DIVERSIFIED VALUE FUND
Commentary
First Quarter 2019

Hotchkis & Wiley

Manager Review and Economic Outlook

Market Commentary

After falling -13.5% in 4Q 2018, the S&P 500 Index returned +13.7% in the first quarter of 2019. 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 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. The portfolio's banks trade at an even lower valuation (9.0x consensus earnings and 8.2x normal earnings) with a payout yield of 11% (dividends + share repurchases as a percentage of total equity). 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-than-normal sector deviations from the benchmark.

The Russell 1000 Growth Index outperformed the Russell 1000 Value Index in the quarter by about 4 percentage points (+16% vs. +12%); since the beginning of 2017, growth has outperformed value by 32 percentage points (+49% vs. +17%). Interestingly, the combination of earnings growth plus dividends paid has been similar for the underlying growth and value companies over this period. The performance difference, therefore, is almost entirely explained by changes in price multiples. The P/E ratio for the Value index has contracted by more than 20% while the P/E ratio for the Growth index has expanded by about 8%. This repricing has contributed to not only the large valuation differences across sectors but also to notable spreads within sectors. In response to this backdrop our Value approach led to a portfolio that trades at a large discount to the Value index and an exceptional discount to the Growth index. The portfolio's price-to-normal earnings ratio is just 58% of the Russell 1000 Value's P/E compared to the long term average of 71%; the portfolio's price-to-normal earnings ratio is just 35% of the Russell 1000 Growth's P/E compared to the long term average of 49%. As active investors with a commitment to long-term fundamental valuation, we view this environment as conducive to our approach and we are optimistic about the portfolio's prospects.

Attribution: 1Q 2019

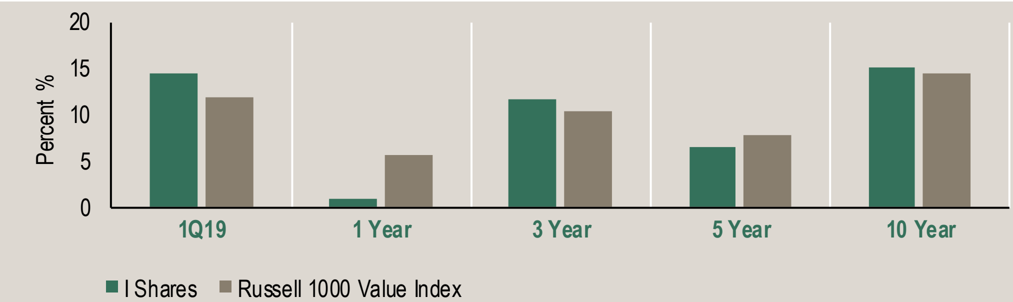
The Hotchkis & Wiley Diversified Value Fund (Class I) outperformed the Russell 1000 Value Index in the first quarter of 2019. Positive stock selection drove more than 80% of the outperformance in the quarter, with the balance coming from favorable sector allocation. Positive stock selection in financials and energy were the largest contributors. The underweight position in healthcare and overweight position in technology were more modest positive contributors. On the negative side, the overweight in financials and underweight in real estate detracted from performance along with stock selection in consumer discretionary and technology. The largest positive contributors to relative performance in the quarter were Hess, General Electric, Apache, Hewlett Packard Enterprise, and Citigroup; the largest detractors were Vodafone, Biogen, Goodyear Tire, Wells Fargo, and Adient.

Largest New Purchases: 1Q 2019

Fluor Corp. is one of the largest engineering and construction (E&C) companies in the world, with global scale in engineering, construction, and fabrication. More than half of its normal revenue is in the relatively cyclical Energy, Chemicals, & Mining (ECM) segment, while ~30% of normal revenue is from the stable Government and Services businesses. Fluor is a high-quality professional services company with a medium-risk business model that grows with no reinvested capital in an industry with few threats of disruption. Valuation is good on cyclically depressed earnings that should improve with spending cycles in Oil & Gas and mining. Volatility from recent projects execution has depressed current margins thus created an attractive entry point.

