

MID-CAP VALUE FUND

Commentary

Calendar Year 2011



Manager Review and Economic Outlook

Market Commentary

The S&P 500 Index started and ended 2011 at nearly the identical price level (1,258); however, the year was anything but uneventful as investors endured several bouts of extreme volatility. 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. These 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. Given these fundamental improvements, with no equity price change, we end the year with valuations that have become even more compressed.

At Hotchkis & Wiley, we share the market's apprehension regarding the geopolitical landscape, but we believe current macroeconomic anxiety is overly discounting equity 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 stock pickers—particularly those of us focused on valuation. Stocks with low valuations underperformed stocks with high valuations. Based on price-to-forward earnings multiples^a, the lowest-valued quintile of the Russell Midcap Index underperformed the highest-valued quintile by an astounding 27 percentage points; excluding financials this outperformance was 31 percentage

points. Utilities and consumer staples were the top-performing mid cap sectors for the year, while telecom, technology, and financials lagged.

While improved corporate cash flows have been predominately used to deleverage balance sheets over the past several years, cash has been returned to investors with increased regularity via higher dividends and share repurchases. Historically, companies that return capital to shareholders have outperformed those that do not, which is why our process is keenly focused on managements' capital allocation policies. We anticipate this return of cash to grow, creating a situation in which the incremental yield to owning stocks relative to government bonds could reach a 60-year high^b.

Efforts aimed at reducing volatility have triggered outflows from equities and other volatile asset classes in favor of bonds and cash. This has pressured the "risk free" yield on Government bonds. The nominal yield on the 10-Year Treasury closed the year below 2%, which is considerably lower than both the historical and current run rate of inflation (3.7% and 3.4%, respectively). Countless studies have demonstrated that herd-like behavior is counterproductive more often than not. We are innately skeptical that the migration away from stocks to bonds and cash will ultimately benefit investors that have chosen this path. While elevated volatility and market downturns go hand in hand, so do elevated volatility and market rallies. For disciplined long-term investors, volatility can create opportunity, particularly if those investors are supported with diligent research.

Attribution: 2011

The Hotchkis & Wiley Mid-Cap Value Fund underperformed the Russell Midcap Value Index for the year. The overweight position in low P/E stocks hurt performance as this group underperformed the market considerably. Also hurting performance was stock selection in financials and consumer discretionary. Within consumer

discretionary, Valassis (5.1%)¹ was the primary detractor over the course of the year. We believe the price decline is a temporary over-reaction to a weak environment—the stock trades at a very low multiple of current earnings and an incredibly low multiple of normal earnings. Positive stock selection in energy, healthcare, and technology were the primary performance contributors for the year; Cobalt International Energy (5.5%)¹, MI Developments (4.9%)¹, and Stone Energy (4.0%)¹ were the largest individual contributors.

Fund Activity: 2011

We reduced our healthcare exposure during the year as two positions were acquired; King Pharmaceuticals (0.0%)¹ was bought by Pfizer (0.0%)¹ and Kinetic Concepts (0.0%)¹ was bought by a private equity consortium. The weight in materials was eliminated as we exited three positions because each performed well and approached our valuation targets. We also reduced our overweight position in technology; the most notable transaction was the sale of TE Connectivity (former Tyco Electronics) (0.0%)¹, which approached our valuation target. We increased the energy weight by adding to existing positions Cobalt International Energy (5.5%)¹ and Stone Energy (4.0%)¹, and by taking new positions in Kosmos Energy (1.8%)¹ and Murphy Oil (0.3%)¹. As a result, the Fund is now overweight energy relative to the Russell Midcap Value Index (note the index energy weight was also reduced following its mid-year reconstitution). The purchase of Huntington Ingalls Industries (3.6%)¹ increased our weight in the industrials sector. The company was spun from Northrup Grumman (0.0%)¹. As investors in Northrup Grumman (0.0%)¹ stock, we were already familiar with its various businesses, including the shipbuilding businesses that were spun off. The now-independent company is attractively valued based on its ongoing operational improvements and sticky customer base.

^a Based on FY2 consensus earnings estimates at beginning of year (1/1/2011).

^b Based on dividend yield and the Equity Risk Premium.

¹% of total portfolio as of December 31, 2011.

Mutual fund investing involves risk. Principal loss is possible. Investing in medium-sized companies involves greater risks than those associated with investing in large company stocks, such as business risk, significant stock price fluctuations and illiquidity. The Fund may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods.

