CAPITAL INCOME FUND
Commentary
First Quarter 2019

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 ICE BofAML 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

After falling -13.5% and -4.7% in 4Q 2018, the S&P 500 and ICE BofAML US High Yield Indices returned +13.7% and +7.4% in the first quarter of 2019, respectively. The swift decline and equally rapid recovery were both triggered by changes in investor sentiment as opposed to changes in underlying economic or business fundamentals. Investor concerns emerged late in 2018 regarding trade tensions and a hawkish Fed; this combination created fears of impending global economic recession. These concerns appeared to fade during the first quarter of 2019 due to positive progress on US/China trade talks and dovish comments from the Federal Reserve. Throughout this period we have witnessed a significant decline in longer maturity Treasury yields and a flattening of the yield curve. After reaching 3.2% in late 2018, the 10-year note yield fell below 2.4% in March, its lowest level in more than a year despite the Fed's four 2018 rate hikes. In response to these changes, all S&P 500 sectors were positive in the first quarter, with the best returning +20% (technology) and the worst returning +7% (healthcare). The S&P 500's forward P/E ratio increased from 15.4x at the end of 2018 to 17.1x at the end of the first quarter. The index's median valuation over the past ~30 years is 16.4x; while it is now slightly above median, it is considerably lower than the 20x level where it began 2018.

While the overall equity market appears fairly valued, we find solace in the large valuation disparity between certain segments of the market—some are attractively valued, some richly valued. The S&P Banks Industry Group trades at 9.9x forward earnings. The median multiple for banks over the last 30 years is 12.0x, so the group currently trades at about 80% of its historical average. Considering that banks' balance sheets are as strong as they have been in decades, and nearly 80% of earnings are being returned to shareholders via dividends and share repurchases, we view banks' risk/reward tradeoff as especially compelling. Conversely, the S&P Utilities Industry Group trades at 18.8x forward earnings, or double the valuation of banks. The median multiple for utilities over the last 30 years is 14.4x, so the group currently trades at about 130% of its historical average. Opposite of banks, utilities have added financial leverage, increasing net debt to EBITDA by 50% over the past decade from 3.4x to 5.1x. Utilities can support higher debt levels than most other businesses, but paying high multiples for slow growing businesses with increased leverage is not an attractive proposition in our view. Recognizing the considerable valuation dispersion across sectors, the portfolio exhibits larger sector deviations from the benchmark, including a large equity overweight in financials and no exposure to utilities.

This was its best calendar quarter for the high yield market since immediately following the great recession's low point when the index returned +23% and +15% in back-to-back quarters (2Q and 3Q of 2009, respectively). During the first quarter of 2019, high yield credits outperformed investment grade credits. Within high yield, performance dispersion was wide when assessing the market by either credit size or by sector, though it was relatively narrow when contrasting by credit rating. Large cap credits outperformed small cap credits by about 1.4% in the quarter, a considerable margin and a headwind for our focus on small and mid cap credits. All sectors were positive, with energy, retail, and financial services each returning more than 8%. Transportation, autos, and telecom lagged, returning +3.2%, +5.5%, and +5.9%, respectively. CCC rated bonds narrowly outperformed the overall market, while BB and B rated bonds performed similarly.

The overall high yield market remains quite healthy and well-behaved, with low defaults, low leverage, and robust revenue and earnings growth. This condition, however, is reflected in valuations. Our focus on small and mid cap credits facilitated a considerable spread advantage relative to our benchmarks, and in our view, without assuming disproportionate credit risk. As a result, we are optimistic regarding the portfolio's prospects relative to the market as we look forward.

Both the high yield and equity markets are close to fairly valued, but both also provide opportunities for active managers. We view the ability to invest across companies of all sizes and across the capital structure as a considerable advantage in such environments. We have identified interesting opportunities across both spectrums and are optimistic about the portfolio's prospects as we look forward.

