

HIGH YIELD FUND

Commentary

Calendar Year 2011



Manager Review and Economic Outlook

Market Commentary

Concerns related to the sovereign debt crisis in Europe, the combative political landscape in the US, and the potential economic slowdown in China rattled investors over the course of the year. As a consequence, high yield investors endured a rather volatile year. In the end, the BofA Merrill Lynch US High Yield Master II Index returned +4.38% as coupon income overcompensated for spread widening. Investors' macroeconomic and geopolitical concerns have been exacerbated by the lack of confidence in policymakers, world political leaders, and central bankers. Poor (or no) decisions by policymakers could have lasting consequences (particularly in Europe) and undermine the resounding progress made by businesses over the past three years. Since the financial crisis, we have witnessed unprecedented corporate deleveraging which has been accomplished by improved productivity and restricted spending. This has facilitated strong free cash flows and enabled companies to reduce debt levels, thereby lowering financial risk. Earnings have also been impressive despite the absence of robust economic growth.

At Hotchkis & Wiley, we share the market's apprehension regarding the geopolitical landscape, but we believe current macroeconomic anxiety is overly discounting high yield bond prices. Our experience has been that compelling valuations and strong fundamentals are likely to prevail in the long run. Admittedly, we were not sad to see 2011 come to an end as it was a frustrating year for fundamental credit pickers—particularly those of us focused on valuation.

Spreads over treasuries widened by about 200 basis points for the broad high yield

market in 2011—roughly half of this was due to an increase in yields and half was due to the rally in treasuries. High yield spreads over BBB-rated corporates also widened by about 100 basis points. At the close of the year, the yield-to-worst on the high yield market was 8.4%. We believe this presents a compelling valuation opportunity given the low default rate, improved fundamentals, and low interest rate environment. As of year-end, the nominal "risk free" yield on 10-year Treasury bonds was less than 2%, which is considerably lower than both the historical and current run rate of inflation (3.7% and 3.4%, respectively).

Attribution: 2011

The Hotchkis & Wiley High Yield Fund underperformed the BofA Merrill Lynch U.S. High Yield BB-B (Constrained 2%) Index for the year. Three broad themes detracted from relative performance for the year. First, the Fund is overweight B-rated credits and underweight BB-rated credits; BBs outperformed considerably during the year. Second, the Fund was underweight energy, which was the best-performing (and largest) sector in the index. Finally, credit selection in autos detracted from performance. On the positive side, credit selection in financial services, capital goods, and healthcare contributed to performance for the year.

Outlook (Scoring Scale: 1=Very Negative....5=Very Positive)

I. Fundamentals (5): While we believe the high yield default rate could increase from its abnormally-low current level (<2%), we believe it will subsist below normal levels in the near/medium term. The upgrade/downgrade ratio is near an all-time high at 1.68. Over half of newly issued credits in

2011 were for refinancing, which has transformed the maturity wall into a speed bump—this should support a continuation of low defaults. Profitability remains high and financial leverage has been reduced.

II. Valuation (4): Yields are 8.4%, as measured by the BofA Merrill Lynch US High Yield Master II Index as of December 31, 2011, and spreads are 737 basis points. Today's spread implies an excessive default rate, which we view as highly pessimistic and unlikely suggesting an attractive entry point at these levels. Yields relative to investment grade bonds are very attractive, even considering the different risk profiles. The distribution of yields is also wide—a dynamic that we prefer given our bottom-up research process and focus on small caps/fallen angels.

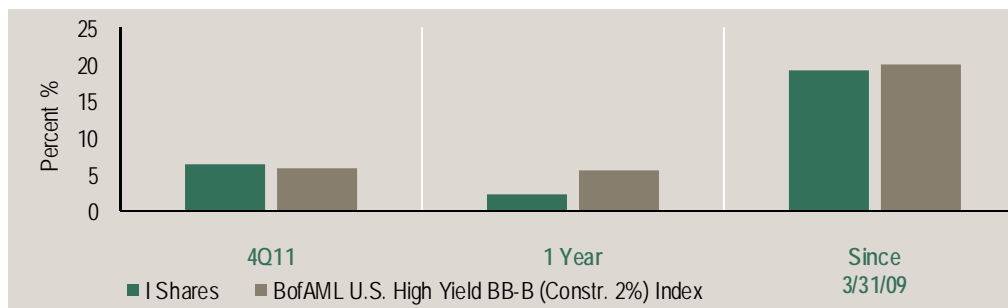
III. Technicals (3): Net flows have been volatile but modestly positive. The market absorbed \$246 billion in new issuance this year with modest inflows because most of these deals were for refinancing. We expect a smaller, but still robust new issue market going forward because companies have reduced refinancing needs; this can create widening pressure on spreads. Countering these pressures are low dealer inventories, which reduces the need for forced selling.

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.

The opinions expressed are those of the portfolio managers as of 12/31/11 and may not be accurate reflections of their opinions after that date. There is no guarantee that any forecasts made will come to pass. The Fund may not continue to hold the securities mentioned and the Advisor has no obligation to disclose purchases or sales of these securities. **Past performance is no guarantee of future results.**

HIGH YIELD FUND

Performance as of December 31, 2011



	4Q11	1 Year	Since 3/31/09
I Shares	6.24%	2.28%	19.16%
A Shares without sales charge	6.20	1.92	18.58
A Shares	2.20	-1.91	16.94
BofAML U.S. High Yield BB-B (Constr. 2%) Index	5.88	5.40	20.07

Yield	I Shares	A Shares	A Shares (Load)
30-Day SEC Yield with expense waiver	7.78%	7.53%	7.24%
30-Day SEC Yield without expense waiver	7.76%	7.50%	7.21%

The Fund's total annual operating gross expense ratio as of the most current prospectus is 0.75% for I Shares, and 1.01% for A shares. The net expense ratio is 0.70% for I Shares, and 0.95% for A Shares. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through October 31, 2012 to ensure that net annual fund operating expenses do not exceed certain limits.

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 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). Returns shown for A Shares without sales charge does not reflect the maximum sales load of 3.75%; if reflected, performance would be lower than shown. All other returns reflect the deduction of the current maximum initial sales charges of 3.75%. 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.

Yield-to-Worst is the lowest possible yield from owning a bond considering all potential call dates prior to maturity. Basis point is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument. Upgrade/Downgrade ratio is the number of ratings upgrades divided by the number of ratings downgrades (by the major ratings agencies). U.S. Treasuries are generally considered "risk free" securities. Credit Quality weights by rating are 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. In limited situations when none of the three rating agencies have issued a formal rating, the Advisor will classify the security as nonrated.

Classes & Tickers

I Shares	HWHIX
A Shares	HWHAX

The BofA Merrill Lynch U.S. High Yield BB-B (Constrained 2%) Index contains all securities in the BofA Merrill Lynch U.S. 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%. The BofA Merrill Lynch U.S. High Yield Master II Index tracks the performance of below investment grade, but not in default, U.S. dollar-denominated corporate bonds publicly issued in the U.S. 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. The 30-day SEC Yield represents net investment income earned by a fund over a 30-day period, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-day period. The SEC Yield should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate, the income paid to a shareholder's account, or the income reported in the Fund's financial statements.

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.

**NOT FDIC INSURED
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MAY LOSE VALUE**

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