Company filings, Pzena analysis

# Pzena Investment Strategies

	APPROXIMATE HOLDINGS	INVESTMENT UNIVERSE	TYPICAL CLIENT BENCHMARKS	STRATEGY INCEPTION DATE	PAGE #
<b>GLOBAL/NON-U.S. STRATEGIES</b>					
<b>Global Value</b>	60 - 95	2,000 Largest Companies Worldwide	MSCI World <sup>1</sup>	1/2010	15
<b>Global Focused Value</b>	40 - 60	2,000 Largest Companies Worldwide	MSCI ACWI	1/2004	16
<b>International Value</b>	60 - 80	1,500 Largest non-U.S. Companies	MSCI EAFE <sup>1</sup>	11/2008	17
<b>International Focused Value</b>	30 - 50	1,500 Largest non-U.S. Companies	MSCI ACWI ex USA	1/2004	18
<b>International Small Cap Focused Value</b>	40 - 70	MSCI World ex USA Small Cap	MSCI World ex USA Small Cap	10/2016	19
<b>Emerging Markets Focused Value</b>	40 - 80	1,500 Largest Companies in Non-Developed Markets	MSCI Emerging Markets	1/2008	20
<b>European Focused Value</b>	40 - 50	750 Largest European Companies	MSCI Europe	8/2008	21
<b>Japan Focused Value</b>	25 - 40	750 Largest Japanese Companies	TOPIX	7/2015	22
<b>U.S. STRATEGIES</b>					
<b>Large Cap Value</b>	50 - 80	500 Largest U.S. Companies	Russell 1000 Value <sup>®</sup>	7/2012	23
<b>Large Cap Focused Value</b>	30 - 40	500 Largest U.S. Companies	Russell 1000 Value <sup>®</sup>	10/2000	24
<b>Focused Value</b>	30 - 40	1,000 Largest U.S. Companies	Russell 1000 Value <sup>®</sup>	1/1996	25
<b>Mid Cap Focused Value</b>	30 - 40	1,000 U.S. Companies (ranked 201 – 1200)	Russell Mid Cap Value <sup>®</sup>	9/1998	26
<b>Small Cap Focused Value</b>	40 - 50	2,000 U.S. Companies (ranked 1001 – 3000)	Russell 2000 Value <sup>®</sup>	1/1996	27

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

<sup>1</sup> MSCI ACWI and MSCI ACWI ex-USA versions also available

# PZENA GLOBAL VALUE

Global markets delivered mixed performance, with many European indices climbing double digits on the back of strong fiscal stimulus announcements, countered by U.S. market weakness – particularly in the technology sector. Our portfolio materially outperformed the broader index, benefiting from strength in Europe and select healthcare stocks.

Health care was the strongest performing sector this quarter, with CVS Health and Baxter International among the top contributors. CVS rallied after revealing reduced losses in its Medicare Advantage business, while medical products manufacturer Baxter was higher after reporting a smaller-than-expected production impact from Hurricane Helene on its IV manufacturing plant. Chinese e-commerce giant Alibaba also posted strong gains following the release of its competitive AI large language model.

Consumer discretionary declined, and PVH Corp., owner of the Tommy Hilfiger and Calvin Klein brands, was the largest detractor after being added to China’s “Unreliable Entity” list—the first non-military company to receive this designation, likely in response to U.S. trade policy. Shares of Skyworks, a leading provider of radio frequency components for smartphones, fell after disclosing a decline in content on the iPhone 17, while consumer products company Newell Brands moved lower, despite the company’s earnings coming in ahead of consensus expectations, due to a slightly weaker-than-expected demand outlook combined with fears around the impact of tariffs.

We initiated a position in Julius Baer, a leading global wealth manager with a fee-based, cash-generative and low credit risk model, that is recovering from self-inflicted wounds in recent years. It is well-positioned to benefit from rising wealth in Asia, Latin America, and the Middle East. We also initiated a position in Bank of Ireland Group, one of Ireland’s two leading banks, which together control approximately 60% of the country’s deposit market. We believe the bank will benefit from recent consolidation

in the Irish banking sector, as well as its highly accretive acquisition of KBC Bank’s Irish mortgage portfolio.

We exited Edison International

due to a wider range of outcomes following the California wildfires, raising concerns about the viability of the California Wildfire Fund, which allows the state's utilities to recover some wildfire-related claims payments. ■

## PERFORMANCE SUMMARY periods greater than 1 year annualized in USD as of March 31, 2025

	1Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 1/1/10
Pzena Global Value Composite - Gross	5.6%	5.6%	7.0%	7.4%	18.5%	8.2%	8.8%
Pzena Global Value Composite - Net	5.5%	5.5%	6.5%	6.8%	17.9%	7.6%	8.3%
MSCI World Index	-1.8%	-1.8%	7.0%	7.6%	16.1%	9.5%	9.7%
MSCI World Value Index	4.8%	4.8%	8.7%	7.0%	15.0%	7.1%	7.7%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 28. 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 29)

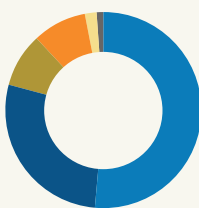
Baxter Intl	3.1%
Cognizant Tech	3.1%
Nokia	3.0%
Samsung Electronics	2.9%
CVS Health	2.9%
Amdocs Ltd	2.6%
Daimler Truck Holding	2.5%
Charter Communications	2.5%
Dow	2.5%
SS&C Technologies Holdings	2.5%
Total	27.6%

## PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings <sup>1</sup>	8.2x	14.1x *
Price / Earnings (1-Year Forecast)	11.3x	18.8x
Price / Book	1.3x	3.4x
Median Market Cap (\$B)	\$27.0	\$21.8
Weighted Average Market Cap (\$B)	\$77.0	\$614.9
Active Share	95.4%	-
Standard Deviation (5-Year)	19.2%	16.2%
Number of Stocks (model portfolio)	60	1,352

Source: MSCI World Index, Pzena analysis  
\*Investment universe median; <sup>1</sup>Pzena’s estimate of normal earnings.

## REGION CONCENTRATION



	Strategy	Index
North America	52%	75%
Europe ex-U.K.	28%	13%
Emerging Markets	9%	0%
United Kingdom	9%	4%
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	2%	8%
Consumer Discretionary	9%	10%
Consumer Staples	8%	6%
Energy	3%	4%
Financials	21%	17%
Health Care	19%	11%
Industrials	8%	11%
Information Technology	19%	24%
Materials	7%	3%
Real Estate	2%	2%
Utilities	2%	3%

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

# PZENA GLOBAL FOCUSED VALUE

Global markets delivered mixed performance, with many European indices climbing double digits on the back of strong fiscal stimulus announcements, countered by U.S. market weakness – particularly in the technology sector. Our portfolio materially outperformed the broader index, benefiting from strength in Europe and select healthcare stocks.

