Hotchkis & Wiley

Manager Review and Economic Outlook

Market Commentary

In 2017, the Russell 2000 Index returned +14.6% and the Russell 2000 Value Index returned +7.8%. Large caps outperformed small caps and 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. This benefit is less prominent for small caps than for large caps but the reduction in the corporate tax rate should benefit small caps disproportionately—average effective tax rates for small caps are higher than large caps. Lowering 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.

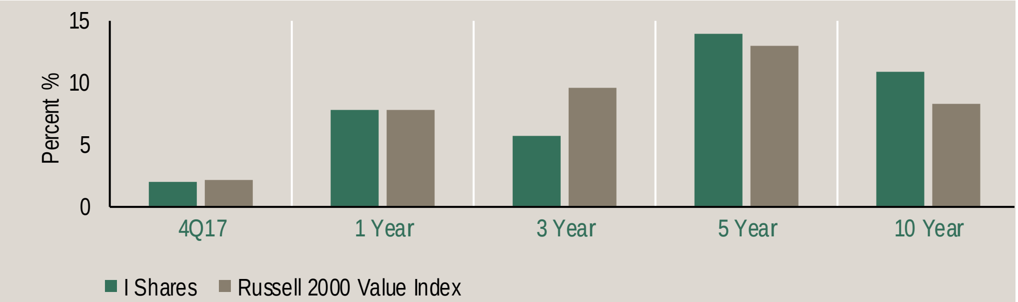
Several attributes of the portfolio provide reason for optimism as we look to 2018 and beyond. First, the portfolio trades at a wide valuation discount compared to the market. We have been able to identify interesting valuation opportunities on a selective basis, particularly in financials, industrials, and energy—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 8.0x normal earnings and 1.3x book value, a notable discount to the Russell 2000 Value Index (15.9x and 1.5x, respectively) and an even larger discount to the Russell 2000 Index (18.9x and 2.2x, 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 Small Cap Value Fund underperformed the Russell 2000 Value Index in 2017. The overweight and stock selection in industrials helped relative performance. Positive stock selection in real estate and utilities were also positive contributors. The overweight and stock selection in energy detracted from performance during the year along with stock selection in materials. The largest individual contributors to relative performance were TRI Pointe Group, Rush Enterprises, WestJet Airlines, Meritor, and EnPro Industries; the largest detractors were Energy XXI, Real Industry, ARRIS International, Popular, and LSC Communications.

Performance as of December 31, 2017



	4Q17	1 Year	3 Year	5 Year	10 Year	Since 9/20/85
I Shares	1.90%	7.74%	5.64%	13.96%	10.79%	11.70%
A Shares without sales charge	1.83	7.47	5.37	13.68	10.51	11.45
A Shares	-3.52	1.83	3.49	12.46	9.92	11.26
C Shares without CDSC	1.64	6.67	4.58	12.83	9.75	10.64
C Shares	0.64	5.67	4.58	12.83	9.75	10.64
Russell 2000 Value Index	2.05	7.84	9.55	13.01	8.17	n/a

The Fund's total annual operating expense ratio as of the most current prospectus is 1.04% for I Shares, 1.29% for A Shares and 2.04% 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-9/20/85, A Shares-10/6/00, C Shares-2/4/02). 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 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 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: Seritage Growth Properties 4.7%, Enstar Group Ltd. 4.3%, WestJet Airlines 4.2%, Whiting Petroleum Corp. 4.1%, Masonite International Corp. 3.8%, ARRIS International PLC 3.7%, KBR Inc. 3.3%, Matson Inc. 3.0%, TRI Pointe Group Inc. 2.9% and Popular Inc. 2.9%. 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 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 ETFs, which are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a discount to its net asset value ("NAV"), an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a Fund's ability to sell its shares. 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]
TRI Pointe Group Inc.	2.9%
WestJet Airlines Ltd.	4.2
Rush Enterprises Inc.	1.4
Meritor Inc.	0.0
EnPro Industries Inc.	1.1

Bottom Five	% of Total Portfolio[1]
LSC Communications Inc.	1.3%
ARRIS International PLC	3.7
Popular Inc.	2.9
Energy XXI Gulf Coast Inc.	0.6
Real Industry Inc.	0.1

Classes & Tickers

I Shares	HWSIX
A Shares	HWSAX
C Shares	HWSCX

[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 2000 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.

NOT FDIC INSURED
NO BANK GUARANTEE
MAY LOSE VALUE

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