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 3/31/19 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, 2019



	1Q19	1 Year	3 Year	5 Year	10 Year	Since 8/30/04
I Shares	14.41%	0.93%	11.58%	6.54%	15.14%	6.83%
A Shares without sales charge	14.35	0.68	11.31	6.28	14.86	6.56
A Shares	8.35	-4.59	9.32	5.14	14.24	6.17
C Shares without CDSC	14.19	-0.06	10.47	5.48	14.00	5.79
C Shares	13.19	-1.06	10.47	5.48	14.00	5.79
Russell 1000 Value Index	11.93	5.67	10.45	7.72	14.52	7.84

The Fund's total annual operating gross expense ratio as of the most current prospectus is 0.97% for I Shares, 1.22% for A Shares and 1.97% for C Shares. The net expense ratio is 0.80% for I Shares, 1.05% for A Shares and 1.80% for C Shares. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2019.

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. 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.

(Inception date: I , A and C Shares-8/30/04). Returns shown for A Shares and C Shares without sales charge do not reflect the maximum sales load of 5.25% or the Contingent Deferred Sales Charge (CDSC) of 1.00% for the first year; if reflected, performance would be lower than shown. Returns for A and C shares reflect the deduction of the current maximum initial sales charges of 5.25% and 1.00% CDSC. C Shares convert automatically to A Shares approximately eight years after purchase. A Shares are subject to lower annual expenses than C Shares. Class I shares sold to a limited group of investors. Periods over one year are average annual total return. Average annual total returns include reinvestment of dividends and capital gains. Expense limitations may have increased the Fund's total return.

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 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 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. Forward P/E (Price/Earnings) ratio is a stock's price over its predicted earnings per share. Price/Normal Earnings is the current market price per share divided by normalized earnings per share. 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. Earnings growth is the annual rate of growth of earnings from investments. Payout yield is dividends plus share buybacks divided by equity. Top ten holdings as of 3/31/19 as a % of the Fund's net assets: American International Group Inc. 5.1%, General Electric Co. 4.3%, Microsoft Corp. 4.0%, Citigroup Inc. 3.6%, Wells Fargo & Co. 3.6%, Hewlett Packard Enterprise 3.1%, General Motors Co. 2.9%, Oracle Corp. 2.8%, Apache Corp. 2.6% and Discovery Inc. 2.5%. Fund holdings are subject to change and are not recommendations to buy or sell any security.

Mutual fund investing involves risk. Principal loss is possible. The Fund may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. The Fund may invest in American Depository Receipts ("ADRs") and Global Depository Receipts ("GDRs") which may be subject to some of the same risks as direct investment in foreign companies.

Contributors to Performance

Top Five	% of Total Portfolio[1]
General Electric Co.	4.3%
Hess Corp.	2.5
Citigroup Inc.	3.6
Apache Corp.	2.6
Hewlett Packard Enterprise	3.1

Bottom Five	% of Total Portfolio[1]
Embraer SA	0.3%
Adient PLC	0.4
Goodyear Tire & Rubber	0.9
Vodafone Group PLC	1.9
Biogen Inc.	0.5

Classes & Tickers

I Shares	HWCIX
A Shares	HWCAX
C Shares	HWCCX

[1]% of total portfolio includes total investments, cash and cash equivalents, and accrued investment income on a trade date basis.

Investing in value stocks presents the risk that value stocks may fall out of favor with investors and underperform other asset types during a given period. Equities, bonds, and other asset classes have different risk profiles, which should be considered when investing. All investments contain risk and may lose value. Specific securities identified are the largest contributors (or detractors) on a relative basis to the Russell 1000 Value 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. The "Largest New Purchases" section includes the three largest new security positions during the quarter based on the security's quarter-end weight adjusted for its relative return contribution; does not include any security received as a result of a corporate action; if fewer than three new security positions during the quarter, all new security positions are included.

NOT FDIC INSURED
NO BANK GUARANTEE
MAY LOSE VALUE

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