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We initiated a position in Julius Baer, a leading global wealth manager with a fee-based, cash-generative and low credit risk model, that is recovering from self-inflicted wounds in recent years. It is well-positioned to benefit from rising wealth in Asia, Latin America, and the Middle East. We also initiated a position in Bank of Ireland Group, one of Ireland’s two leading banks, which together control approximately 60% of the country’s deposit market. We believe the bank will benefit from recent consolidation in the Irish banking sector,

as well as its highly accretive acquisition of KBC Bank’s Irish mortgage portfolio.

We exited Edison International due to a wider range of outcomes following the

California wildfires, raising concerns about the viability of the California Wildfire Fund, which allows the state’s utilities to recover some wildfire-related claims payments. ■

## PERFORMANCE SUMMARY periods greater than 1 year annualized in USD as of March 31, 2025

	1Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 1/1/04
Pzena Global Focused Value Composite - Gross	6.6%	6.6%	7.8%	7.7%	19.1%	8.0%	6.7%
Pzena Global Focused Value Composite - Net	6.4%	6.4%	7.0%	6.9%	18.2%	7.2%	5.8%
MSCI All Country World Index	-1.3%	-1.3%	7.2%	6.9%	15.2%	8.8%	7.8%
MSCI All Country World Value Index	4.8%	4.8%	8.6%	6.6%	14.4%	6.7%	6.6%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 28. 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 29)

Baxter Intl	3.3%
CVS Health	3.2%
Cognizant Tech A	3.1%
Daimler Truck Holding	3.0%
Dollar General	2.8%
Charter Communications A	2.8%
Samsung Electronics	2.6%
Alibaba Group Holding	2.6%
Humana	2.5%
Capital One Financial	2.4%
Total	28.3%

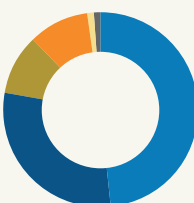
## PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings <sup>1</sup>	8x	14.1x *
Price / Earnings (1-Year Forecast)	10.9x	17.9x
Price / Book	1.2x	3.1x
Median Market Cap (\$B)	\$24.6	\$13.4
Weighted Average Market Cap (\$B)	\$64.5	\$567.0
Active Share	96.2%	-
Standard Deviation (5-Year)	20.2%	15.7%
Number of Stocks (model portfolio)	50	2,558

Source: MSCI ACWI Index, Pzena analysis

\*Investment universe median; <sup>1</sup>Pzena’s estimate of normal earnings.

## REGION CONCENTRATION



	Strategy	Index
North America	48%	67%
Europe ex-U.K.	29%	12%
United Kingdom	10%	3%
Emerging Markets	10%	10%
Dev. Asia ex-Japan	1%	1%
Japan	1%	5%
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	11%	11%
Consumer Staples	10%	6%
Energy	4%	4%
Financials	22%	18%
Health Care	18%	10%
Industrials	9%	11%
Information Technology	11%	23%
Materials	7%	4%
Real Estate	2%	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 VALUE

Most equity markets outside the U.S. performed well through the first quarter, prior to U.S. tariffs being announced.

The financials sector was the standout performer, and Chinese e-commerce giant Alibaba benefited after revealing stabilizing market share, some traction in its growing cloud business, and tangible progress on AI. The outlooks for both Spanish lender CaixaBank and Bank of Ireland affirmed the sustainability of earnings and robustness in capital levels, even in a declining interest rate environment.

Only the information technology sector marginally detracted from absolute performance, and the largest individual decliner was TDK, a manufacturer of diverse electronic components, which underperformed following the Chinese government's reduction of export tax rebates on lithium-ion batteries. UK grocer J Sainsbury was also down, facing weakness in its general merchandising business and concerns of increased competition in the UK grocery market, while Canadian auto supplier Magna succumbed to investor concerns over auto tariffs. In each case, we believe the longer-term prospects for these businesses' earnings are far better than what the market is currently pricing in.

We initiated a position in pharmaceutical company GSK on the premise that the market is discounting the durability of its vaccine and HIV treatment businesses, while its specialty medicine pipeline has promising treatments nearing commercialization. We also added to our positions in Arkema, Samsung Electronics, and Minebeamitsumi on stock price weakness. We fully exited chip giant TSMC, and trimmed pharma manufacturers Sanofi and Roche, as well as OTP Bank, on share price strength.

Our portfolio's small overweight positions in classically cyclical financials and consumer discretionary are complemented by overweight positions in health care and consumer

staples, providing a diverse set of exposures entering this period of uncertainty. ■

## PERFORMANCE SUMMARY periods greater than 1 year annualized in USD as of March 31, 2025

	1Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 11/1/08
Pzena International Value Composite - Gross	10.3%	10.3%	15.1%	9.7%	17.3%	6.9%	9.4%
Pzena International Value Composite - Net	10.2%	10.2%	14.5%	9.1%	16.7%	6.3%	8.8%
MSCI EAFE Index	6.9%	6.9%	4.9%	6.1%	11.8%	5.4%	7.0%
MSCI EAFE Value Index	11.6%	11.6%	12.8%	9.7%	14.8%	5.1%	6.6%

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## TOP 10 HOLDINGS

(See Portfolio Notes on page 29)

Daimler Truck Holding	2.9%
Teleperformance	2.8%
Reckitt Benckiser Group	2.8%
Equinor	2.6%
HSBC Holdings	2.5%
BASF	2.5%
ArcelorMittal	2.5%
Alibaba Group Holding	2.5%
Michelin	2.5%
Roche Holding	2.4%
Total	26.0%

## PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings <sup>1</sup>	8.2x	14.7x*
Price / Earnings (1-Year Forecast)	10.1x	14.4x
Price / Book	1.2x	1.9x
Median Market Cap (\$B)	\$24.5	\$15.9
Weighted Average Market Cap (\$B)	\$57.1	\$89.3
Active Share	88.5%	-
Standard Deviation (5-Year)	18.3%	16.0%
Number of Stocks (model portfolio)	62	694

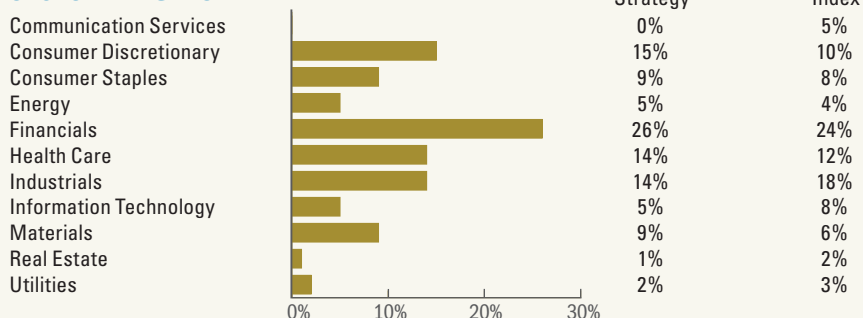
Source: MSCI EAFE Index, Pzena analysis  
\*Investment universe median; <sup>1</sup>Pzena's estimate of normal earnings.

