MID-CAP VALUE FUND
Commentary
Calendar Year 2017

Hotchkis & Wiley

Manager Review and Economic Outlook

Market Commentary

In 2017, the Russell Midcap Index returned +18.5% and the Russell Midcap Value Index returned +13.3%. Large caps outperformed small caps and mid caps fell in between the two; growth outperformed value across the market cap spectrum. The market was fueled by strong corporate earnings, a supportive economic environment, an accommodative central bank, and then received an additional boost with the passage of tax reform. Following the rally, the overall market's valuation appears above normal but not wildly so. We believe valuations are reasonable despite the market's 9 year rally because: 1) the market was significantly undervalued 9 years ago; 2) lower interest rates justify higher price multiples; 3) earnings growth has been resilient, and; 4) the market expects continued earnings growth in 2018.

The first three items above are relatively uncontroversial while the fourth is more uncertain. Tax reform should provide a permanent earnings benefit to the market as a whole but not all companies will benefit equally. The repatriation clause allows companies to bring cash held overseas back into the US at a more favorable rate than previously anticipated. This creates an opportunity for management teams to add value for shareholders via productive investments, share repurchases, etc. The reduction in the corporate tax rate from 35% to 21% should provide a broad near-term earnings boost but we believe only companies with core competitive advantages, barriers to entry, and/or pricing power will retain this benefit permanently. Companies operating in highly competitive industries with low barriers to entry and commodity-like products or services are likely to see this benefit competed away until earnings eventually reflect cost-of-capital returns. Thus, when estimating a company's earnings post tax reform, it is important to look beyond its current and projected effective tax rates and assess management's skill at allocating capital effectively as well as the quality of the underlying franchise.

Several attributes of the portfolio provide reason for optimism as we look to 2018 and beyond. First, despite the market trading at a valuation premium to history, the portfolio's valuation is at a small discount to its historical average; i.e., its discount to the market is wide. We have been able to identify interesting valuation opportunities on a selective basis, particularly in energy, financials, and tech—the portfolio's largest sector exposures. Second, we are reassured by the quality of the businesses across the portfolio. While some holdings may be contending with temporary difficulties—the reason they are undervalued—most are well-capitalized companies with long-term competitive advantages that we believe should translate into improved returns on capital in the future. Third, the correlation among stocks across the market has moved from high (a macro-driven market) to low (a stock-driven market); the latter is a much more conducive environment for a fundamental, bottom-up value investor.

The portfolio trades at 7.8x normal earnings and 1.1x book value, a notable discount to the Russell Midcap Value Index (16.6x and 2.0x, respectively) and an even larger discount to the Russell Midcap Index (19.3x and 2.7x, respectively). We continue to believe that markets can be driven by fads and temperament in the short run but fundamentals and valuation prevail in the long run. Accordingly, we commit to maintaining our unwavering dedication to the principals of long-term, fundamental value investing.

Attribution: 2017

The Hotchkis & Wiley Mid-Cap Value Fund underperformed the Russell Midcap Value Index in 2017. Energy was the biggest detractor by a large magnitude. We are surprised that energy stocks were so weak during the year considering stock valuations were/are low, oil inventories have fallen, and oil prices rose. We believe stock prices will better reflect fundamentals in due course, and have maintained a considerable weight in the sector accordingly. Stock selection in consumer discretionary and technology were more modest detractors. Positive stock selection in utilities, industrials, and REITs contributed to performance during the year. The overweight position in tech and underweight position in REITs also helped performance. The largest individual detractors to relative performance were Whiting Petroleum, Bed Bath & Beyond, Popular, Ophir Energy, and ARRIS International; the largest contributors were NRG Energy, Tri Pointe Group, Calpine, Navistar, and Corning.

