

VALUE OPPORTUNITIES FUND

Commentary

Calendar Year 2017



Manager Review and Economic Outlook

Market Commentary

The S&P 500 Index returned +21.8% in 2017, and for the first time in its 91-year history generated positive performance in every month of a calendar year. Large caps outperformed small caps and growth outperformed value. The market was fueled by strong corporate earnings, a supportive economic environment, an accommodative central bank, and the passage of tax reform. Following the rally, the overall market's valuation appears above normal but not wildly so. The S&P 500 trades at 20x next year's consensus earnings and 3.2x book value, which is 0.8 and 0.6 standard deviations higher than historical averages, respectively¹. 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, the portfolio trades at a large valuation discount to the market. We have been able to identify interesting valuation opportunities on a selective basis, particularly in financials, technology, 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 8.2x normal earnings and 1.2x book value, a notable discount to the S&P 500 (18.6x and 3.2x, 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 Value Opportunities Fund underperformed the S&P 500 Index in 2017. The portfolio invests in attractive value opportunities across the market cap spectrum. In 2017, the market was led by mega cap growth stocks, which serves as a notable headwind for our investment approach. Security selection in consumer discretionary and information technology, along with the overweight position in energy detracted from performance in the year. Positive security selection in healthcare, materials, and telecommunications helped relative performance. The largest individual detractors in the year were Energy XXI, Iracor bonds, AIG, Bed Bath & Beyond, and ARRIS International; the largest contributors were WestJet Airlines, WorleyParsons, Bank of America, Tri Pointe Group, and Masonite International.

Largest New Purchases: 2017

Seritage Growth Properties is a mall REIT with 230 wholly owned and 23 JV mall anchor properties across the United States. After being spun off from Sears Holdings in 2015, Seritage is focused on redeveloping and re-leasing mall properties to new tenants, or redeveloping them to alternative uses. The company receives high returns on capital for these projects, and we believe valuation is especially attractive as investors remain focused on a potential Sears bankruptcy.

Apache Corp. is a global oil & gas exploration and production company. The company is among the largest acreage holders in the Permian, a large oil and natural gas basin in West Texas. The company has recently-discovered assets that could provide years of organic production growth. The company has a strong balance sheet and asset base. We expect the Permian assets to drive corporate returns higher in a normal oil price environment.

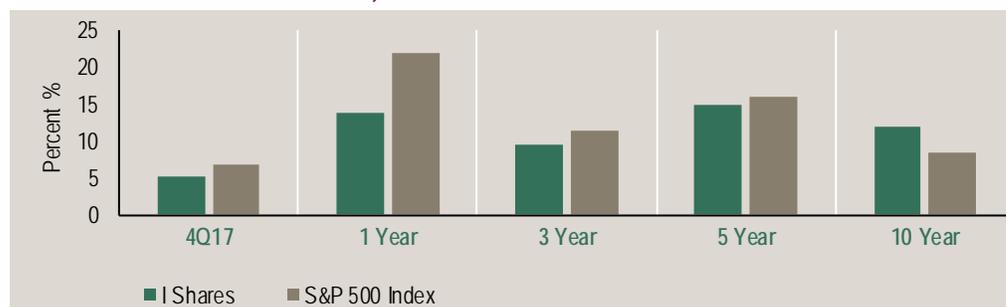
National Oilwell Varco ("NOV") is a manufacturer of oilfield capital equipment and provider of related services and technologies. Historically, a large portion of its business has been providing capital equipment for new rigs and this business is currently under pressure given reduced exploration and development spending by exploration & production companies and an overbuild of rigs prior to the downturn in oil prices. This has created a value opportunity. The market is currently overlooking the earnings power of NOV's other businesses including rig aftermarket, wellbore technologies, and completion & production systems as oil prices rise. Meanwhile the rig business, where NOV is the market leader with 3x the market share of the number two competitor, is assigned no value in the marketplace but provides substantially higher earnings power should a new rig building cycle develop.

¹1990 through 2017

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 12/31/17 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.**

VALUE OPPORTUNITIES FUND

Performance as of December 31, 2017



	4Q17	1 Year	3 Year	5 Year	10 Year	Since 12/31/02
I Shares	5.18%	13.85%	9.54%	14.79%	12.00%	13.03%
A Shares without sales charge	5.12	13.57	9.27	14.51	11.73	12.81
A Shares	-0.40	7.61	7.32	13.28	11.13	12.40
C Shares without CDSC	4.93	12.76	8.47	13.65	10.94	11.94
C Shares	3.93	11.76	8.47	13.65	10.94	11.94
S&P 500 Index	6.64	21.83	11.41	15.79	8.50	9.92

The Fund's total annual operating expense ratio as of the most current prospectus is 0.99% for I Shares, 1.24% for A Shares and 1.99% 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 C Shares for the periods prior to its inception are derived from the historical performance of I Shares during such periods and have been adjusted to reflect the higher total annual operating expenses of each specific Share (Inception dates: I and A Share-12/31/02, C Share-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 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 Russell 1000® Value Index measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000® Growth Index measures the performance of those Russell 1000® 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.

Mutual fund investing involves risk. Principal loss is possible. Investing in non-diversified funds and/or smaller and/or medium-sized companies involves greater risks than those associated with investing in diversified funds and/or large company stocks, such as business risk, significant stock price fluctuations, sector concentration and illiquidity. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. 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. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. The Fund may invest in derivative securities, which derive their performance from the performance of an underlying asset, index, interest rate or currency exchange rate. Derivatives can be volatile and involve various types and degrees of risks. Depending on the characteristics of the particular derivative, it could become illiquid.

Contributors to Performance

Top Five	% of Total Portfolio ¹
Microsoft Corp.	4.6%
Bank of America Corp.	3.0
WestJet Airlines Ltd.	3.5
Oracle Corp.	3.7
Ericsson	3.5

Bottom Five	% of Total Portfolio ¹
American International Group Inc.	6.2%
Discovery Communications	3.5
Bed Bath & Beyond Inc.	1.0
Iracore International Holdings Inc.	0.6
Energy XXI Gulf Coast Inc.	0.3

Classes & Tickers

I Shares	HWAIX
A Shares	HWAAX
C Shares	HWACX

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 S&P 500 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. Book value is the net asset value of a company, calculated by subtracting total liabilities from total assets. Standard deviation is a measure used to quantify the amount of variation or dispersion of a set of data values. 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: American Int'l Group 6.2%, Hewlett Packard Enter. 6.1%, Wells Fargo & Co. 5.4%, Microsoft Corp. 4.6%, Seritage Growth Prop. 4.5%, Oracle Corp. 3.7%, Ericsson 3.5%, Discovery Communications 3.5%, WestJet Airlines 3.5%, and Royal Mail 3.0%. Fund holdings are subject to change and are not recommendations to buy or sell any security.

**NOT FDIC INSURED
NO BANK GUARANTEE
MAY LOSE VALUE**

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