## REGION CONCENTRATION



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

## SECTOR WEIGHTS



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



# PZENA INTERNATIONAL FOCUSED VALUE

Most equity markets outside the U.S. performed well through the first quarter, prior to U.S. tariffs being announced.

The financials sector was the standout performer, and Chinese e-commerce giant Alibaba benefited after revealing stabilizing market share, some traction in its growing cloud business, and tangible progress on AI. The outlooks for both Spanish lender CaixaBank and Bank of Ireland affirmed the sustainability of earnings and robustness in capital levels, even in a declining interest rate environment.

No sector detracted from absolute performance, but the largest individual decliner was TDK, a manufacturer of diverse electronic components, which underperformed following the Chinese government's reduction of export tax rebates on lithium-ion batteries. UK grocer J Sainsbury was also down, facing weakness in its general merchandising business and concerns of increased competition in the UK grocery market, while Canadian auto supplier Magna succumbed to investor concerns over auto tariffs.

We initiated a position in pharmaceutical company GSK on the premise that the market is discounting the durability of its vaccine and HIV treatment businesses, while its specialty medicine pipeline has promising treatments nearing commercialization. We also added European chemical producer Arkema on industrywide weakness, as the company has undergone a dramatic reformation of its portfolio into a more diverse and specialty-focused set of businesses. We also added to our positions in Sainsbury, Samsung Electronics, and Korean lender Shinhan Financial on stock price weakness. We raised cash for these purchases via trims of Standard Chartered, CaixaBank, and French hotel operator Accor, all on price strength.

Our portfolio's small overweight positions in classically cyclical financials and consumer discretionary are complemented by overweight positions in health care and consumer

staples, providing a diverse set of exposures entering this period of uncertainty. ■

## PERFORMANCE SUMMARY periods greater than 1 year annualized in USD as of March 31, 2025

	1Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 1/1/04
Pzena International Focused Value Composite - Gross	11.4%	11.4%	18.3%	10.8%	18.6%	7.6%	7.2%
Pzena International Focused Value Composite - Net	11.2%	11.2%	17.4%	10.0%	17.7%	6.8%	6.3%
MSCI All Country World Ex-U.S. Index	5.2%	5.2%	6.1%	4.5%	10.9%	5.0%	5.9%
MSCI ACWI ex USA Value - Net Index	8.6%	8.6%	11.4%	7.2%	13.6%	4.7%	5.7%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 28. 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 29)

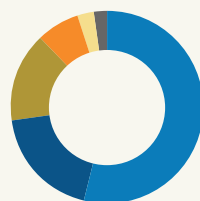
Fresenius Medical Care	3.3%
BASF	3.2%
Alibaba Group Holding	2.9%
Daimler Truck Holding	2.9%
Reckitt Benckiser Group	2.8%
Teleperformance	2.7%
Enel	2.6%
Samsung Electronics	2.5%
Equinor	2.5%
Michelin	2.5%
Total	27.9%

## PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings <sup>1</sup>	8x	14.7x*
Price / Earnings (1-Year Forecast)	9.5x	13.9x
Price / Book	1.1x	1.9x
Median Market Cap (\$B)	\$24.4	\$10.4
Weighted Average Market Cap (\$B)	\$56.9	\$105.1
Active Share	91.7%	0.0%
Standard Deviation (5-Year)	19.2%	15.3%
Number of Stocks (model portfolio)	48	1,982

Source: MSCI ACWI (ex USA) Index, Pzena analysis  
\*Investment universe median; <sup>1</sup>Pzena's estimate of normal earnings.

## REGION CONCENTRATION



	Strategy	Index
Europe ex-U.K.	54%	33%
Emerging Markets	19%	29%
United Kingdom	15%	10%
Japan	7%	14%
Dev. Asia ex-Japan	3%	2%
North America	2%	8%
Australia/New Zealand	0%	4%
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	12%	11%
Consumer Staples	9%	7%
Energy	4%	5%
Financials	29%	25%
Health Care	12%	9%
Industrials	16%	14%
Information Technology	6%	12%
Materials	7%	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.

# PZENA INTERNATIONAL SMALL CAP FOCUSED VALUE

Non-U.S. markets started strong in 2025, particularly in Europe, but small-cap stocks globally continued to underperform their larger-cap peers, widening what is already a historically large valuation gap between the two cohorts. In this context, our portfolio generated a positive return but trailed its benchmark for the quarter.

The consumer discretionary sector was the largest detractor, and children's toys and content creator Spin Master was lower on a weaker-than-expected 2025 outlook. French homebuilder Nexity traded down on weaker earnings and a flat 2025 outlook, while shoe manufacturer Yue Yuen was weak on tepid Chinese demand.

On the positive side, financials were the standout performers, and Spanish bank Unicaja continued its strong performance. Agri-services company Origin Enterprises traded up on an encouraging start to the 2025 planting season, and KH Neochem, a specialty chemical manufacturer with niche applications in A/C coolant lubricant, was higher on an improved capital allocation plan combined with an abatement of customer destocking.

We exited several positions, including Italian asset manager Anima and UK motor insurer Direct Line on buyouts, as well as Japanese industrial and materials companies Teijin, THK, Sankyu, and DIC, all on valuation.

We initiated a position in Ariston, which is an Italy-based manufacturer of water heaters and gas boilers with strong distribution relationships, primarily serving the European residential market. We also added sailboat and high-end vacation boat manufacturer Beneteau, which has been weak on a temporary demand slowdown, as well as German big-box DIY retailer Hornbach, which is gaining market share amid a weak macroenvironment.

While tariffs create significant near-term uncertainty and volatility, the International Small Cap space is generally more local for local than larger cap, and our portfolio companies

are thoroughly tested in our fundamental research process for their balance sheet strength and business model resilience.

## PERFORMANCE SUMMARY periods greater than 1 year annualized in USD as of March 31, 2025

	1Q	YTD	One Year	Three Year	Five Year	Since Inception 10/1/16
Pzena International Small Cap Focused Value Composite - Gross	2.9%	2.9%	5.3%	11.1%	22.5%	8.4%
Pzena International Small Cap Focused Value Composite - Net	2.6%	2.6%	4.3%	10.0%	21.3%	7.4%
MSCI World ex USA Small Cap Index	3.4%	3.4%	3.6%	0.8%	10.7%	5.4%
MSCI World ex USA Small Cap Value Index	5.8%	5.8%	5.9%	3.4%	12.8%	5.7%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 28. 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 29)

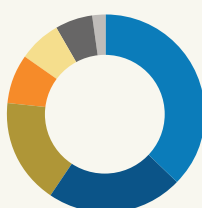
Origin Enterprises	4.3%
Senior	4.1%
Signify	3.6%
Sabre Insurance Group	3.2%
Pennon Group	3.2%
Elders	3.0%
C&C Group	2.7%
Hornbach Holding	2.7%
Unicaja Banco	2.7%
Transcontinental A	2.7%
Total	32.2%

## PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings <sup>1</sup>	6.7x	11.2x *
Price / Earnings (1-Year Forecast)	10.2x	12.9x
Price / Book	0.9x	1.3x
Median Market Cap (\$B)	\$1.5	\$1.4
Weighted Average Market Cap (\$B)	\$1.7	\$3.2
Active Share	98.6%	-
Standard Deviation (5-Year)	19.9%	17.7%
Number of Stocks (model portfolio)	39	2,202

Source: MSCI World ex USA Small Cap Index, Pzena analysis  
\*Investment universe median; <sup>1</sup>Pzena's estimate of normal earnings.

