

Latest High Yield Perspectives

In the April webinar, Portfolio Manager Mark Hudoff provided his perspective on the high yield market. The following summarizes his discussion:



Mark Hudoff
Portfolio Manager

Top Takeaways

- The ICE BofAML US High Yield Index rose 7.4% in 1Q 2019, the best calendar quarter since 2009.
- Overall, we are optimistic on the high yield market as it appears to have healthy company fundamentals, stable technical indicators and fair valuation levels.
- The high yield market remains a critical funding component for companies and an important asset class for investors seeking a high level of income.
- Default rates for high yield bonds have declined from nearly 2% at the beginning of the year to 1% at the end of the quarter.
- The low default environment is supported by a corporate landscape that has demonstrated continued revenue and earnings growth.
- Over the past few years, high yield bond supply has been shifting to bank loans given lower Libor rates coupled with relaxed underwriting requirements.
- We continue to see demand exceed supply which contributes to a tight market for high yield bonds.
- Our approach remains focused on small- and mid-cap credits that provide a yield advantage relative to our benchmark without taking unnecessary credit risk.

FOR MORE INFORMATION

visit www.hwcm.com
or call 800-796-5606

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.

Hotchkis & Wiley High Yield Fund

Performance as of 3/31/19	1Q	1 Year	3 Year	5 Year	10 Year	Since Inception (3/31/09)
I Shares (HWHIX)	6.01%	3.02%	8.10%	3.86%	9.96%	9.96
A Shares w/o sales charge	5.97	2.74	7.85	3.60	9.62	9.62
A Shares (HWHAX)	2.02	-1.07	6.48	2.82	9.20	9.20
C Shares w/o CDSC	5.85	2.08	7.10	2.84	8.86	8.86
C Shares (HWHCX)	4.85	1.08	7.10	2.84	8.86	8.86
Z Shares (HWHZX)	6.13	3.20	8.23	3.97	10.07	10.07
ICE BofAML BB-B US High Yield Constrained Index	7.34	6.33	7.75	4.74	10.09	10.09

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.

The Fund's total annual operating gross expense ratio as of the most current prospectus is 0.74% for I Shares, 0.99% for A Shares, 1.74% for C Shares and 0.63% for Z Shares. The net expense ratio is 0.70% for I Shares, 0.95% for A Shares, 1.70% for C Shares and 0.60% for Z Shares. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2019; October 31, 2019 for Z Shares.

Returns shown for A, C and Z 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-3/31/09, A Shares-5/29/09, C Shares-12/31/12, Z Shares-3/29/18). Returns shown for A Shares and C Shares without sales charge do not reflect the maximum sales load of 3.75% 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 3.75% 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. 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.

ICE BofAML BB-B US High Yield Constrained Index contains all securities in the ICE BofAML US High Yield Index rated BB+ through B- by S&P (or equivalent as rated by Moody's or Fitch), but caps issuer exposure at 2%. Index constituents are capitalization weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. ICE BofAML US High Yield Index tracks the performance of below investment grade, but not in default, US dollar-denominated corporate bonds publicly issued in the US domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P. The indices do not reflect the payment of transaction costs, fees and expenses associated with an investment in the Fund. It is not possible to invest directly in an index. The Fund's returns may not correlate with the returns of its benchmark indices. Investing in high yield securities is subject to certain risks including market, greater price volatility, credit, liquidity, issuer, interest-rate, inflation, and derivatives risks. Lower-rated and non-rated securities involve greater risk than higher-rated securities. Investment grade bonds, high yield bonds and other asset classes have different risk-return profiles, which should be considered when investing. Investment grade indicates that a municipal or corporate bond has a relatively low risk of default.

Bond ratings are grades given to bonds that indicate their credit quality as determined by private independent rating services such as Standard & Poor's, Moody's and Fitch. These firms evaluate a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'D', which is the lowest grade.

Mutual fund investing involves risk. Principal loss is possible. 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. Investment in Asset Backed and Mortgage Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. The Fund may invest in foreign as well as emerging markets which involve greater volatility and political, economic and currency risks and differences in accounting methods.

The opinions expressed are those of the portfolio managers as of 3/31/19 and may not be accurate reflections of their opinions after that date; there is no guarantee that any forecasts made will come to pass.

NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

The Hotchkis & Wiley Funds are distributed by Quasar Distributors, LLC.