CAPITAL INCOME FUND
Commentary
Third 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

The S&P 500 Index returned +1.7% in the third quarter of 2019, and is now up more than +20% since the beginning of the year. The ICE BofAML US High Yield Index returned +1.2% in the third quarter of 2019 and is now up more than +11% since the beginning of the year. The Federal Reserve's FOMC (Federal Open Market Committee) lowered the Fed Funds rate by 25 basis points for the second time this year, which now stands at 2.0% (upper bound). With inflation benign and economic growth modest, albeit positive, the rate cut was widely expected and triggered little investor reaction. The price of crude oil spiked following the drone attacks on Saudi refineries, but this was short-lived and WTI (West Texas intermediate) crude finished the quarter down -8%. Energy was the worst-performing sector in both equity and high yield markets in the quarter. It has also been both markets' worst-performing sector over the past year by a large margin (WTI has declined -27% over the past year).

Concerns about slowing economic growth have become increasingly pervasive amid trade negotiations and geopolitical uncertainty (e.g. Brexit in the UK, potential impeachment proceedings in the US). As a result, US treasuries rallied during the quarter with the yield on the 10 year note falling below 1.5% in late August—for about a week, the 2-year treasury yield exceeded the 10-year treasury yield. This is noteworthy as earlier recessions have been preceded by similar 10-year/2-year yield curve inversions. The time between inversion and recession has varied significantly, from several months to more than 2 years. The timing of the next global economic slowdown and/or recession is unclear but it is certainly possible in the near to intermediate term. Despite this, we are overweight cyclicality in our portfolio as this is where we see the greatest price vs. fair value dislocation in the market. We believe we own good businesses with strong balance sheets/asset coverage that will enable these companies to grow their value through the economic cycle.

The high yield market's default rate, including distressed exchanges, finished the quarter at 2.8% which is slightly below the long-term average of 3.5%. The energy sector default rate is about 11%, so the high yield market's default rate excluding energy is a modest 1.2%. After slowing a bit in calendar year 2018, the new issue market has picked up to levels about average with the past decade and remains relatively well-behaved.

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.

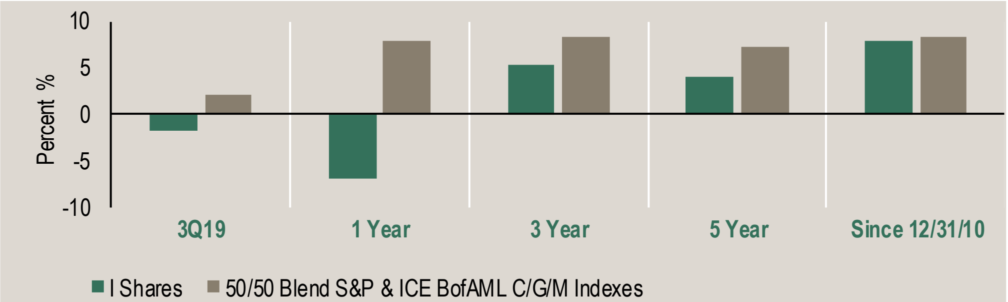
Attribution and Management Discussion: 3Q 2019

The Hotchkis & Wiley Capital Income Fund underperformed the 50/50 blended benchmark in the third 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 had a neutral performance effect as equities and high yield bonds performed similarly in the quarter.

The equity portion of the portfolio underperformed the S&P 500 Index during the quarter. The overweight position and stock selection in energy was the largest performance detractor. Stock selection in technology and real estate, along with the underweight allocation to consumer staples also hurt. Positive stock selection in healthcare and financials were positive performance contributors. The largest individual detractors to relative performance were Whiting Petroleum, General Electric, Danieli, Geo Group, and Corning; the largest positive contributors were Vodafone, BAE Systems, Quad Graphics, Wells Fargo, and Societe Generale.

The high yield bond portion of the portfolio underperformed the ICE BofAML US Corporate, Government & Mortgage Index and the ICE BofAML US High Yield Index. Investment grade bonds outperformed high yield bonds during the quarter. Relative to the high yield index, the overweight position in small and mid cap credits hurt performance as larger cap credits outperformed considerably. The overweight position and credit selection in energy also detracted from performance, along with credit selection in basic industry and healthcare. Positive credit selection in automotive and leisure credits were the largest positive contributors.

Performance as of September 30, 2019



	3Q19	1 Year	3 Year	5 Year	Since 12/31/10
I Shares	-1.78%	-6.95%	5.26%	4.06%	7.91%
A Shares without sales charge	-1.84	-7.05	5.02	3.88	8.00
A Shares	-6.53	-11.49	3.33	2.88	7.40
S&P 500 Index	1.70	4.25	13.39	10.84	12.68
ICE BofAML US Corp., Govt. & Mtg. Index	2.41	10.63	3.00	3.47	3.60
50/50 Blend S&P & ICE BofAML C/G/M Indexes	2.08	7.89	8.31	7.31	8.26
ICE BofAML US High Yield Index	1.22	6.30	6.07	5.36	6.56

Yield	I Shares	A Shares	A Shares (Load)
30-Day SEC Yield with expense waiver	4.24%	4.01%	3.81%
30-Day SEC Yield without expense waiver	3.52%	3.24%	3.09%

The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2020 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 0.01%. The reported net expense ratio is the expense ratio cap plus AFFE, or 0.81% for I Shares and 1.06% 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 1.62% 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.

Investment grade indicates that a municipal or corporate bond has a relatively low risk of default. Basis point is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument. Top ten equity holdings as of 9/30/19 as a % of the Fund's net assets: General Electric Co. 2.5%, American Int'l Group Inc. 2.4%, Wells Fargo & Co. 2.3%, Goldman Sachs Group Inc. 2.1%, Seritage Growth Properties 1.9%, Motors Liquid. Co. GUC Tr 1.7%, BAE Systems PLC (ADR) 1.7%, Magna International Inc.1.7%, Discovery Inc. - Cl C 1.6% and Royal Mail PLC (ADR) 1.6%. Fund holdings are subject to change and are not recommendations to buy or sell any security. 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.

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