## REGION CONCENTRATION



	Strategy	Index
Europe ex-U.K.	37%	29%
United Kingdom	22%	12%
Japan	17%	33%
Australia/New Zealand	8%	10%
North America	7%	10%
Dev. Asia ex-Japan	6%	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	17%	12%
Consumer Staples	10%	5%
Energy	0%	4%
Financials	12%	12%
Health Care	3%	5%
Industrials	24%	22%
Information Technology	5%	8%
Materials	23%	12%
Real Estate	3%	11%
Utilities	3%	3%

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

# PZENA EMERGING MARKETS FOCUSED VALUE

After a weak finish to 4Q24, EM equities rose modestly this quarter on hopes of potential resolution to the Ukraine-Russia conflict, as well as improving sentiment surrounding Chinese and Brazilian markets. Our portfolio outperformed both the MSCI Emerging Markets Index and the Value series.

The top individual contributor, Chinese e-commerce giant Alibaba, reported accelerating revenue growth in its e-commerce and cloud businesses, while the market also became more optimistic about its AI capabilities. Chinese truck engine manufacturer Weichai Power saw its results aided by a favorable heavy-duty truck trade-in policy as part of the Chinese government's stimulus program. Shares of Brazilian beer brewer Ambev were up on the back of better-than-expected results. Despite softer volumes, Ambev delivered strong top-line and profitability gains through premiumization and disciplined cost control.

TSMC, the world's largest chip manufacturer, was weak primarily due to a broad tech selloff driven by growing concern about the sustainability of AI spend. Chinese shoe manufacturer YueYuen was lower on muted 2025 guidance given concerns around the macroeconomic environment. While Brazilian cosmetics company Natura declined after revealing weaker-than-expected margins, we believe many of Natura's current headwinds will prove temporary, and we anticipate stabilizing margins and better cash flow generation going forward.

During the quarter, we added to our positions in China's largest waterproof building materials company Beijing Oriental Yuhong, Indonesian lender Bank Rakyat, and dry bulk shipper Pacific Basin, all on weakness. We funded these purchases with trims of TSMC, Abu Dhabi Commercial Bank, and Taiwanese cleanroom E&C company United Integrated Services, all on valuation.

The relatively uncertain macro environment and tariff noise kept the market on edge, and these same factors are likely to drive continued volatility. We believe controversy and fear can create

opportunities for value investors, and we remain excited by the cheap company valuations when assessed against their fundamentals. ■

## PERFORMANCE SUMMARY periods greater than 1 year annualized in USD as of March 31, 2025

	1Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 1/1/08
Pzena Emerging Markets Focused Value Composite - Gross	6.5%	6.5%	9.6%	8.9%	17.9%	8.2%	5.1%
Pzena Emerging Markets Focused Value Composite - Net	6.2%	6.2%	8.6%	7.8%	16.7%	7.2%	4.0%
MSCI Emerging Markets Index	2.9%	2.9%	8.1%	1.4%	7.9%	3.7%	1.7%
MSCI Emerging Markets Value Index	4.3%	4.3%	7.6%	2.8%	9.8%	3.2%	1.3%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 28. 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 29)

Samsung Electronics	4.0%
Alibaba Group Holding	3.6%
Taiwan Semiconductor MFG.	3.6%
WH Group	3.2%
China Overseas Land & Investment	3.0%
Ambev	3.0%
Weichai Power H	2.7%
Cognizant Tech	2.5%
Baidu A	2.4%
China Merchants Bank H	2.3%
Total	30.3%

## PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings <sup>1</sup>	8.3x	17.5x*
Price / Earnings (1-Year Forecast)	8.4x	12.5x
Price / Book	1.1x	1.8x
Median Market Cap (\$B)	\$12.2	\$7.8
Weighted Average Market Cap (\$B)	\$91.4	\$151.4
Active Share	81.0%	-
Standard Deviation (5-Year)	17.1%	16.6%
Number of Stocks (model portfolio)	52	1,206

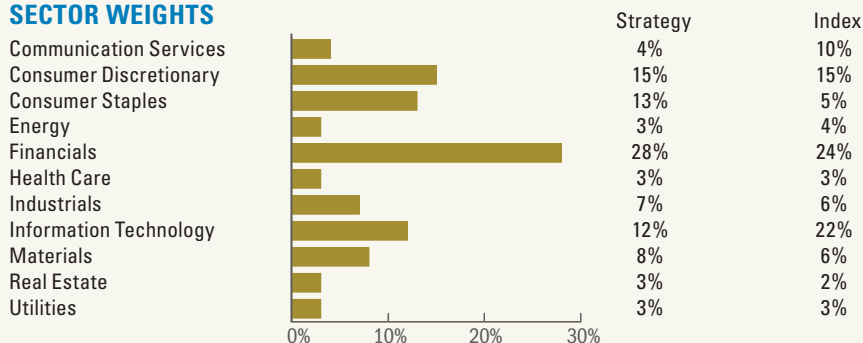
Source: MSCI Emerging Markets Index, Pzena analysis  
\*Investment universe median; <sup>1</sup>Pzena's estimate of normal earnings

## REGION CONCENTRATION



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

## SECTOR WEIGHTS



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 started strong in 2025, buoyed by German stimulus actions and an investor rotation from U.S. to European equities amid the backdrop of rich American valuations. In this context, value materially outperformed, but our portfolio lagged the MSCI Europe and Europe Value Indices.

No sector detracted from absolute performance, but at the constituent level, UK builder merchant Travis Perkins fell due to the unexpected resignation of its CEO, as well as the company's worse-than-expected 2025 outlook. UK grocer J Sainsbury was also down, facing weakness in its general merchandising business and concerns of increased competition in the UK grocery market. Luxury retailer Burberry surrendered recent gains amid a slowdown in the luxury goods market, driven by general Chinese macro weakness and concerns over the state of the U.S. consumer.

Several of our European bank holdings, including Bank of Ireland Group, CaixaBank, and ING Groep, were the largest individual contributors. Outlooks for each of the three banks affirmed the sustainability of earnings, even in a declining interest rate environment. All three banks were also bolstered by plans to continue returning a significant amount of capital to shareholders.

