DIVERSIFIED VALUE FUND
Commentary
Second Quarter 2019

Hotchkis & Wiley

Manager Review and Economic Outlook

Market Commentary

The S&P 500 Index returned +4.3% in the second quarter and is now up +18.5% since the beginning of the year, fully recouping its losses from the fourth quarter of 2018. An increasingly dovish tone from the US Federal Reserve contributed to positive equity markets, as Chairman Jay Powell indicated a readiness to lower interest rates for the first time in more than a decade. The Federal Funds futures market is pricing in a high likelihood of a rate cut during the Fed's next meeting. In addition, geopolitical tensions subsided, as the US reached a deal with Mexico to halt proposed tariffs, and US-China trade talks resumed. All S&P sectors were positive except energy, as crude oil prices declined by 3% in the quarter. Growth again outpaced value, further widening the valuation gap. Over the past five years, the Russell 1000 Growth Index has more than doubled the Russell 1000 Value Index, returning +87% compared to +43%, cumulatively.

We continue to view the overall equity market as about fairly valued, perhaps slightly overvalued. However, this is far from a normal market. On the one hand, the market's valuation suggests that investors have a reasonably healthy risk appetite. On the other hand, certain attributes imply that investors are exceptionally risk averse. A glaring example outside of US equity markets is the negative yield on some country's government debt (e.g. German bunds), where investors are guaranteed to lose money if held to maturity. A preference for a small, yet certain loss over a wider range of outcomes exemplifies extreme risk aversion. This risk aversion is borne out in US equity markets through a comparison of different sectors. Sectors with low economic sensitivity and stable earnings streams have been flooded with capital while cyclical sectors have been shunned, irrespective of valuation. Regulated utilities, for example, are largely insulated from economic slowdowns and exhibit more stable earnings than most other businesses. This has appealed to risk averse equity investors, which have flooded the sector with capital. As a result, utilities' P/E multiples are now close to 20x, an increase of 20% over the past five years. We view this as a rich price to pay for a sector with modest prospects for growth, and do not view this as a safe investment. While it does not represent a certain loss, we believe the long-term upside potential at these valuations are paltry at best. Most REITs, consumer staples, and healthcare companies exhibit a similarly unappealing long-term risk-reward tradeoff.

In many cases, banks and other financials trade at half the valuation of the non-cyclical markets segments. Select companies within technology, industrials, and energy also trade at substantial discounts to their intrinsic values. These sectors have a higher correlation with economic cycles than non-cyclicals, but valuations render the long-term prospects more appealing irrespective of near-term economic growth. Also, we have a deep-rooted preference for strong balance sheets, which we believe can provide a form of protection should the macro environment take a turn for the worse. In our view, this combination represents a considerably less risky investment—and one with considerably more upside potential.

The wide dichotomy between undervalued and overvalued pockets of the market has facilitated a portfolio that trades at a large valuation discount to the market, in our view, without assuming undue risk. The portfolio trades at 8.5x normal earnings compared to 14.8x for the Russell 1000 Value Index and 24.4x for the Russell 1000 Growth Index. It trades at 1.5x book value compared to 2.1x and 6.9x for the value and growth indices, respectively. This valuation discount combined with healthy balance sheets and good underlying businesses has us confident about the portfolio's prospects as we look forward.

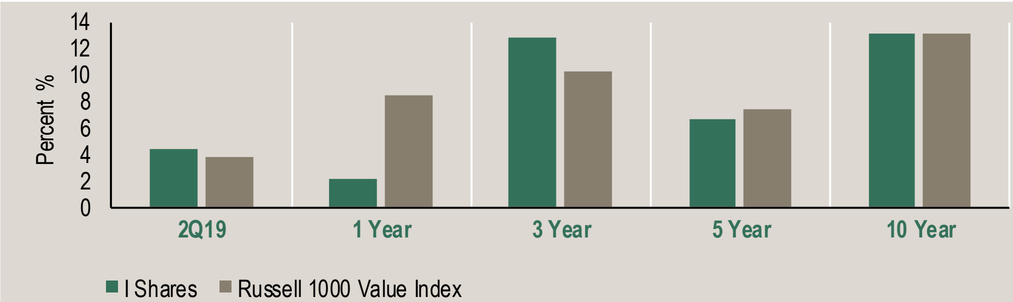
Attribution: 2Q 2019

The Hotchkis & Wiley Diversified Value Fund (Class I) outperformed the Russell 1000 Value Index in the second quarter of 2019. The overweight position and positive stock selection in financials was the largest positive contributor during the quarter. Positive stock selection in technology, consumer staples, and consumer discretionary also helped performance. The overweight position and stock selection in energy was the largest performance detractor in the quarter, along with stock selection in materials and healthcare. The largest positive contributors to relative performance in the quarter were AIG, Microsoft, Adient, Citigroup, and Discovery; the largest detractors were Apache, Marathon Oil, National Oilwell Varco, State Street, and Murphy Oil.

Largest New Purchases: 2Q 2019

None this quarter.

Performance as of June 30, 2019



	2Q19	1 Year	3 Year	5 Year	10 Year	Since 8/30/04
I Shares	4.42%	2.08%	12.80%	6.68%	13.11%	7.02%
A Shares without sales charge	4.29	1.78	12.51	6.41	12.83	6.75
A Shares	-1.20	-3.55	10.49	5.27	12.22	6.37
C Shares without CDSC	4.10	0.98	11.67	5.61	12.00	5.97
C Shares	3.10	-0.02	11.67	5.61	12.00	5.97
Russell 1000 Value Index	3.84	8.46	10.19	7.46	13.19	7.98

The Fund's total annual operating gross expense ratio as of the most current prospectus is 0.98% for I Shares, 1.23% for A Shares and 1.98% 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, 2020.

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. Price/Normal Earnings is the current market price per share divided by normalized earnings per share. Price-to-Earnings (P/E) is calculated by dividing the current price of a stock by the company's trailing 12 months' earnings per share. Book value is the net asset value of a company, calculated by subtracting total liabilities from total assets. Top ten holdings as of 6/30/19 as a % of the Fund's net assets: American Int'l Group Inc. 5.0%, General Electric Co. 4.4%, Wells Fargo & Co. 4.3%, Microsoft Corp. 4.1%, Citigroup Inc. 3.8%, General Motors Co. 2.9%, Hewlett Packard Enterprise 2.9%, Discovery Inc. 2.8%, Goldman Sachs Group Inc. 2.8% and Oracle Corp. 2.7%. 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]
American International Group Inc.	5.0%
Microsoft Corp.	4.1
Citigroup Inc.	3.8
Adient PLC	0.7
Discovery Inc.	2.8

Bottom Five	% of Total Portfolio[1]
Murphy Oil Corp.	1.2%
State Street Corp.	1.3
National Oilwell Varco Inc.	1.5
Marathon Oil Corp.	1.9
Apache Corp.	2.0

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.

NOT FDIC INSURED
NO BANK GUARANTEE
MAY LOSE VALUE

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