CAPITAL INCOME FUND
Commentary
Calendar Year 2017

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
The ICE BofAML US High Yield Index posted a positive return in each calendar quarter of 2017, finishing the year up +7.5%. The index has posted positive performance in 8 consecutive quarters. The S&P 500 Index returned +21.8% in 2017, and for the first time in its 91-year history generated positive performance in every month of a calendar year.

Large cap equities outperformed small cap equities and growth outperformed value. The market was fueled by strong corporate earnings, a supportive economic environment, an accommodative central bank, and then received an additional boost with the passage of tax reform. Following the rally, the overall market's valuation appears above normal but not wildly so. The S&P 500 trades at 20x next year's consensus earnings and 3.2x book value, which is 0.8 and 0.6 standard deviations higher than historical averages, respectively[1]. We believe valuations are reasonable despite the market's 9 year rally because: 1) the market was significantly undervalued 9 years ago; 2) lower interest rates justify higher price multiples; 3) earnings growth has been resilient, and; 4) the market expects continued earnings growth in 2018.

The first three items above are relatively uncontroversial while the fourth is more uncertain. Tax reform should provide a permanent earnings benefit to the market as a whole but not all companies will benefit equally. The repatriation clause allows companies to bring cash held overseas back into the US at a more favorable rate than previously anticipated. This creates an opportunity for management teams to add value for shareholders via productive investments, share repurchases, etc. The reduction in the corporate tax rate from 35% to 21% should provide a broad near-term earnings boost but we believe only companies with core competitive advantages, barriers to entry, and/or pricing power will retain this benefit permanently. Companies operating in highly competitive industries with low barriers to entry and commodity-like products or services are likely to see this benefit competed away until earnings eventually reflect cost-of-capital returns. Thus, when estimating a company's earnings post tax reform, it is important to look beyond its current and projected effective tax rates and assess management's skill at allocating capital effectively as well as the quality of the underlying franchise.

The ICE BofAML US High Yield Index finished the year with a yield-to-worst of 5.8%, which is 0.3% lower than it was at the beginning of the year; the market's spread over treasuries finished the year at 363 basis points, which represents a 59 basis point tightening over the course of the year (the interest rate on similar duration treasuries rose slightly). The treasury yield curve flattened over the year. The Federal Open Market Committee increased the Fed Funds target rate by 25 basis points three different times during 2017, moving the rate from 0.75% to 1.50% by year-end. This precipitated a comparable rise in short-term treasury rates but long-term rates actually fell slightly. We pay close attention to the yield curve because it has inverted prior to each of the past 7 recessions—while it has flattened, it remains upward sloping.

Including distressed exchanges, the par-weighted high yield bond default rate in 2017 was 1.45%. For perspective, the default rate in 2016 was 4.26%. The primary reason for the decline in defaults was the energy sector; the sector's default rate went from 15.6% in 2016 to 2.1% in 2017. Across the market, revenue, earnings, and cash flow have grown, financial leverage has declined, liquidity has improved, and the maturities are well-termed. Fortunately, these factors have led to low defaults; unfortunately, these factors have led to tight spreads.

We continue to believe that equity and credit markets can be driven by fads and temperament in the short run but fundamentals and valuation prevail in the long run. Accordingly, we commit to maintaining our unwavering dedication to the principals of long-term, fundamental value investing, and will invest in the part of the capital structure that provides the most attractive risk/return profile.

Attribution and Management Discussion: 2017
The Hotchkis & Wiley Capital Income Fund underperformed the 50/50 blended benchmark in 2017. The average equity weight was 56% and the average high yield bond weight was 44% over the course of the year. The equity overweight was a modest positive performance contributor because equities outperformed high yield bonds; the magnitude of this benefit was smaller than it should have been because the equity portion of the portfolio underperformed the equity benchmark. High yield bonds outperformed investment grade bonds, which also worked in the Fund's favor.

