

VALUE OPPORTUNITIES FUND

Commentary

Calendar Year 2011



Manager Review and Economic Outlook

Market Commentary

The S&P 500 started and ended 2011 at the identical price level (1,258); however, the year was anything but dull 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 and 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 told us that in the long run compelling valuations and strong fundamentals are likely to prevail. 2011

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 S&P 500 underperformed the highest-valued quintile by an astounding 34 percentage points; excluding financials this outperformance was 25 percentage points. This dynamic has translated into striking valuation opportunities in a variety of market segments. In terms of sectors, financials underperformed, non-cyclicals outperformed, and the rest were in-between.

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 Value Opportunities Fund underperformed the Russell 3000 Value Index for the year. The small/midcap exposure detracted from performance as mega cap stocks were the top performers. The overweight position in low P/E stocks also hurt performance as this group underperformed the market considerably. Valassis (11.9%)¹ was the largest individual detractor over the course of the year. We believe the price decline is a temporary overreaction to a weak environment—the stock trades at a very low multiple of current earnings and an incredibly low multiple of normal earnings. Positive security selection in financials was the primary contributor to performance during the year, followed by positive selection in energy, healthcare, and telecommunications.

^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. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. Investing in smaller and/or 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. 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.

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. **Past performance is no guarantee of future results. Diversification does not assure a profit nor protect against loss in a declining market.**



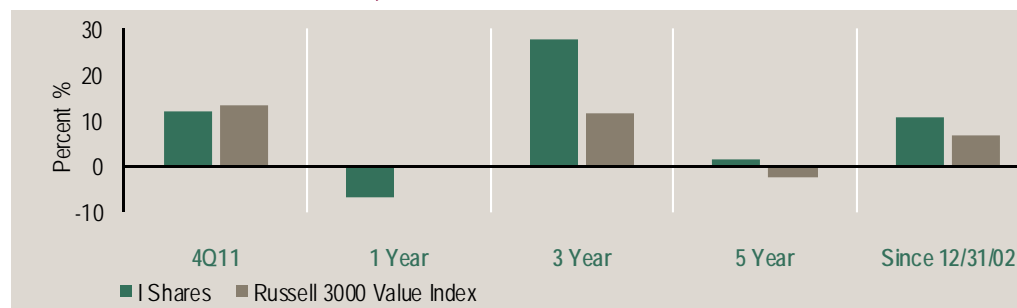
LIPPER
FUND AWARDS 2012
UNITED STATES

2012 Best Equity Small Company

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

VALUE OPPORTUNITIES FUND

Performance as of December 31, 2011



	4Q11	1 Year	3 Year	5 Year	Since 12/31/02
I Shares	11.98%	-7.07%	27.63%	1.31%	10.38%
A Shares without sales charge	11.91	-7.33	27.30	1.06	10.19
A Shares	6.01	-12.19	25.03	-0.02	9.54
C Shares	11.66	-8.04	26.39	0.39	9.33
Russell 3000 Value Index	13.33	-0.10	11.62	-2.58	6.48

Yield	I Shares	A Shares	A Shares (Load)	C Shares
30-Day SEC Yield with expense waiver	0.95%	0.70%	0.66%	0.00%
30-Day SEC Yield without expense waiver	0.95%	0.70%	0.66%	0.00%

The Fund's total annual operating expense ratio as of the most current prospectus is 1.13% for I Shares, 1.38% for A Shares and 2.13% 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 reflect both with and without the maximum sales charge of 5.25%. Returns shown for C Shares do not reflect the contingent deferred sales charge of 1% for the first year; if reflected, performance would be lower than shown. 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 3000® Value Index measures the performance of those Russell 3000® companies with lower price-to-book 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. Free cash flow is earnings before depreciation, amortization, and non-cash charges minus maintenance capital expenditures. 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
Freddie Mac (preferred)	2.5%
Miller Industries Inc.	1.8
Lockheed Martin Corp.	1.0
MI Developments Inc.	2.4
Vodafone Group PLC	3.2

Bottom Five	% of Total Portfolio ¹
Bank of America Corp.	0.0%
Tree.com Inc.	3.9
Noranda Aluminum Holdings	2.1
Hewlett-Packard Co.	2.6
Valassis Communications	11.9

Classes & Tickers

I Shares	HWAIX
A Shares	HWAAX
C Shares	HWACX

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
MAY LOSE VALUE**

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