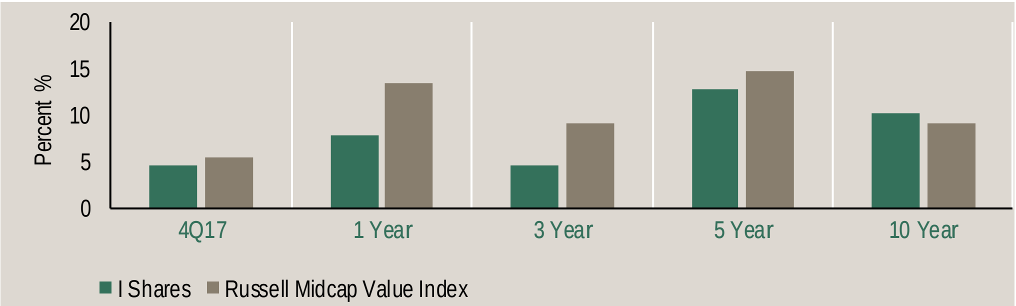
Largest New Purchases: 2017

Mallinckrodt is a specialty pharmaceutical company that was spun out of Covidien in 2013. The valuation is compelling because investors are concerned about continued pricing power of a key product as well as pricing pressure on generics. While these concerns are not without merit, it is more than reflected in the stock's valuation.

Weatherford is the fourth largest diversified oilfield services company. It competes across most major service lines and has significant opportunities to improve economic earnings power. Recent management changes and shift in strategic priorities combined with expected normalization in energy prices and services activity should increase both earnings and cash flow. We believe the stock is trading at an attractive normal valuation.

C&J Energy Services is a diversified oilfield services company focused on North America. It has a midsize pressure pumping fleet as well as the largest fleet of high spec workover rigs in North America. Other key service lines include wireline, fluid services, coiled tubing and cementing. The company exited Chapter 11 with a debt free capital structure in early 2017. North American service capacity is likely to tighten as activity returns to North American shale basins. This coming tightness presents an opportunity for pressure pumpers such as CJ. Increased onshore activity should drive earnings and cash flow higher even in a moderate oil price environment. We believe the stock is trading at an attractive normal valuation.

Performance as of December 31, 2017



	4Q17	1 Year	3 Year	5 Year	10 Year	Since 1/2/97
I Shares	4.58%	7.78%	4.49%	12.78%	10.10%	12.30%
A Shares without sales charge	4.54	7.53	4.23	12.50	9.83	12.03
A Shares	-0.96	1.88	2.38	11.29	9.24	11.75
C Shares without CDSC	4.33	6.73	3.45	11.66	9.08	11.23
C Shares	3.33	5.73	3.45	11.66	9.08	11.23
R Shares	4.46	7.23	3.96	12.22	9.56	11.82
Russell Midcap Value Index	5.50	13.34	9.00	14.68	9.10	10.76

The Fund's total annual operating expense ratio as of the most current prospectus is 1.03% for I Shares, 1.28% for A Shares, 2.03% for C Shares and 1.53% for R shares. Expense ratios shown are gross of any fee waivers or expense reimbursements.

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.

Returns shown for A, C and R 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-1/2/97, A and C Shares-1/2/01, R Shares-8/28/03). 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 Midcap® Index, an unmanaged index, measures the performance of the 800 smallest companies in the Russell 1000® Index. The Russell Midcap® Value Index measures the performance of those Russell Midcap® companies with lower price-to-book value ratios and lower forecasted growth values. The Russell Midcap® Growth Index measures the performance of those Russell Midcap® 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. 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. Top ten holdings as of 12/31/17 as a % of the Fund's net assets: Hewlett Packard Enterprise 5.0%, Popular Inc. 4.9%, Whiting Petroleum Corp. 3.9%, ARRIS International PLC 3.7%, Ericsson 3.7%, Citizens Fin'l Group Inc. 3.5%, Goodyear Tire & Rubber 3.4%, Cairn Energy PLC 3.3%, Kosmos Energy Ltd. 3.2%, and Discovery Communications 3.0%. 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. Investing in small and medium-sized companies involves greater risks than those associated with investing in large company stocks, such as business risk, significant stock price fluctuations and illiquidity. The Fund may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods.

Contributors to Performance

Top Five	% of Total Portfolio[1]
NRG Energy Inc.	2.1%
TRI Pointe Group Inc.	2.6
Calpine Corp.	1.5
Navistar International Corp.	2.1
Corning Inc.	1.8

Bottom Five	% of Total Portfolio[1]
Popular Inc.	4.9%
Ophir Energy PLC	2.7
Cobalt International Energy Inc.	0.0
Bed Bath & Beyond Inc.	2.0
Whiting Petroleum Corp.	3.9

Classes & Tickers

I Shares	HWMIX
A Shares	HWMAX
C Shares	HWMCX
R Shares	HWMRX

[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 Midcap 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 year based on the security's year-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 at year-end, all new security positions are included.

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