

SMALL CAP DIVERSIFIED VALUE FUND

Commentary

Third Quarter 2017



Manager Review and Economic Outlook

Market Commentary

The Russell 2000 Index returned +5.7% in the third quarter; the Russell 2000 Growth Index and Russell 2000 Value Index returned +6.2% and +5.1%, respectively. The S&P 500 Index returned +4.5%, its 8th consecutive positive quarter. Dating back to 2013, this index has generated a positive return in 18 of the last 19 calendar quarters—a feat it had not previously accomplished in its 90+ year history. Part of the reason for this impressive run was the market's valuation at the outset of the period. At the beginning of 2013, for example, the Russell 2000 Value Index traded at 1.3x book value; the financial crisis' mess had been largely cleaned up but valuations remained in check. Since then, corporate earnings have been strong and the economic environment supportive.

Accordingly, we categorize most of the performance over this period as a reversion toward normal market valuations as opposed to a market that has overheated dramatically. Based on most valuation measures, the reversion appears to have overshot historical averages but not wildly so—we are not alarmed, we are guarded.

Thus far in 2017, small cap growth stocks have outperformed small cap value stocks by more than 11 percentage points. Much of this performance difference is attributable to the growth index's large overweight in healthcare

and technology and underweight in financials and energy. The more expensive sectors outperformed the less expensive sectors this year which has led to a wide valuation discrepancy between the value and growth indexes. We continue to find value opportunities selectively, though it is more difficult today than it was 5 years ago. Financials, consumer discretionary, and industrials represent the portfolio's largest weights; we have limited exposure to telecom, REITs, utilities, and consumer staples. The former sectors not only trade at considerable valuation discounts but also have higher earnings growth expectations over the next two years compared to the latter sectors. We are always leery of paying high multiples for stocks, particularly when growth prospects are minimal.

While select market segments appear richly valued, we believe others remain quite attractive. Given this dichotomy, our portfolio's composition and its characteristics are vastly different from the index. The valuation discount is particularly striking; the portfolio trades at 12x normal earnings compared to 16x for the Russell 2000 Value.

Attribution: 3Q 2017

The Hotchkis & Wiley Small Cap Diversified Value Fund (Class I) outperformed the Russell 2000 Value Index in the third quarter. Positive stock

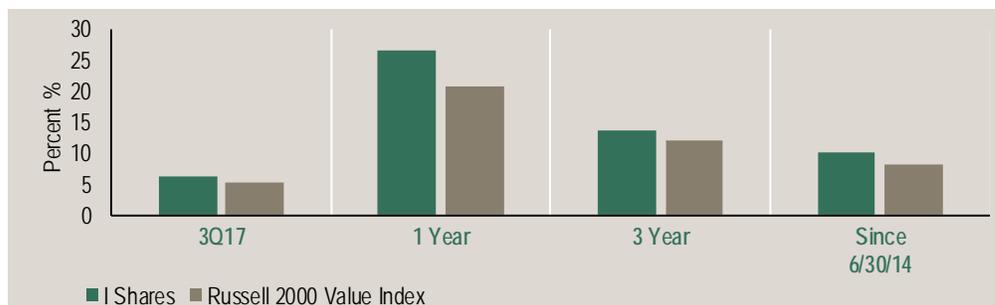
selection in 9 of the 11 GICS (Global Industry Classification Standard) sectors drove the outperformance. Stock selection was particularly strong in financials, industrials, and materials. The underweight and stock selection in healthcare detracted from performance during the quarter.

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 9/30/17 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 September 30, 2017



	3Q17	1 Year	3 Year	Since 6/30/14
I Shares	6.05%	26.61%	13.51%	10.17%
A Shares without sales charge	5.99	26.24	13.20	9.86
A Shares	0.39	19.63	11.18	8.06
Russell 2000 Value Index	5.11	20.55	12.12	8.11

The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through October 31, 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 0.17%. The reported net expense ratio is the expense ratio cap plus AFFE, or 1.07% for I Shares and 1.32% 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 1.87% for I Shares and 2.06% 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 Russell 2000® Growth Index measures the performance of those Russell 2000® Index companies 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.

Contributors to Performance

Top Five	% of Total Portfolio ¹
Zagg Inc.	0.0%
Navistar International Corp.	0.0
Celadon Group Inc.	0.0
Meritor Inc.	0.4
Matrix Service Co.	0.4

Bottom Five	% of Total Portfolio ¹
Fifth Street Asset Management Inc.	0.0%
Synaptics Inc.	0.4
Babcock & Wilcox Enterprise	0.0
Real Industry Inc.	0.0
Cherokee Inc.	0.0

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 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. 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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