MID-CAP VALUE FUND
Commentary
Second Quarter 2019

Hotchkis & Wiley

Manager Review and Economic Outlook

Market Commentary
The Russell Midcap Index returned +4.1% in the second quarter and is now up +21.3% 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 Russell Midcap sectors were positive except energy and consumer staples, the latter of which declined only -0.3%. Crude oil prices declined by 3% in the quarter and mid cap energy stocks fell 8% as a result. Growth again outpaced value, further widening the valuation gap. Over the past five years, the Russell Midcap Growth Index has outperformed the Russell Midcap Value Index by a large margin, returning +69% compared to +38%, cumulatively.

We continue to view the overall mid cap 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 mid cap companies within energy, consumer discretionary, and communication services 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 5.1x normal earnings compared to 15.5x for the Russell Midcap Value Index and 24.7x for the Russell Midcap Growth Index. It trades at less than 1.0x book value compared to 1.9x and 5.9x for the mid value and mid 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.

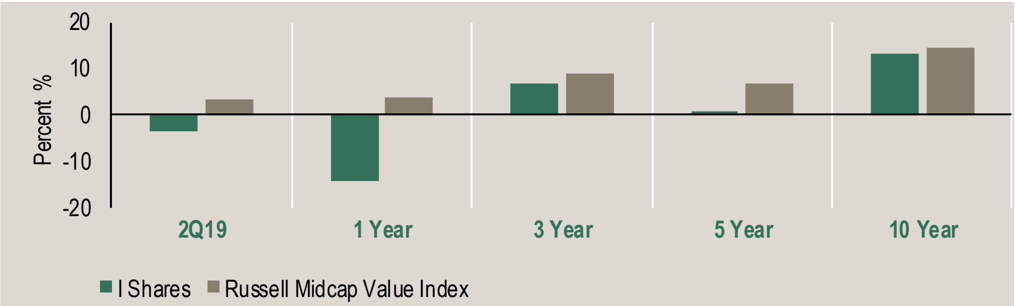
Attribution: 2Q 2019
The Hotchkis & Wiley Mid-Cap Value Fund underperformed the Russell Midcap Value Index in the second quarter of 2019. The overweight position and stock selection in energy was the largest performance detractor in the quarter, as energy was the market's worst-performing sector. Stock selection in consumer discretionary, healthcare, and industrials also hurt relative performance. Positive stock selection in real estate and consumer staples, along with the overweight position in financials helped relative performance in the quarter. The largest individual detractors to relative performance were Whiting Petroleum, Office Depot, Superior Energy Services, Mallinckrodt, and Bed Bath & Beyond; the largest positive contributors were Adient, McDermott International, Discovery, CIT Group, and Citizens Financial.

Largest New Purchases: 2Q 2019
Arrow Electronics is one of the largest global distributors of electronic components and enterprise computing solutions to industrial and commercial customers, operating in a two or three player market in many parts of the world. The stock sold off significantly in the most recent quarter after management provided earnings per share guidance below consensus expectations, creating a compelling valuation. Longer-term, Arrow's positioning as a value-added distributor serves as a competitive differentiator.

JetBlue Airways Corporation is a provider of passenger flights focused primarily on east coast routes. We expect margin improvement in JetBlue as the company shifts their fleet to aircraft that operates at the same cost per hour as their legacy fleet while providing more passenger capacity per flight. We view management's shift in focus toward cost control as material and likely to position the company favorably in the highly competitive passenger airline industry. JetBlue trades at a notable discount to competitors.

Vistra Energy is a large integrated retail and power generation company with portfolio of power generation plants paired with a competitive retail business. Vistra is favorably exposed to the Texas retail markets, operating the largest retail business in the state. The company plans to reduce debt in the next couple years combined with share repurchases of $500MM annually. In our opinion, the company is attractively valued.

Performance as of June 30, 2019



	2Q19	1 Year	3 Year	5 Year	10 Year	Since 1/2/97
I Shares	-3.44%	-14.29%	6.53%	0.82%	13.31%	10.95%
A Shares without sales charge	-3.47	-14.48	6.27	0.57	13.03	10.68
A Shares	-8.55	-18.97	4.37	-0.51	12.42	10.41
C Shares without CDSC	-3.67	-15.15	5.46	-0.19	12.18	9.88
C Shares	-4.67	-16.15	5.46	-0.19	12.18	9.88
Russell Midcap Value Index	3.19	3.68	8.95	6.72	14.56	10.18

The Fund's total annual operating expense ratio as of the most current prospectus is 1.03% for I Shares, 1.20% for A Shares and 1.93% for C 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 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-1/2/97, A and C Shares-1/2/01). 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 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: Kosmos Energy Ltd. 4.8%, Whiting Petroleum Corp. 4.3%, Citizens Fin'l Group Inc. 4.2%, Popular Inc. 3.9%, Hewlett Packard Enterprise 3.6%, Discovery Inc. 3.6%, Cairn Energy PLC 3.3%, CIT Group Inc. 3.0%, Goodyear Tire & Rubber 2.9% and Embraer SA 2.8%. 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]
Adient PLC	2.3%
McDermott International Inc.	1.6
Citizens Financial Group Inc.	4.2
Discovery Inc.	3.6
CIT Group Inc.	3.0

Bottom Five	% of Total Portfolio[1]
Bed Bath & Beyond Inc.	1.9%
Mallinckrodt PLC	0.7
Superior Energy Services Inc.	0.5
Office Depot Inc.	2.2
Whiting Petroleum Corp.	4.3

Classes & Tickers

I Shares	HWMIX
A Shares	HWMAX
C Shares	HWMCX

[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 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
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