Hotchkis & Wiley Webinar Highlights

Hotchkis & Wiley

High Yield and the Rising Rate Environment

In the April webinar, Portfolio Manager Mark Hudoff discussed the high yield market in the first quarter of 2017 and how the market has historically reacted during rising interest rate environments. The following summarizes his discussion:

Mark Hudoff
Portfolio Manager

Top Takeaways

- In 1Q17, high yield new issuance was over $100 billion compared to approximately $61 billion in 1Q16.
- Credit fundamentals appear solid, with improved earnings, consumer confidence, and economic indicators.
- While longer duration bonds are more sensitive to changes in interest rates than shorter duration bonds, duration matters to a varying degree.
- Unlike other areas within fixed income, high yield bonds have outperformed during rising rate environments.[1]
- Periods of rising rates often coincide with economic expansion, which is characteristic of growing revenue, improving profitability, and open capital markets.
- Rising rate environments generally correspond to a reduction in credit risk, which we believe is a catalyst for favorable high yield performance.
- While high yield bond valuation is richer than we prefer, fundamentals appear strong and spreads remain sufficiently wide to absorb an increase in rates, at least partially.

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Hotchkis & Wiley High Yield Fund

Performance as of 3/31/17	1Q	1 Year	3 Year	5 Year	Since Inception (3/31/09)
I Shares (HWHIX)	3.22%	17.66%	4.02%	6.87%	11.60%
A Shares w/o sales charge	3.17	17.34	3.75	6.59	11.23
A Shares (HWHAX)	-0.66	12.92	2.44	5.78	10.70
C Shares w/o CDSC	2.97	16.71	3.01	5.80	10.49
C Shares (HWHCX)	1.97	15.71	3.01	5.80	10.49
BofA Merrill Lynch BB-B US High Yield Constrained Index	2.28	13.76	4.66	6.61	11.44

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 and 1.74% for C Shares. The net expense ratio is 0.70% for I Shares, 0.95% for A Shares and 1.70% for C Shares. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through April 30, 2018.

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-3/31/09, A Shares-5/29/09, C Shares-12/31/12). 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. 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 Fund imposes a 2.00% redemption fee on shares held for 90 days or less. Performance data does not reflect the redemption fee. If it had, return would be reduced.

BofA Merrill Lynch 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 BofA Merrill Lynch BB-B US High Yield Constrained Index contains all securities in the BofA Merrill Lynch 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%. It is not possible to invest directly in an index. 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. Credit quality weights by rating were derived from the highest bond rating as determined by S&P, Moody's or Fitch. 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.

[1]The high yield market (BofA Merrill Lynch US High Yield Index) has historically performed better during rising rate periods than during falling rate periods. High yield performance history since inception (8/31/1986 – 12/31/2016): Rising Rates Number of Months 176, Annualized Performance 8.8%, Falling Rates Number of Months 188, Annualized Performance 8.2%.

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 3/31/17 and may not be accurate reflections of their opinions after that date; there is no guarantee that any forecasts made will come to pass.

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