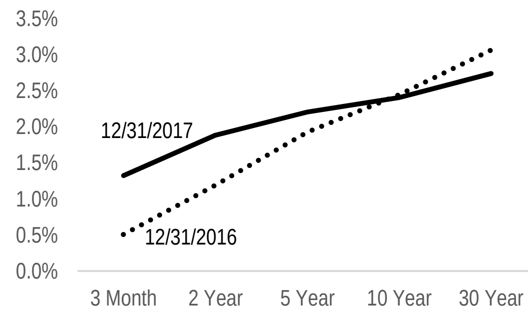
HIGH YIELD FUND
Commentary
Calendar Year 2017

Manager Review and Economic Outlook

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 market's yield-to-worst at year-end was 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.

Treasury Yield Curve



Source: Bloomberg

Lower rated credits led the market in 2017, with CCC & lower rated credits climbing +10.6% (ICE BofAML CCC & Lower US High Yield Index). BB-rated credits and single-B rated credits increased +7.2% and +6.8%, respectively (ICE BofAML BB US High Yield and ICE BofAML single-B US High Yield Indices). Spreads for CCC & lower rated credits tightened by 130 basis points compared to just 53 and 41 basis points for BB- and single-B rated credits, respectively. The best performing sectors were transportation, utilities, and banking; the laggards were retail, consumer goods, and media. All sectors were positive, and the difference between the best performer (transports) and the worst performer (retail) was about 11 percentage points. This is in stark contrast to calendar year 2016, when the top-performing sector (energy) outperformed the worst-performing sector (healthcare) by more than 34 percentage points.

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.

Despite the tightening of energy credits, we continue to overweight the sector and favor credits with strong asset coverage that are senior in the capital structure. This has helped us maintain a spread advantage of nearly 50 basis points relative to the broad market. While the market is tighter than average, fundamentals are solid and we are positioned in credits with strong/quality asset coverage. We continue to adhere to our core competency of focusing on small/mid cap credits and fallen angels, which we view as a core competitive advantage.

Attribution: 2017

The Hotchkis & Wiley High Yield Fund (Class I) outperformed the ICE BofAML BB-B US High Yield Constrained Index and the broader ICE BofAML US High Yield Index in 2017. Positive credit selection drove nearly all of the outperformance for the year. While credit selection was positive or neutral in 16 of 18 sectors, it was particularly strong in basic industry, energy, and media credits. The overweight allocation to basic industry and underweight allocation to telecommunications also helped relative performance. Credit selection in retail and financial services were modest detractors in the year.

Outlook (Scoring Scale: 1=Very Negative….5=Very Positive)

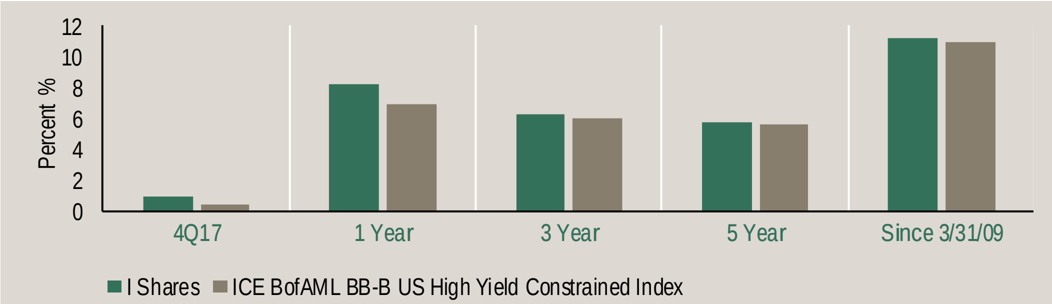
Fundamentals (4): The fundamentals score remains unchanged at 4. Financial leverage (debt/EBITDA) has declined for 5 consecutive quarters. The default rate, including distressed exchanges, is 1.5% which is well-below historical averages. Less than 1% of the market is trading at distressed levels. Market maturities are well-termed out, with little near-term refinancing pressure; less than one-fourth of the market comes due within the next four years. Perhaps most importantly, revenue, earnings, and cash flows have continued to grow.