We initiated a position in pharmaceutical company GSK on the premise that the market is discounting the durability of its vaccine and HIV treatment businesses, while its specialty medicine pipeline has promising treatments nearing commercialization. We exited our positions in UK motor insurer Direct Line and sensor and lighting producer ams-OSRAM.

Even after strong performance year-to-

date, we continue to see good value in European equities, which remain at notable valuation discounts relative to the rest of the world. We maintain that Europe provides

attractive opportunities to invest in strong businesses trading at depressed valuations, in some cases just because of where they are domiciled. ■

## PERFORMANCE SUMMARY periods greater than 1 year annualized in USD as of March 31, 2025

	1Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 8/1/08
Pzena European Focused Value Composite - Gross	10.2%	10.2%	12.7%	10.7%	20.2%	6.4%	6.2%
Pzena European Focused Value Composite - Net	10.0%	10.0%	12.0%	10.0%	19.4%	5.7%	5.6%
MSCI Europe Index	10.5%	10.5%	6.9%	7.3%	13.2%	5.7%	4.2%
MSCI Europe Value Index	16.1%	16.1%	18.0%	11.1%	15.9%	5.0%	3.2%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 28. 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 29)

Signify	3.4%
Reckitt Benckiser Group	3.3%
Amundi	3.2%
Enel	3.2%
HSBC Holdings	3.2%
Julius Baer Gruppe	3.2%
Fresenius Medical Care	3.0%
SEB	3.0%
Continental	3.0%
BASF	3.0%
Total	31.5%

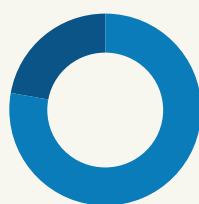
## PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings <sup>1</sup>	7.7x	12.3x*
Price / Earnings (1-Year Forecast)	9.6x	14.2x
Price / Book	1.1x	2.1x
Median Market Cap (\$B)	\$23.4	\$17.6
Weighted Average Market Cap (\$B)	\$42.1	\$104.1
Active Share	85.6%	-
Standard Deviation (5-Year)	22.4%	17.6%
Number of Stocks (model portfolio)	43	399

Source: MSCI Europe Index, Pzena analysis

\*Investment universe median; <sup>1</sup>Pzena's estimate of normal earnings.

## REGION CONCENTRATION



	Strategy	Index
Europe ex-U.K.	78%	77%
United Kingdom	22%	23%

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

## SECTOR WEIGHTS

	Strategy	Index
Communication Services	0%	4%
Consumer Discretionary	13%	9%
Consumer Staples	5%	10%
Energy	4%	5%
Financials	27%	22%
Health Care	12%	15%
Industrials	18%	18%
Information Technology	2%	7%
Materials	14%	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.



## PZENA JAPAN FOCUSED VALUE

Japanese equity markets declined in yen terms, as rising tariff risks from the U.S. and the appreciation of the yen, driven by higher domestic interest rates, reignited concerns on companies' earnings outlooks, particularly for export-oriented sectors. Our portfolio posted a modest decline in local currency but outperformed its TOPIX benchmark.

The financials and materials sectors led the gains, and Sankyu, a plant engineering and logistics company serving the steel and chemical industries, outperformed after reporting results that exceeded market expectations. Leading tire manufacturer Bridgestone was up on a shareholder-friendly capital return policy, while Resona Holdings, a major regional bank, also outperformed amid growing expectations for continued policy rate hikes by the Bank of Japan.

Information technology and communication services were the only two detracting sectors in USD. TDK, a manufacturer of diverse electronic components, underperformed following the Chinese government's reduction of export tax rebates on lithium-ion batteries. This development raised concerns that earnings from its small battery segment, a key growth driver, may have peaked. Medical imaging company Olympus lagged due to weak demand for endoscopy systems in China, which is the company's most profitable market. Ibiden, a leading manufacturer of semiconductor package substrates, declined as cyclical softness in end-market demand caused earnings to fall short of expectations. In all three cases, we believe these challenges are temporary and that their strong competitive positions remain intact.

We increased our positions in Daihen, Tokai Carbon, and Olympus on valuations and expectations for

earnings normalization. We exited our position in Sampo Holdings, and reduced exposure to THK, Sumitomo Electric Industries, and Sankyu, also based on valuations.

Our portfolio maintains meaningful exposure to cyclical industries. Looking ahead, our strategy remains focused on selectively investing in undervalued Japanese companies, particularly those undertaking structural reforms

to improve capital efficiency and enhance shareholder returns. ■

### PERFORMANCE SUMMARY periods greater than 1 year annualized in USD as of March 31, 2025

	1Q	YTD	One Year	Three Year	Five Year	Since Inception 7/1/15
Pzena Japan Focused Value Composite - Gross	4.5%	4.5%	9.4%	8.5%	13.9%	6.0%
Pzena Japan Focused Value Composite - NET	4.3%	4.3%	8.5%	7.6%	13.0%	5.1%
TOPIX Index	1.3%	1.3%	-0.7%	5.7%	8.6%	5.1%
TOPIX Value Index	4.8%	4.8%	4.5%	11.9%	13.3%	6.2%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 28. 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 29)

Bridgestone	3.7%
Coca-Cola Jp H	3.7%
Yamaha	3.5%
TOKAI CARBON	3.5%
Resona	3.4%
PERSOL Holdings	3.4%
Takeda Pharmaceutical	3.3%
Taiyo Yuden	3.2%
Sankyu	3.2%
Fukuoka Financial Group	3.1%
Total	34.0%

### PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings <sup>1</sup>	8.3x	12.3x *
Price / Earnings (1-Year Forecast)	14x	13.8x
Price / Book	0.9x	1.3x
Median Market Cap (\$B)	\$3.8	\$0.6
Weighted Average Market Cap (\$B)	\$11.7	\$50.8
Active Share	92.3%	-
Standard Deviation (5-Year)	15.3%	14.2%
Number of Stocks (model portfolio)	37	1,692

Source: TOPIX Index, Pzena Analysis

\*Investment universe median; <sup>1</sup>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	12%	16%
Health Care	10%	7%
Industrials	24%	25%
Information Technology	11%	12%
Materials	14%	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.



## PORTFOLIO STRATEGIES

### PZENA LARGE CAP VALUE (U.S.)

U.S. broad market indices declined in the first quarter, as uncertainty regarding U.S. trade policy triggered fears of a worsening environment for economic growth. While most sectors finished in positive territory, technology was down materially, as investors began to contemplate risk from the magnitude of capex needs to fuel the AI boom, a slowdown in cloud spending, and the uncertain implications of potentially cheaper AI models like DeepSeek. Value stocks were higher in the quarter, outperforming the broad market, and our Large Cap Value strategy finished in the black but underperformed its benchmark.

Consumer discretionary, industrials, and utilities all detracted in the quarter. California utility Edison International was the largest individual detractor on fears that it could be liable for the Eaton wildfire in Southern California. While the ultimate cause of and liability for this unfortunate event remain unclear at this stage, we exited the position after determining that the range of outcomes for Edison had widened substantially. Skyworks, a leading provider of radio frequency components for smartphones, fell after disclosing a decline in content on the iPhone 17. Consumer products company Newell Brands shares were weak, despite earnings coming in ahead of expectations, due to a slightly weaker-than-expected demand outlook combined with investor concerns around the impact of tariffs.

