

SMALL CAP DIVERSIFIED VALUE FUND

Commentary

First Quarter 2017



Manager Review and Economic Outlook

Market Commentary

The Russell 2000 Index increased +2.47% in the first quarter of 2017, continuing a nearly unbroken string of quarterly gains since mid-2012. The rise in equities has triggered debate about the US equity market's current valuation. Most traditional valuation measures are above historical averages; however, these metrics are below historical averages after adjusting for the low interest rate environment. Our general view is that the broad small cap market is fully valued. Often overlooked, however, is that some market segments contain bargains while others are richly valued. Finding such opportunities has become more difficult in recent years but we continue to observe a large valuation discrepancy between cyclical market segments and those viewed as bond surrogates. Today's popular small cap stocks are those that have relatively stable earnings and high dividend payouts, like consumer staples and regulated utilities. While the underlying businesses are stable, these are mature, slow-growing market segments, and paying 20-25x earnings is a risky proposition in our view. Investing in passive ETFs that track common equity indices is the other preferred strategy of the day, pouring still more investor capital into overvalued stocks and exacerbating the situation. Meanwhile, some market segments that have been shunned trade for half the valuation levels of the more

favored areas of the market, and in select circumstances, even trade at a discount to the replacement cost of the business.

As an example, we own several Financials that trade at discounts to tangible book value; it would cost more to replicate the asset base than to simply buy the company. These businesses continue to have a stigma from the financial crisis, which is in part why current valuations remain attractive, in our opinion. The fact remains, however, that these companies provide essential services to the economy (low obsolescence risk) and have capital ratios/liquidity metrics at the highest levels since the 1930s. Regulatory uncertainty always represents a risk, but this also acts as a barrier to entry as leading franchises are difficult and costly to displace—an often overlooked benefit. We believe the industrials sector also offers attractive valuation opportunities for the risks at hand. We own a mix of attractively-valued companies that trade at bargain prices because the underlying businesses are cyclical.

Because we have identified attractive pockets of opportunity within a fully valued market, the portfolio trades at a large discount to the market. The portfolio trades at 11.4x normal earnings compared to 16.3x and 18.7x for the Russell 2000 Value and the Russell 2000, respectively.

Attribution: 1Q 2017

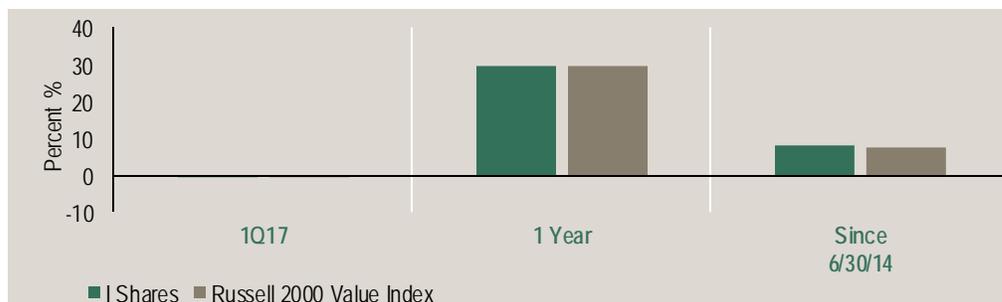
The Hotchkis & Wiley Small Cap Diversified Value Fund underperformed the Russell 2000 Value Index in the first quarter of 2017. Positive stock selection in Real Estate and Industrials helped relative performance during the quarter. Stock selection in Financials and Utilities was a detractor.

Mutual fund investing involves risk. Principal loss is possible. Investing in smaller and/or newer companies involves greater risks than those associated with investing in larger companies, 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.

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 3/31/17 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.**

SMALL CAP DIVERSIFIED VALUE FUND

Performance as of March 31, 2017



	1Q17	1 Year	Since 6/30/14
I Shares	-0.60%	29.82%	8.29%
A Shares without sales charge	-0.60	29.49	8.01
A Shares	-5.85	22.68	5.93
Russell 2000 Value Index	-0.13	29.37	7.42

The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through April 30, 2018 so the net expense ratio does not exceed 0.90% for I Shares and 1.15% for A Shares. Over the past 12 months, the Fund invested in business development companies, which produced acquired fund fees and expenses ("AFFE") of 0.25%. The reported net expense ratio is the expense ratio cap plus AFFE, or 1.15% for I Shares and 1.40% for A Shares. Net expense ratios were applicable to investors. The Fund's total annual operating gross expense ratio as of the most current prospectus is 2.28% for I Shares and 2.53% for A Shares.

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. Short-term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns. 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 and A Shares-6/30/14). Returns shown for A Shares without sales charge do not reflect the maximum sales load of 5.25%; if reflected, performance would be lower than shown. Returns for A shares reflect the deduction of the current maximum initial sales charges of 5.25%. 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 2000® Index** measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The **Russell 2000® Value Index** measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower 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. ETFs stands for Exchange-traded Funds. Dividend payout ratio is the percentage of earnings paid to shareholders in dividends. Earnings growth is the annual rate of growth of earnings from investments. Book value is the net asset value of a company, calculated by subtracting total liabilities from total assets.

Contributors to Performance

Top Five	% of Total Portfolio ¹
Extreme Networks Inc.	0.5%
Performant Financial Corp.	0.6
GEO Group Inc.	0.4
Meritor Inc.	0.4
Century Aluminum Co.	0.2

Bottom Five	% of Total Portfolio ¹
Tidewater Inc.	0.0%
Strattec Security Corp.	0.4
Bancorp Inc.	0.4
Cobalt International Energy Inc.	0.1
Real Industry Inc.	0.2

Classes & Tickers

I Shares	HWVIX
A Shares	HWVAX

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 periods. Equities, bonds, and other asset classes have different risk 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 daily holding information and does not reflect the payment of transaction costs, fees and expenses of the Fund.

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NO BANK GUARANTEE
MAY LOSE VALUE

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