CAPITAL INCOME FUND Commentary

First Quarter 2017

Hotchkis & Wiley

Manager Review and Economic Outlook

Investment Strategy

The Hotchkis & Wiley Capital Income Fund invests in both value equity securities and high yielding fixed income securities with an emphasis on income generation. The long-term allocation target between value equities and high yielding fixed income securities is 50/50. The portfolio has two benchmarks, the S&P 500 Index ("the equity benchmark") and the BofA Merrill Lynch US Corporate, Government & Mortgage Index ("the fixed income benchmark"). These benchmarks are averaged, using the portfolio's long-term allocation targets, to produce a "50/50 blended benchmark" to help assess performance.

Market Commentary

The S&P 500 Index increased +6.07% and the BofA Merrill Lynch US High Yield Index returned +2.71% in the first quarter of 2017. The rise in equities has triggered debate about the equity market's current valuation. Most traditional valuation measures are above historical averages; however, these metrics are below historical averages after adjusting for the low interest rate environment. Our general view is that the broad market, as defined by the S&P 500, is fully valued. Often overlooked, however, is that some market segments contain bargains while others are richly valued. Finding such opportunities has become more difficult in recent years but we continue to observe a large valuation discrepancy between cyclical market segments and those viewed as bond surrogates. Today's popular stocks are those that have relatively stable earnings and high dividend payouts, like REITs, consumer staples, and regulated utilities. While the underlying businesses are stable, these are mature, slow-growing market segments, and paying 20-25x earnings is a risky proposition in our view. Investing in passive ETFs that track common equity indices is the other preferred strategy of the day, pouring still more investor capital into overvalued stocks and exacerbating the situation. Meanwhile, some market segments that have been shunned trade for half the valuation levels of the more favored areas of the market, and in select circumstances, even trade at a discount to the replacement cost of the business.

As an example, we own several banks and insurers that trade at discounts to tangible book value; it would cost more to replicate the asset base than to simply buy the company. These businesses continue to have a stigma from the financial crisis, which is in part why current valuations remain attractive, in our opinion. The fact remains, however, that these companies provide essential services to the economy (low obsolescence risk) and have capital ratios/liquidity metrics at the highest levels since the 1930s. Regulatory uncertainty always represents a risk, but this also acts as a barrier to entry as leading franchises are difficult and costly to displace—an often overlooked benefit. Industrials sector also offers attractive valuation opportunities for the risks at hand. We own a mix of attractively-valued companies that trade at bargain prices; in most cases the stocks have been shunned or overlooked because the underlying businesses are cyclical. We believe technology is another sector that offers attractive valuation opportunities for the risks at hand. We own a mix of attractively-valued software, hardware, and equipment companies with businesses that we view as more predictable than most technology companies. These businesses have relatively sticky customers, strong balance sheets, and are prudent capital stewards.

In credit markets, the BofAML US High Yield Index ended the quarter with a yield-to-worst of 5.9% and spread over treasuries of 391 basis points. With spreads both tight and narrowly distributed, it is not the most compelling environment we have ever observed based on valuations alone. Nonetheless, high yield valuations appear more attractive than fixed income alternatives, even after adjusting for differences in risk. Strong market fundamentals are the primary cause of the tight high yield market. The trailing 12 month default rate has fallen well below average (~2.5%), and is poised to decline further as early-to-mid 2016 defaults roll off. Defaults outside the commodity sectors have been nearly non-existent, persisting at less 1% over the past year. Default increases are most often preceded by revenue and margin declines coupled with increases in financial leverage. Revenues and margins have recently improved; however, and leverage has come down.

We have been able to identify attractive individual opportunities on a highly selective basis. We believe our penchant for small and mid cap issuers provides a competitive advantage by expanding our investable universe and allowing us to look at an important segment of the high yield market where opportunities abound. In the current environment, we have identified, in our opinion, the most attractive risk-adjusted opportunities in basic industry, energy, and consumer goods credits. Our exposures are predicated on our bottom-up analysis of the individual credits, many of which are misunderstood or ignored by the largest high yield investors. We believe this approach is a considerable advantage in all markets, but disproportionately so in environments where obvious opportunities are hard to find. The portfolio maintains a notable spread advantage relative to the market without assuming undue risk. Going forward, we will maintain our commitment to this time-tested approach and are optimistic about the long-term risk/return prospects of the portfolio.

