CAPITAL INCOME FUND
Commentary

Third 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 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 returned +2.0% in the third quarter of 2017 and is now up +7.0% year-to-date. This marks the 7th consecutive positive quarter for the high yield market. The S&P 500 Index returned +4.5% in the three months ended September 30, its 8th consecutive positive quarter. Dating back to 2013, the index has generated a positive return in 18 of the last 19 calendar quarters—a feat it had not previously accomplished in its 90+ year history. Part of the reason for this impressive run was the market's valuation at the outset of the period. At the beginning of 2013, the S&P 500 Index traded at 12x consensus earnings and 2x book value; the financial crisis' mess had been largely cleaned up but valuations remained in check. Since then, corporate earnings have been strong and the economic environment supportive. Accordingly, we categorize most of the performance over this period as a reversion toward normal market valuations as opposed to a market that has overheated dramatically. Based on most valuation measures, the reversion appears to have overshot historical averages but not wildly so—we are not alarmed, we are guarded.

The Russell 1000 Growth Index outperformed the Russell 1000 Value Index by 23 percentage points dating back to 2013, including a 13 percentage point advantage year-to-date. The FAANG stocks[1] have led the market, with an average return of +160% since the beginning of 2013, and now represent more than 10% of the S&P 500 Index. This has led to a wide valuation discrepancy between the value and growth indexes: the Russell 1000 Value trades at 17x forward earnings and 2x book value compared to the Russell 1000 Growth at 23x and 7x, respectively. While select market segments appear richly valued, others remain quite attractive.

The high yield market's yield-to-worst fell and spreads tightened by about 20 basis points each and now stand at 5.5% and 355 basis points, respectively. The tightening was consistent across ratings during the quarter, and small cap credits tightened slightly more than large cap credits. Treasury yields were largely unchanged. The energy sector, which was the largest laggard in the previous quarter, was the top-performing high yield sector by a considerable margin. West Texas Intermediate crude prices rose by 12% over the quarter.

Excess spreads, or spreads adjusted for unrecovered defaults, are below long term averages but only slightly so. This is due to low defaults as opposed to wide spreads, of course. Across the entire high yield market, there was only one default in July, no defaults in August, and one default in September. This was the first time in more than 5 years when one or fewer defaults occurred in three consecutive months. The high yield market's default rate declined to 1.3%, well below long-term averages, and less than 1% of the market is priced as distressed. Energy sector defaults had been elevated until recently, but most of the sector's cleansing appears to be in the rear view mirror. Commodity spreads have tightened accordingly, and are now only about 50 basis points wider than the overall market.

We have found numerous equity opportunities in financials, industrials, and technology; high yield bond opportunities in basic industry and healthcare; and both equity and high yield bond opportunities in energy. These opportunities are represented by large, medium, and small-sized companies. We believe a primary advantage of this strategy is that it can invest across the capital structure in companies of any size. Because the opportunity set is so vast, we are able to find attractive opportunities even when the overall market appears a bit frothy, as it does today.

Attribution and Management Discussion: 3Q 2017

The Hotchkis & Wiley Capital Income Fund underperformed the 50/50 blended benchmark in the third quarter of 2017. The average equity weight was 56% and the average high yield bond weight was 44% during the quarter. The overweight to equities helped as equities outperformed high yield bonds. High yield bonds also outperformed investment grade bonds which benefited performance.

The equity portion of the portfolio underperformed the S&P 500 Index during the quarter. The portfolio's value focus was a headwind as growth outperformed value over the quarter. Stock selection in technology, financials, and energy detracted from performance. This was partially offset by positive stock selection in consumer staples, utilities, and real estate. The largest individual equity detractors relative to the index were Energy XXI Gulf Coast, Popular, Ericsson, Discovery Communications, and Fifth Street Asset Management; the largest positive contributors were Hewlett Packard Enterprise, WestJet Airlines, Kosmos Energy, Masonite International, and WorleyParsons.

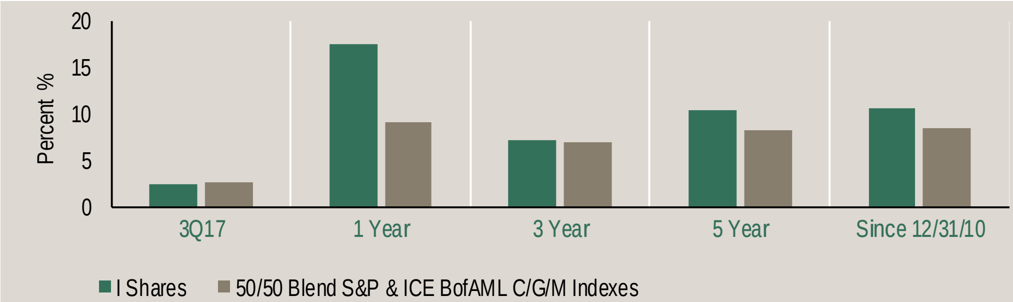
The high yield bond portion of the portfolio outperformed the ICE BofAML US Corporate, Government & Mortgage Index as high yield bonds outpaced investment grade bonds. It also outperformed the ICE BofAML US High Yield Index by a small magnitude. Relative to the high yield index, the portfolio benefited from a large overweight in energy, which was the top-performing high yield sector during the quarter. Positive credit selection in media also helped. On the negative side, credit selection in basic industry, retail, and telecommunications detracted from performance.

[1]Facebook, Apple, Amazon, Netflix, and Google

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 9/30/17 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.

CAPITAL INCOME FUND

Performance as of September 30, 2017



	3Q17	1 Year	3 Year	5 Year	Since 12/31/10
I Shares	2.31%	17.50%	7.13%	10.39%	10.50%
A Shares without sales charge	2.15	17.06	6.93	10.18	10.66
A Shares	-2.71	11.52	5.23	9.12	9.87
S&P 500 Index	4.48	18.61	10.81	14.22	13.22
ICE BofAML US Corp., Govt. & Mtg. Index	0.84	-0.01	2.76	2.10	3.32
50/50 Blend S&P & ICE BofAML C/G/M Indexes	2.65	8.99	6.87	8.14	8.35
ICE BofAML US High Yield Index	2.04	9.06	5.87	6.38	7.15

Yield	I Shares	A Shares	A Shares (Load)
30-Day SEC Yield with expense waiver	3.51%	3.27%	3.11%
30-Day SEC Yield without expense waiver	3.09%	2.85%	2.71%

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. 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 9/30/17 as a % of the Fund's net assets: American Int'l Group Inc. 2.7%, Hewlett Packard Enterprise 2.6%, Popular Inc. 2.0%, Royal Mail PLC 1.8%, Fifth Street Asset Mgmt Inc. 1.6%, WestJet Airlines 1.6%, Whiting Petroleum Corp. 1.6%, Wells Fargo & Co. 1.6%, BAE Systems PLC 1.5%, and Ericsson 1.5%. 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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