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. Value stocks may underperform other asset types during a given period. 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. Free cash flow is earnings before depreciation, amortization, and non-cash charges minus maintenance capital expenditures. **Past performance is no guarantee of future results. Diversification does not assure a profit nor protect against loss in a declining market.**



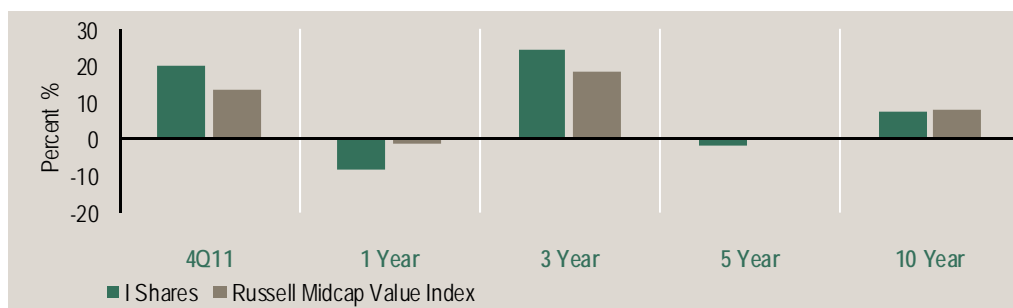
LIPPER
FUND AWARDS 2012
UNITED STATES

2012 Best Equity Small Company

for the 3-year risk-adjusted performance among 171 fund families for the period ended 11/30/11

MID-CAP VALUE FUND

Performance as of December 31, 2011



	4Q11	1 Year	3 Year	5 Year	10 Year	Since 1/2/97
I Shares	20.03%	-8.60%	24.34%	-1.88%	7.56%	11.00%
A Shares without sales charge	19.89	-8.82	24.01	-2.14	7.30	10.73
A Shares	13.61	-13.61	21.79	-3.18	6.72	10.33
C Shares	19.66	-9.55	23.16	-2.73	6.59	9.94
R Shares	19.86	-9.07	23.71	-2.38	7.18	10.55
Russell Midcap Value Index	13.37	-1.38	18.19	0.04	7.67	9.00

Yield	I Shares	A Shares	A Shares (Load)	C Shares	R Shares
30-Day SEC Yield with expense waiver	0.66%	0.42%	0.36%	0.00%	0.17%
30-Day SEC Yield without expense waiver	0.66%	0.42%	0.36%	0.00%	0.17%

The Fund's total annual operating expense ratio as of the most current prospectus is 1.08% for I Shares, 1.33% for A Shares, 2.08% for C Shares and 1.58% for R 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, C and R 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-1/2/97, A and C Shares-1/2/01, R Shares-8/28/03). Returns shown for A Shares without sales charge does not reflect the maximum sales load of 5.25%; if reflected, performance would be lower than shown. All other returns reflect the deduction of the current maximum initial sales charges of 5.25%. Returns shown for C Shares do not reflect the contingent deferred sales charge of 1% for the first year. 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 are 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 Midcap® Index** measures the performance of the 800 smallest companies in the Russell 1000® Index. The **Russell Midcap® Value Index** measures the performance of those Russell Midcap® companies with lower price-to-book value ratios and lower forecasted growth values. 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 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. 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. U.S. Treasuries are generally considered "risk free" securities. Price-to-Earnings (P/E) is calculated by dividing the current price of a stock by the company's trailing 12 months' earnings per share. Price-to-forward earnings is the projected P/E ratios of the companies invested in the portfolio, which ratios represent current market price per share divided by a company's estimated future earnings-per-share. Projected earnings are consensus analyst forecasts; actual P/E ratios may differ from projected P/E ratios.

Contributors to Performance: 2011

Top Five	% of Total Portfolio ¹
Cobalt Int'l Energy Inc.	5.5%
MI Developments Inc.	4.9
Kinetic Concepts Inc.	0.0
National Semiconductor Corp.	0.0
Torchmark Corp.	1.9

Bottom Five	% of Total Portfolio ¹
ManpowerGroup	2.5%
PHH Corp.	1.6
Regions Financial Corp.	3.0
Genworth Financial Inc.	0.0
Valassis Communications	5.1

Classes & Tickers

I Shares	HWMIX
A Shares	HWMAX
C Shares	HWMCX
R Shares	HWMRX

¹ % of total portfolio includes total investments, cash, and accrued investment income on a trade date basis.

Contributors to Performance measures the impact each security has on the portfolio's total return and is calculated using daily holding information within FactSet (does not reflect the payment of transaction costs, fees and expenses of the Fund).

Lipper determined the fund group awards by averaging Lipper's three-year Consistent Return scores for all of the firm's funds within the asset class, and the eligible group with the lowest average decile rank received the award for that asset class. In case of a tie, the group with the lower average percentile rank received the award. Fund groups with at least five equity, five bond, or three mixed equity portfolios that received Consistent Return scores as of November 30, 2011, are eligible for a fund group award in the respective asset class. Lipper Small Company Group Awards are given in four categories - Overall, Equity, Fixed Income and Mixed Asset. Small companies consisted of those fund families with assets under management of less than \$40.0 billion.

**NOT FDIC INSURED
NO BANK GUARANTEE
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