Attribution and Management Discussion: 1Q 2017

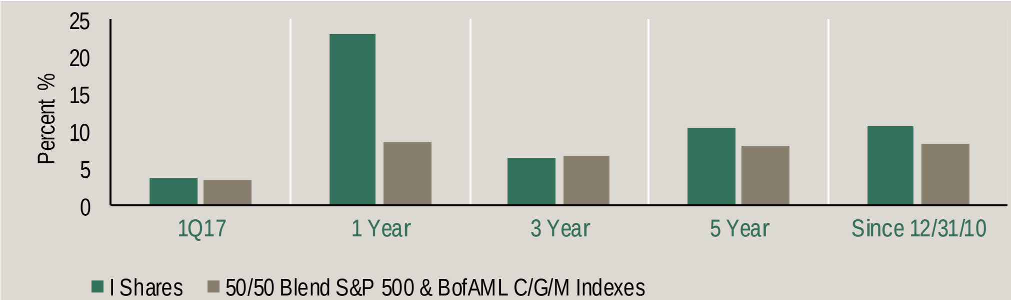
The Hotchkis & Wiley Capital Income Fund (Class I) outperformed the 50/50 blended benchmark in the first quarter of 2017. The equity portion averaged 57% of the portfolio over the year with the balance allocated to high yield bonds. The overweight to equities helped as equities outperformed high yield bonds. The high yield bond exposure, as opposed to investment grade fixed income, also helped relative performance as high yield outperformed high grade bonds by a considerable margin.

The equity portion of the portfolio underperformed the S&P 500 Index. The overweight position in financials and energy detracted from performance as these were among the worst performing sectors in the quarter. Stock selection in financials and technology also detracted from performance. On the positive side, stock selection in energy, real estate, healthcare, and industrials helped relative performance. The largest individual detractors to relative performance were Fifth Street Asset Management, Cobalt, ARRIS, AIG, and Popular; the largest positive contributors were Bowleven, NRG, GEO Group, WorleyParsons, and Oracle.

The high yield bond portion of the portfolio outperformed the BofAML US Corporate, Government & Mortgage Index but underperformed the BofAML US High Yield Index. Relative to the high yield index, performance was hurt by credit selection in energy. This was partly offset by positive credit selection in consumer goods and media.

Fund holdings and/or sector allocations are subject to change and are not buy/sell recommendations. Current and future portfolio holdings are subject to risk. Certain information presented based on proprietary or third-party estimates are subject to change and cannot be guaranteed. Portfolio managers' opinions and data included in this commentary are as of 3/31/17 and are subject to change without notice. Any forecasts made cannot be guaranteed. Information obtained from independent sources is considered reliable, but H&W cannot guarantee its accuracy or completeness. Past performance is no guarantee of future results. Diversification does not assure a profit nor protect against loss in a declining market.

Performance as of March 31, 2017



	1Q17	1 Year	3 Year	5 Year	Since 12/31/10
I Shares	3.80%	23.00%	6.27%	10.51%	10.56%
A Shares without sales charge	3.75	22.58	6.03	10.70	10.77
A Shares	-1.17	16.78	4.33	9.64	9.90
S&P 500 Index	6.07	17.17	10.37	13.30	13.00
BofAML US Corp., Govt. & Mtg. Index	0.88	0.39	2.79	2.40	3.21
50/50 Blend S&P 500 & BofAML C/G/M Indexes	3.46	8.55	6.67	7.88	8.20
BofAML US High Yield Index	2.71	16.88	4.62	6.85	7.03

Yield	I Shares	A Shares	A Shares (Load)
30-Day SEC Yield with expense waiver	3.36%	3.11%	2.96%
30-Day SEC Yield without expense waiver	2.93%	2.68%	2.55%

The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through April 30, 2018 so the net expense ratio does not exceed 0.80% for I Shares and 1.05% for A Shares. Over the past 12 months, the Fund invested in business development companies, which produced acquired fund fees and expenses ("AFFE") of 0.04%. The reported net expense ratio is the expense ratio cap plus AFFE, or 0.84% for I Shares and 1.09% for A Shares. Net expense ratios were applicable to investors. The Fund's total annual operating gross expense ratio as of the most current prospectus is 1.22% for I Shares and 1.47% for A Shares.