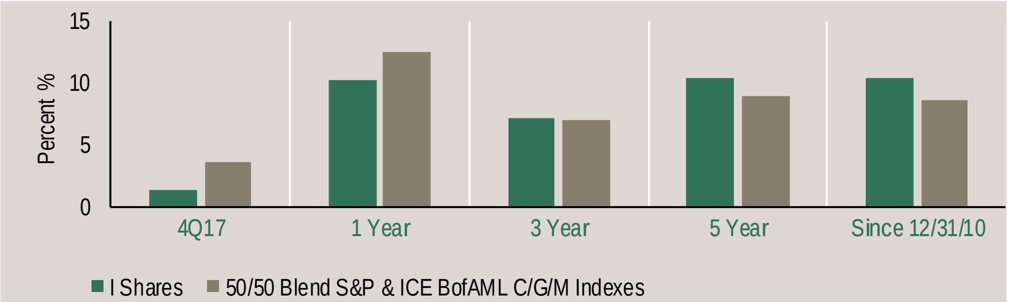
The equity portion of the portfolio underperformed the S&P 500 Index during the year. The Russell 1000 Growth Index outperformed the Russell 1000 Value Index by more than 16 percentage points in the year, which is a major headwind for our value investment approach and the primary cause of the portfolio's equity underperformance. The overweight and stock selection in energy along with stock selection in technology and financials also detracted from performance. This was partially offset by positive stock selection in utilities and telecommunications, and the underweight position in consumer staples. The largest individual detractors to relative performance over the year were Energy XXI, AIG, Popular, Fifth Street Asset Management, and Cobalt International Energy; the largest contributors were Bowleven, WorleyParsons, NRG Energy, Vodafone, and Anthem.

The high yield bond portion of the portfolio outperformed the ICE BofAML US Corporate, Government & Mortgage Index during the year as high yield bonds outperformed investment grade bonds. The portfolio also outperformed the ICE BofAML US High Yield Index due to positive credit selection. Credit selection was positive or neutral in 14 of the 18 BofAML sectors, and was particularly positive in basic industry, energy, and media credits. This was partially offset by credit selection in retail and healthcare.

[1] 1990 through 2017

CAPITAL INCOME FUND

Performance as of December 31, 2017



	4Q17	1 Year	3 Year	5 Year	Since 12/31/10
I Shares	1.39%	10.26%	7.12%	10.37%	10.32%
A Shares without sales charge	1.35	10.01	6.89	10.12	10.47
A Shares	-3.48	4.79	5.16	9.05	9.71
S&P 500 Index	6.64	21.83	11.41	15.79	13.76
ICE BofAML US Corp., Govt. & Mtg. Index	0.41	3.63	2.27	2.13	3.26
50/50 Blend S&P & ICE BofAML C/G/M Indexes	3.50	12.42	6.91	8.90	8.57
ICE BofAML US High Yield Index	0.41	7.48	6.39	5.80	6.94

Yield	I Shares	A Shares	A Shares (Load)
30-Day SEC Yield with expense waiver	3.24%	2.99%	2.85%
30-Day SEC Yield without expense waiver	2.79%	2.54%	2.42%

The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through October 31, 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 0.02%. The reported net expense ratio is the expense ratio cap plus AFFE, or 0.82% for I Shares and 1.07% 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 1.29% for I Shares and 1.54% 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.

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. 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. Yield-to-Worst is the lowest possible yield from owning a bond considering all potential call dates prior to maturity. Book value is the net asset value of a company, calculated by subtracting total liabilities from total assets. Standard deviation is a measure used to quantify the amount of variation or dispersion of a set of data values. Earnings growth is the annual rate of growth of earnings from investments.

The ICE BofAML Indices were known as the BofA Merrill Lynch Indices prior to 10/23/17.

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 Russell 1000® Value Index measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000® Growth Index measures the performance of those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. 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.

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.

Top ten equity holdings as of 12/31/17 as a % of the Fund's net assets: Hewlett Packard Enterprise 2.7%, American Int'l Group Inc. 2.7%, Popular Inc. 2.4%, Whiting Petroleum Corp. 2.1%, Royal Mail PLC 2.0%, WestJet Airlines 1.8%, Ericsson 1.7%, Seritage Growth Properties 1.6%, Danieli & C Officine Meccaniche 1.6%, and Wells Fargo & Co. 1.6%. Fund holdings are subject to change and are not recommendations to buy or sell any security.

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MAY LOSE VALUE

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