Health care and consumer staples were the portfolio's best-performing sectors, and CVS Health Corp. was the largest individual contributor, reporting encouraging 4Q24 earnings and revealing reduced losses in its Medicare Advantage business. Discount retailer Dollar General was also strong after earnings revealed progress on the company's operational turnaround, and medical equipment manufacturer Baxter rallied on strong earnings, aided by a milder-than-expected impact from Hurricane Helene on the company's IV solutions business.

During the quarter, we initiated a position in PPG Industries Inc., a leading provider

of coatings to a diversified set of end markets. Shares have been weak on concerns around the company's organic growth prospects due to cyclical weakness in some key end markets, in addition to temporarily elevated capex weighing on FCF. We believe these concerns present an attractive valuation entry point for a uniquely strong coatings portfolio with historically high returns on capital. We also bought Genuine Parts Company, a leading wholesaler of automotive parts under the NAPA brand. A value opportunity arose in this

attractive business due to cyclical weakness in auto parts end markets, in addition to company-specific execution challenges that management is in the process of addressing. In addition to exiting Edison International, we funded these purchases by selling out of drug distributor McKesson and trimming life insurer Equitable Holdings on strength.

Starting point valuations remain extremely attractive in the portfolio today, which is most exposed to the health care and financials sectors. ■

#### PERFORMANCE SUMMARY periods greater than 1 year annualized in USD as of March 31, 2025

	1Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 7/1/12
Pzena Large Cap Value Composite - Gross	1.7%	1.7%	1.1%	6.2%	20.1%	9.0%	11.5%
Pzena Large Cap Value Composite - Net	1.6%	1.6%	0.7%	5.8%	19.6%	8.5%	11.0%
Russell 1000 Value Index	2.1%	2.1%	7.2%	6.6%	16.1%	8.8%	10.9%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 28. 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 29)

CVS Health	4.3%
Dollar General	3.8%
Capital One Financial	3.7%
Citigroup	3.5%
Baxter Intl	3.5%
Wells Fargo	3.4%
Charter Communications A	3.2%
Humana	3.1%
MetLife	3.1%
Shell	3.0%
Total	34.6%

#### PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings <sup>1</sup>	8.3x	13.8x *
Price / Earnings (1-Year Forecast)	11.1x	17x
Price / Book	1.6x	2.6x
Median Market Cap (\$B)	\$38.5	\$12.7
Weighted Average Market Cap (\$B)	\$81.6	\$173.0
Active Share	87.6%	-
Standard Deviation (5-Year)	20.2%	16.3%
Number of Stocks (model portfolio)	50	870

Source: Russell 1000® Value, Pzena analysis

\*Investment universe median; <sup>1</sup>Pzena's estimate of normal earnings.

#### SECTOR WEIGHTS

	Strategy	Index
Basic Materials	0%	3%
Consumer Discretionary	12%	10%
Consumer Staples	7%	7%
Energy	5%	7%
Financials	24%	21%
Health Care	21%	14%
Industrials	14%	18%
Real Estate	1%	5%
Technology	12%	7%
Telecommunications	4%	4%
Utilities	0%	5%

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

## PZENA LARGE CAP FOCUSED VALUE (U.S.)

U.S. broad market indices declined in the first quarter, as uncertainty regarding U.S. trade policy triggered fears of a worsening environment for economic growth. While most sectors finished in positive territory, technology was down materially, as investors began to contemplate risk from the magnitude of capex needs to fuel the AI boom, a slowdown in cloud spending, and the uncertain implications of potentially cheaper AI models like DeepSeek. Value stocks were higher in the quarter, outperforming the broad market, and our Large Cap Focused Value strategy rose in line with the benchmark.

Consumer staples and health care were the portfolio's best-performing sectors, and CVS Health Corp. was the largest individual contributor, reporting encouraging 4Q24 earnings and revealing reduced losses in its Medicare Advantage business. Medical equipment manufacturer Baxter also rallied on strong earnings, aided by a milder-than-expected impact from Hurricane Helene on the company's IV solutions business, solid underlying margin progression, and robust organic growth driven by new product innovation. Discount retailer Dollar General was also strong after earnings revealed progress on the company's operational turnaround, as well as resilient sales growth in its core consumables business.

Consumer discretionary, industrials, and technology were the only detracting sectors in the quarter. Consumer products company Newell Brands was the largest individual detractor; its shares were weak, despite earnings coming in ahead of expectations, due to a slightly weaker-than-expected demand outlook combined with investor concerns around the impact of tariffs. PVH Corp, the owner of the Tommy Hilfiger and Calvin Klein brands, declined on fears that its business in China could be challenged after the company was

placed on China's "Unreliable Entity" list, likely in response to U.S. trade policy. In our view, PVH's share price reaction has been disproportionate to the company's total exposure to the Chinese market. Shares of Delta Air Lines fell after management lowered its outlook due to a weakening demand picture.

During the quarter, we initiated a position in life insurer Corebridge Financial Inc., which trades at a discount to its peers despite an advantaged position in its annuities business, a

history of attractive returns, and solid risk management practices. We added to our position in Medicare Advantage insurer Humana on weakness, and trimmed CVS, life insurer Equitable Holdings, and JPMorgan Chase, all on strength.

Starting point valuations remain extremely attractive in the portfolio today, which is most exposed to the health care and financials sectors. ■

### PERFORMANCE SUMMARY periods greater than 1 year annualized in USD as of March 31, 2025

	1Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 10/1/00
Pzena Large Cap Focused Value Composite - Gross	2.5%	2.5%	0.3%	5.7%	21.5%	8.8%	7.8%
Pzena Large Cap Focused Value Composite - Net	2.4%	2.4%	-0.4%	5.0%	20.6%	8.0%	7.0%
Russell 1000 Value Index	2.1%	2.1%	7.2%	6.6%	16.1%	8.8%	7.5%

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### TOP 10 HOLDINGS

(See Portfolio Notes on page 29)

Baxter Intl	5.7%
CVS Health	5.7%
Humana	4.7%
Citigroup	4.4%
Fresenius Medical Care	4.3%
Wells Fargo	4.2%
Dollar General	4.1%
Capital One Financial	4.1%
Global Payments	3.5%
Dow	3.4%
Total	44.1%

### PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings <sup>1</sup>	7.6x	13.8x*
Price / Earnings (1-Year Forecast)	10.7x	17x
Price / Book	1.5x	2.6x
Median Market Cap (\$B)	\$26.4	\$12.7
Weighted Average Market Cap (\$B)	\$65.7	\$173.0
Active Share	93.8%	-
Standard Deviation (5-Year)	21.9%	16.3%
Number of Stocks (model portfolio)	32	870

Source: Russell 1000® Value, Pzena analysis  
\*Investment universe median; <sup>1</sup>Pzena's estimate of normal earnings.