The performance shown represents past performance. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Short-term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns. Investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. To obtain performance data current to the most recent month-end, access our website at www.hwcm.com.

You should consider the Fund's investment objectives, risks, and charges and expenses carefully before you invest. This and other important information is contained in the Fund's summary prospectus and prospectus, which can be obtained by calling 1-800-796-5606 or visiting our website at www.hwcm.com. Read carefully before you invest.

Returns shown for A shares for the periods prior to their inception are derived from the historical performance of I Shares of the Fund during such periods and have been adjusted to reflect the higher total annual operating expenses of each specific Share class (Inception date: Class I-12/31/10, Class A-2/28/11). Returns shown for A returns without sales charge does not reflect the maximum sales load of 4.75%; if reflected, performance would be lower than shown. All other returns reflect the deduction of the current maximum initial sales charges of 4.75%. Class I shares sold to a limited group of investors. Total returns include reinvestment of dividends and capital gains. Expense limitations may have increased the Fund's total return.

Yield-to-Worst is the lowest possible yield from owning a bond considering all potential call dates prior to maturity. REIT stands for Real Estate Investment Trust. Basis point is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument. Spread is the percentage point difference between yields of various classes of bonds compared to treasury bonds. Investment grade indicates that a municipal or corporate bond has a relatively low risk of default. Book value is the net asset value of a company, calculated by subtracting total liabilities from total assets. Specific securities identified are the largest contributors (or detractors) on a relative basis to the S&P 500 Index. Securities' absolute performance may reflect different results. The Fund may not continue to hold the securities mentioned and the Advisor has no obligation to disclose purchases or sales of these securities. Attribution is an analysis of the portfolio's return relative to a selected benchmark, is calculated using daily holding information and does not reflect the payment of transaction costs, fees and expenses of the Fund. Top ten equity holdings as of 3/31/17 as a % of the Fund's net assets: Hewlett Packard Enterprise 2.8%, American Int'l Group Inc. 2.7%, Danieli & C Officine Meccaniche 2.1%, Royal Mail PLC 2.0%, Popular Inc. 2.0%, Citigroup Inc. 1.9%, Oracle Corp. 1.8%, BAE Systems PLC 1.8%, Koninklijke Philips NV 1.8%, and Vodafone Group PLC 1.7%. Fund holdings are subject to change and are not recommendations to buy or sell any security.

Classes & Tickers

I Shares	HWIIX
A Shares	HWIAX

The S&P 500® Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The BofA Merrill Lynch US Corporate, Government & Mortgage Index is a broad-based measure of the total rate of return performance of the US investment grade bond markets. The BofA Merrill Lynch US High Yield Index tracks the performance of below investment grade, but not in default, US dollar-denominated corporate bonds publicly issued in the US domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P. The 50/50 benchmark is an average, equal weighted blend of the S&P 500® Index and BofA Merrill Lynch US Corporate, Government & Mortgage Index. The indices do not reflect the payment of transaction costs, fees and expenses associated with an investment in the Fund. The Fund's value disciplines may prevent or restrict investment in major stocks in the benchmark indices. It is not possible to invest directly in an index. The Fund's returns may not correlate with the returns of their benchmark indices.

Credit Quality weights by rating were derived from the highest bond rating as determined by S&P, Moody's or Fitch. Bond ratings are grades given to bonds that indicate their credit quality as determined by private independent rating services such as Standard & Poor's, Moody's and Fitch. These firms evaluate a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'D', which is the lowest grade. In limited situations when none of the three rating agencies have issued a formal rating, the Advisor will classify the security as nonrated.

Mutual fund investing involves risk. Principal loss is possible. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment by the fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. The Fund may invest in derivative securities, which derive their performance from the performance of an underlying asset, index, interest rate or currency exchange rate. Derivatives can be volatile and involve various types and degrees of risks. Depending on the characteristics of the particular derivative, it could become illiquid. Investment in Asset Backed and Mortgage Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. The Fund may invest in foreign as well as emerging markets which involve greater volatility and political, economic and currency risks and differences in accounting methods.

Investing in high yield securities is subject to certain risks, including market, credit, liquidity, issuer, interest-rate, inflation, and derivatives risks Lower-rated and non-rated securities involve greater risk than higher-rated securities. High yield bonds and other asset classes have different risk-return profiles, which should be considered when investing.

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