Technicals (3): The technicals score remains at 3. The primary market remains robust, with $328 billion in new issuance—nearly two-thirds of this was used for refinancing with only 17% earmarked for acquisition/LBO financing. CCC-rated new issuance comprised 15% of the primary market, slightly below the historical median of 16%. Market liquidity has continued to improve.

Valuation (2): The valuation score remains at 2. The market's yield-to-worst is 5.8% and spreads over treasuries stand at 363 basis points—a tight market. Excess spreads, or spreads adjusted for unrecovered defaults, stand at 228 basis points which is only about 60 basis points tighter than the 30-year average. In other words, strong fundamentals are supporting the above-average valuations.

HIGH YIELD FUND

Performance as of December 31, 2017



	4Q17	1 Year	3 Year	5 Year	Since 3/31/09
I Shares	0.99%	8.24%	6.32%	5.72%	11.16%
A Shares without sales charge	0.93	7.99	6.03	5.45	10.79
A Shares	-2.88	3.98	4.68	4.65	10.31
C Shares without CDSC	0.74	7.17	5.29	4.65	10.05
C Shares	-0.26	6.17	5.29	4.65	10.05
ICE BofAML BB-B US High Yield Constrained Index	0.39	6.98	6.06	5.59	10.97
ICE BofAML US High Yield Index	0.41	7.48	6.39	5.80	12.32

Yield	I Shares	A Shares	A Shares (Load)	C Shares
30-Day SEC Yield with expense waiver	5.09%	4.84%	4.66%	4.08%
30-Day SEC Yield without expense waiver	5.06%	4.80%	4.62%	4.05%

The Fund's total annual operating gross expense ratio as of the most current prospectus is 0.74% for I Shares, 0.99% for A Shares and 1.74% for C Shares. The net expense ratio is 0.70% for I Shares, 0.95% for A Shares and 1.70% for C Shares. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through October 31, 2018.

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. The High Yield Fund imposes a 2.00% redemption fee on shares held for 90 days or less. Performance data does not reflect the redemption fee. If it had, return would be reduced.

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 and C 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: I Shares-3/31/09, A Shares-5/29/09, C Shares-12/31/12). Returns shown for A Shares and C Shares without sales charge do not reflect the maximum sales load of 3.75% 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 3.75% 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.

Yield-to-Worst is the lowest possible yield from owning a bond considering all potential call dates prior to maturity. 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. Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA); Fallen angels are credits that were investment grade rated when issued (BBB- or above), but have since been downgraded.

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. All investments contain risk and may lose value. Attribution is an analysis of the portfolio's return relative to a selected benchmark, is calculated using trade information and does not reflect the payment of transaction costs, fees and expenses of the Fund. The ICE BofAML Indices were known as the BofA Merrill Lynch Indices prior to 10/23/17.

Classes & Tickers

I Shares	HWHIX
A Shares	HWHAX
C Shares	HWHCX

The ICE BofAML BB-B US High Yield Constrained Index contains all securities in the ICE BofAML US High Yield Index rated BB+ through B- by S&P (or equivalent as rated by Moody's or Fitch), but caps issuer exposure at 2%. Index constituents are capitalization weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. 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 ICE BofAML CCC & Lower US High Yield, ICE BofAML BB US High Yield and ICE BofAML Single-B US High Yield Indices are subsets of the ICE BofAML US High Yield Index and include all securities with a given investment grade rating of CCC & Lower, BB or Single-B, respectively. The indices do not reflect the payment of transaction costs, fees and expenses associated with an investment in the Fund. It is not possible to invest directly in an index. The Fund's returns may not correlate with the returns of its 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.

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