### SECTOR WEIGHTS

	Strategy	Index
Basic Materials	0%	3%
Consumer Discretionary	14%	10%
Consumer Staples	9%	7%
Energy	5%	7%
Financials	23%	21%
Health Care	23%	14%
Industrials	11%	18%
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.

## PZENA FOCUSED VALUE (U.S.)

U.S. broad market indices declined in the first quarter, as uncertainty regarding U.S. trade policy triggered fears of a worsening environment for economic growth. While most sectors finished in positive territory, technology was down materially, as investors began to contemplate risk from the magnitude of capex needs to fuel the AI boom, a slowdown in cloud spending, and the uncertain implications of potentially cheaper AI models like DeepSeek. Value stocks were higher in the quarter, outperforming the broad market, and our Focused Value strategy finished in the black, though it underperformed its benchmark.

Consumer discretionary, industrials, and technology all detracted in the quarter, and shares of Delta Air Lines fell after management lowered its outlook due to a weakening demand picture. Consumer products company Newell Brands' shares were weak, despite earnings coming in ahead of expectations, due to a slightly weaker-than-expected demand outlook combined with investor concerns around the impact of tariffs. PVH Corp, owner of the Tommy Hilfiger and Calvin Klein brands, declined on fears that PVH's business in China could be challenged after the company was placed on China's "Unreliable Entity" list, likely in response to U.S. trade policy. In our view, PVH's share price reaction has been disproportionate to the company's total exposure to the Chinese market.

Consumer staples and health care were the portfolio's best-performing sectors, and CVS Health Corp. was the largest individual contributor, reporting encouraging 4Q24 earnings and expecting losses to moderate in its Medicare Advantage business. Medical equipment manufacturer Baxter also rallied on strong earnings, aided by a milder-than-expected impact from Hurricane Helene on the company's IV solutions business, solid underlying margin progression, and robust organic growth driven by new product innovation. Discount retailer Dollar

General was also strong after earnings revealed progress on the company's operational turnaround, as well as resilient sales growth in its core consumables business.

During the quarter, we initiated a position in leading non-OEM auto parts distributor LKQ Corp., which has been pressured by cyclically weak volumes in North America, while facing investor questions around its recent acquisition strategy, allowing us to add this high-quality franchise at a discounted valuation. We added to our

position in hospital operator Universal Health Services on weakness in response to fears around potential Medicaid cuts, and to PVH on aforementioned headwinds related to its business in China. We trimmed CVS, title insurer Fidelity National, life insurer Equitable Holdings, and Bank of America, all on strength.

Starting point valuations remain extremely attractive in the portfolio today, which is most exposed to the health care and financials sectors. ■

### PERFORMANCE SUMMARY periods greater than 1 year annualized in USD as of March 31, 2025

	1Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 1/1/96
Pzena Focused Value Composite - Gross	1.3%	1.3%	-1.1%	8.4%	22.9%	8.7%	10.4%
Pzena Focused Value Composite - Net	1.0%	1.0%	-2.0%	7.4%	21.7%	7.7%	9.3%
Russell 1000 Value Index	2.1%	2.1%	7.2%	6.6%	16.1%	8.8%	9.0%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 28. 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 29)

CVS Health	5.2%
Baxter Intl	4.7%
Wells Fargo	4.7%
Citigroup	4.5%
Capital One Financial	4.2%
Humana	4.1%
Dollar General	3.8%
Charter Communications A	3.2%
Global Payments	3.1%
Lear	3.0%
Total	40.5%

### PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings <sup>1</sup>	7.5x	12.9x*
Price / Earnings (1-Year Forecast)	10.7x	17x
Price / Book	1.5x	2.6x
Median Market Cap (\$B)	\$18.1	\$12.7
Weighted Average Market Cap (\$B)	\$55.0	\$173.0
Active Share	93.6%	-
Standard Deviation (5-Year)	22.6%	16.3%
Number of Stocks (model portfolio)	37	870

Source: Russell 1000® Value, Pzena analysis

\*Investment universe median; <sup>1</sup>Pzena's estimate of normal earnings.

### SECTOR WEIGHTS

	Strategy	Index
Basic Materials	2%	3%
Consumer Discretionary	16%	10%
Consumer Staples	8%	7%
Energy	3%	7%
Financials	23%	21%
Health Care	20%	14%
Industrials	14%	18%
Real Estate	0%	5%
Technology	11%	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.)

U.S. markets declined to start 2025, as tariffs and their corresponding impact on the economy drove weak economic sentiment. While full tariff details were not announced until after quarter-end, proposed changes throughout the period weighed on the more economically sensitive and cyclical sectors. Value outpaced growth in the quarter, but our portfolio slightly trailed its mid-cap value benchmark.

The consumer discretionary, industrials, and basic materials sectors were the top detractors in the quarter, and shares of Delta Air Lines were weak, as demand across the industry started to soften, driven by macroeconomic and geopolitical uncertainty. Consumer products company Newell Brands moved lower, despite the company's earnings coming in ahead of consensus expectations, due to a slightly weaker-than-expected demand outlook combined with fears around the impact of tariffs. Finally, PVH Corp., owner of the Tommy Hilfiger and Calvin Klein brands, declined on fears that its business in China could be challenged after the company was placed on China's "Unreliable Entity" list, likely in response to U.S. trade policy. We added to our position on the weakness.

The health care, financials, and consumer staples sectors led the gains, and discount retailer Dollar General shares surged after earnings revealed progress on the company's operational turnaround, as well as resilient sales growth in its core consumables business. Shares of call center outsourcer Concentrix reacted favorably to better-than-expected growth and profits, along with increased uptake of its AI offerings. Finally, medical products manufacturer Baxter beat earnings expectations, aided by a milder-than-expected impact from Hurricane Helene on the company's IV solutions business, solid underlying margin progression, and robust organic growth driven by new product innovation.

During the quarter, we added LKQ Corp., which is a leading alternative auto parts distributor, holding #1 positions in the collision and salvage markets in North America, as well as in the hard parts market in Europe. After benefiting from post-COVID supply chain disruptions, margins have come under pressure, as

insurance companies have written off more cars as totaled, putting pressure on repairs. We believe these headwinds are manageable longer term, and the company is well positioned to benefit from an eventual rebound. We also added to our positions in Advance Auto Parts and smartphone components company Skyworks. To fund these purchases, we exited our position in CH Robinson on valuation, and trimmed SS&C and Charter Communications, both on strength.