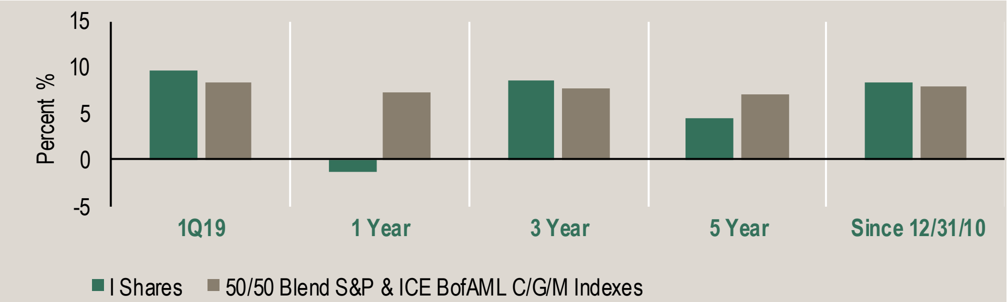
Attribution and Management Discussion: 1Q 2019

The Hotchkis & Wiley Capital Income Fund (Class I) outperformed the 50/50 blended benchmark in the first quarter of 2019. The average equity weight was 56% and the average high yield bond weight was 44% over the course of the quarter. The equity overweight helped as equities outperformed bonds.

The equity portion of the portfolio underperformed the S&P 500 Index during the quarter. Growth outperformed value by more than 4 percentage points, so the value equity portion of the portfolio nearly matching the broad benchmark is an acceptable outcome given the headwind. Positive stock selection in energy, along with the underweight position in healthcare and overweight position in industrials helped relative performance. Stock selection in communication services, technology, and industrials detracted from performance, along with the overweight position in financials. The largest individual detractors to relative performance were Royal Mail, Societe Generale, Vodafone, Danieli, and GEO Group; the largest positive contributors were Seritage Growth Properties, General Electric, Ophir Energy, Kosmos Energy, and Office Depot.

The high yield bond portion of the portfolio outperformed the ICE BofAML US Corporate, Government & Mortgage Index and underperformed the ICE BofAML US High Yield Index. Relative to the high yield benchmark, credit selection in energy, basic industry, and consumer goods hurt relative performance. The preference for small and mid cap credits was also a headwind as large cap credits outperformed. Positive credit selection in healthcare and an underweight allocation to telecommunications helped relative performance.

Performance as of March 31, 2019



	1Q19	1 Year	3 Year	5 Year	Since 12/31/10
I Shares	9.64%	-1.37%	8.49%	4.49%	8.39%
A Shares without sales charge	9.61	-1.48	8.24	4.28	8.50
A Shares	4.39	-6.18	6.51	3.28	7.86
S&P 500 Index	13.65	9.50	13.51	10.91	12.69
ICE BofAML US Corp., Govt. & Mtg. Index	3.01	4.56	2.04	2.82	3.13
50/50 Blend S&P & ICE BofAML C/G/M Indexes	8.27	7.33	7.81	6.98	8.01
ICE BofAML US High Yield Index	7.40	5.94	8.69	4.70	6.49

Yield	I Shares	A Shares	A Shares (Load)
30-Day SEC Yield with expense waiver	4.19%	3.74%	3.57%
30-Day SEC Yield without expense waiver	3.70%	3.29%	3.13%

The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2019 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 0.08%. The reported net expense ratio is the expense ratio cap plus AFFE, or 0.88% for I Shares and 1.13% 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 1.34% for I Shares and 1.59% 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.

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. Forward P/E (Price/Earnings) ratio is a stock's price over its predicted earnings per share. Spread advantage based on the option adjusted spread (OAS). Earnings growth is the annual rate of growth of earnings from investments. Investment grade indicates that a municipal or corporate bond has a relatively low risk of default. Net debt to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) ratio is a measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. 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.

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 ICE BofAML US Corp., Govt. & Mtg. Index is a broad-based measure of the total rate of return performance of the US investment grade bond markets. The ICE BofAML 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 ICE BofAML US Corp., Govt. & Mtg. 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.

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.

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 3/31/19 as a % of the Fund's net assets: American Int'l Group Inc. 2.9%, Whiting Petroleum Corp. 2.5%, General Electric Co. 2.3%, WestJet Airlines 2.0%, Seritage Growth Properties 1.8%, Discovery Inc. - Cl C 1.7%, Wells Fargo & Co. 1.7%, Microsoft Corp. 1.7%, Goldman Sachs Group Inc. 1.6% and GEO Group Inc. 1.4%. Fund holdings are subject to change and are not recommendations to buy or sell any security.

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