Following the end of the quarter, the tariffs announced by the White House were worse than feared,

sending markets lower. We have been closely monitoring the situation and are assessing the potential impacts of these levies on our portfolios at the company level. Thus far, the ultimate effects of the import tariffs are too uncertain—in terms of the rates, timeline, potential mitigants, the degree to which companies absorb or pass through tariffs—and price movements are not large or differentiated enough to warrant major portfolio actions. However, we will continue to update our company-specific models to account for a wider range of outcomes. ■

### PERFORMANCE SUMMARY periods greater than 1 year annualized in USD as of March 31, 2025

	1Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 9/1/98
Pzena Mid Cap Focused Value Composite - Gross	-2.9%	-2.9%	-8.0%	4.0%	23.4%	8.9%	11.8%
Pzena Mid Cap Focused Value Composite - Net	-3.2%	-3.2%	-9.0%	3.0%	22.2%	7.9%	10.7%
Russell Midcap Value Index	-2.1%	-2.1%	2.3%	3.8%	16.7%	7.6%	9.8%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 28. 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 29)

Humana	4.7%
Baxter Intl	4.7%
Dollar General	4.6%
Advance Auto Parts	4.4%
Fresenius Medical Care	3.3%
Globe Life	3.3%
Charter Communications A	3.1%
Tyson Foods A	3.1%
Concentrix	3.0%
Lear	3.0%
Total	37.2%

### PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings <sup>1</sup>	7.4x	12.2x*
Price / Earnings (1-Year Forecast)	10.9x	15.9x
Price / Book	1.5x	2.3x
Median Market Cap (\$B)	\$11.0	\$9.8
Weighted Average Market Cap (\$B)	\$17.7	\$25.4
Active Share	95.0%	-
Standard Deviation (5-Year)	23.7%	18.8%
Number of Stocks (model portfolio)	38	712

Source: Russell Midcap® Value, Pzena analysis  
\*Investment universe median; <sup>1</sup>Pzena's estimate of normal earnings.

### SECTOR WEIGHTS

	Strategy	Index
Basic Materials	5%	3%
Consumer Discretionary	22%	13%
Consumer Staples	3%	6%
Energy	2%	6%
Financials	20%	17%
Health Care	18%	8%
Industrials	13%	20%
Real Estate	0%	10%
Technology	14%	8%
Telecommunications	3%	1%
Utilities	0%	8%

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



## PZENA SMALL CAP FOCUSED VALUE (U.S.)

U.S. markets declined to start 2025, as tariffs and their corresponding impact on the economy drove weak economic sentiment, particularly for small-cap companies. While full tariff details were not announced until after the quarter end, proposed changes throughout the period negatively impacted almost all sectors and led to small caps continuing to underperform large caps. While value stocks held up significantly better than growth stocks within the large-cap cohort, value was only slightly more resilient than growth within the small-cap cohort. Our portfolio declined and underperformed its benchmark during the period.

The consumer discretionary, industrials, and basic materials sectors all detracted from performance this quarter. The largest individual detractor was automotive seat supplier Adient, which traded down on tariff concerns and their potential to negatively impact automotive production and profitability. Most of Adient's production is co-located with customers, but they, like competitors, have components subject to tariffs. Additionally, broader auto demand could be impacted if OEMs increase pricing to offset costs. Another detractor was Genesco, owner of shoe retailer Journeys and shoe and apparel manufacturer Johnson & Murphy. The stock was a top contributor in 4Q24 on improved same-store-sales, but disappointing 2025 earnings guidance recently drove down the stock. We trimmed the position early in the quarter, then added to it following recent weakness. PVH Corp, owner of the Tommy Hilfiger and Calvin Klein brands, declined on fears that its business in China could be challenged after the company was placed on China's "Unreliable Entity" list, likely in response to U.S. trade policy. While not a high percentage of sales, this drove increased uncertainty around the business.

The only contributing sector this quarter was technology. The top individual contributor, call center outsourcer Concentrix, reported better-than-expected growth and profits, along with increased uptake of its AI offerings. Life insurers CNO Financial and Globe Life both posted better-than-expected earnings. CNO continues to generate higher investment income and introduced a higher mid-term ROE target. Globe Life continues to repurchase

shares and has not suffered from accusations made by short sellers last year.

We initiated a position in Robert Half, a leading provider of staffing and consulting services focused on finance and accounting functions. The share price has been impacted by low job turnover weighing on demand for staffing services, creating an attractive value opportunity. We continued to build our position in dental product manufacturer Envista. We also added to specialty technology distributor ScanSource on recent weakness, after trimming the

position in 2024 on strength. We funded these buys by exiting property & casualty insurer Axis Capital and trimming CNO Financial and automotive axle manufacturer Dana, all on strength.

The period has remained particularly challenging for small caps and our portfolio, but uncertainty in the market continues to create new opportunities. The portfolio remains positioned towards more economically sensitive and cyclical names, as valuations remain quite attractive.

### PERFORMANCE SUMMARY periods greater than 1 year annualized in USD as of March 31, 2025

	1Q	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 1/1/96
Pzena Small Cap Focused Value Composite - Gross	-11.4%	-11.4%	-14.0%	3.7%	20.3%	8.0%	12.2%
Pzena Small Cap Focused Value Composite - Net	-11.6%	-11.6%	-14.9%	2.7%	19.1%	6.9%	11.0%
Russell 2000 Value Index	-7.7%	-7.7%	-3.1%	--	15.3%	6.1%	8.8%

See Calendar Year Returns, Portfolio Notes/Disclosures and important risk information beginning on pg. 28. 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 29)

Advance Auto Parts	4.0%
Old National	3.2%
MRC Global	3.1%
Universal	3.0%
Concentrix	3.0%
TriMas	3.0%
Webster Finl	2.9%
CNO Finl Group	2.8%
Spectrum Brands Holdings	2.8%
Avnet	2.7%
Total	30.5%

### PORTFOLIO CHARACTERISTICS

	Strategy	Index
Price to Normal Earnings <sup>1</sup>	6.9x	11.1x *
Price / Earnings (1-Year Forecast)	10.6x	12.3x
Price / Book	1.1x	1.2x
Median Market Cap (\$B)	\$1.8	\$0.7
Weighted Average Market Cap (\$B)	\$2.6	\$2.8
Active Share	96.0%	-
Standard Deviation (5-Year)	26.1%	22.3%
Number of Stocks (model portfolio)	48	1,427

Source: Russell 2000® Value, Pzena analysis  
\*Investment universe median; <sup>1</sup>Pzena's estimate of normal earnings.

### SECTOR WEIGHTS

	Strategy	Index
Basic Materials	8%	3%
Consumer Discretionary	20%	12%
Consumer Staples	7%	2%
Energy	5%	7%
Financials	23%	30%
Health Care	5%	8%
Industrials	21%	12%
Real Estate	2%	12%
Technology	8%	4%
Telecommunications	0%	3%
Utilities	0%	6%

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%

### 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 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%

### 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%

### 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%

### 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%

### 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%

### 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 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%

### 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%

### 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 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%

### 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%

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.**

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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

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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

Pzena Investment Management, LLC is located at 320 Park Avenue, 8th Floor, New York, NY 10022 and is a registered investment adviser registered with the United States Securities and Exchange Commission.

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