

Strategy Description

The Capital Income strategy is focused on maximizing current income while maintaining the capacity for capital appreciation by investing in dividend-paying equities and high yield bonds. Our investment approach is based on the conviction that a security's market price does not always accurately reflect its fundamental value. When investor sentiment, emotions, or short-term trends cause the price of a security to deviate from its intrinsic worth, we see opportunity.



Strategy Information

- Asset Class: Hybrid
- Style Benchmarks: S&P 500 Index
BofAML US Corp/Govt/Mtg Index
- Strategy Assets: \$8 mm
- Inception Date: 2010
- Number of Stocks: 25 – 50
- Number of Issues: 75 – 100
- Capitalization Range: >\$1 billion (stocks)
- Open to new investors
- Separate Account Minimum: \$15 million

Equity Portfolio Characteristics

	Portfolio	S&P 500
Projected P/E (FY2)	10.3x	11.4x
Price/Normal Earnings	9.4x	13.3x
Price/Book	1.6x	2.0x
Dividend Yield	3.9%	2.2%
Wtd Avg Market Capitalization (millions)	\$96,045	\$95,253
Median Market Capitalization (millions)	\$58,030	\$11,148
Number of Stocks	34	500

Top Five Equity Holdings¹

	Portfolio
Vodafone Group PLC	3.8%
JPMorgan Chase & Co.	3.6
Exelon Corp.	3.5
Lockheed Martin Corp.	3.4
Microsoft Corp.	3.2

Bond Portfolio Characteristics

	Portfolio	BofAML U.S. Corp/Govt/Mtg
Yield-to-Worst	9.0%	2.0%
Modified Duration	4.3 years	5.0 years
Spread over Treasuries	788 bps	79 bps
Average Coupon Rate	8.7%	4.1%
Number of Issuers	108	1,146

Top Five Bond Holdings¹

	Coupon Rate / Maturity Date	Portfolio
CIT Group Inc.	7.000%, due 05/02/2017	0.8%
Stone Energy Corp.	8.625%, due 02/01/2017	0.6
International Lease Finance Corp.	8.250%, due 12/15/2020	0.6
CNO Financial Group, Inc.	9.000%, due 01/15/2018	0.6
CKE Restaurants, Inc.	11.375%, due 07/15/2018	0.6

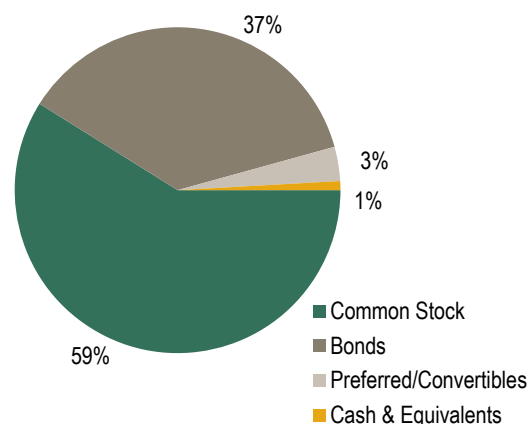
What to Expect

- ▶ Income focus
- ▶ Diligent research
- ▶ Flexible asset allocation
- ▶ Nimble asset base

Firm Facts

- ▶ Founded in 1980
- ▶ \$16 billion in assets under management
- ▶ Majority-owned by employees
- ▶ Bottom-up, research-driven approach

Asset Allocation



Bond Credit Quality

	Portfolio
Investment Grade	7.7%
BB	29.0
B	55.8
CCC+ or lower	6.9
Nonrated	0.6

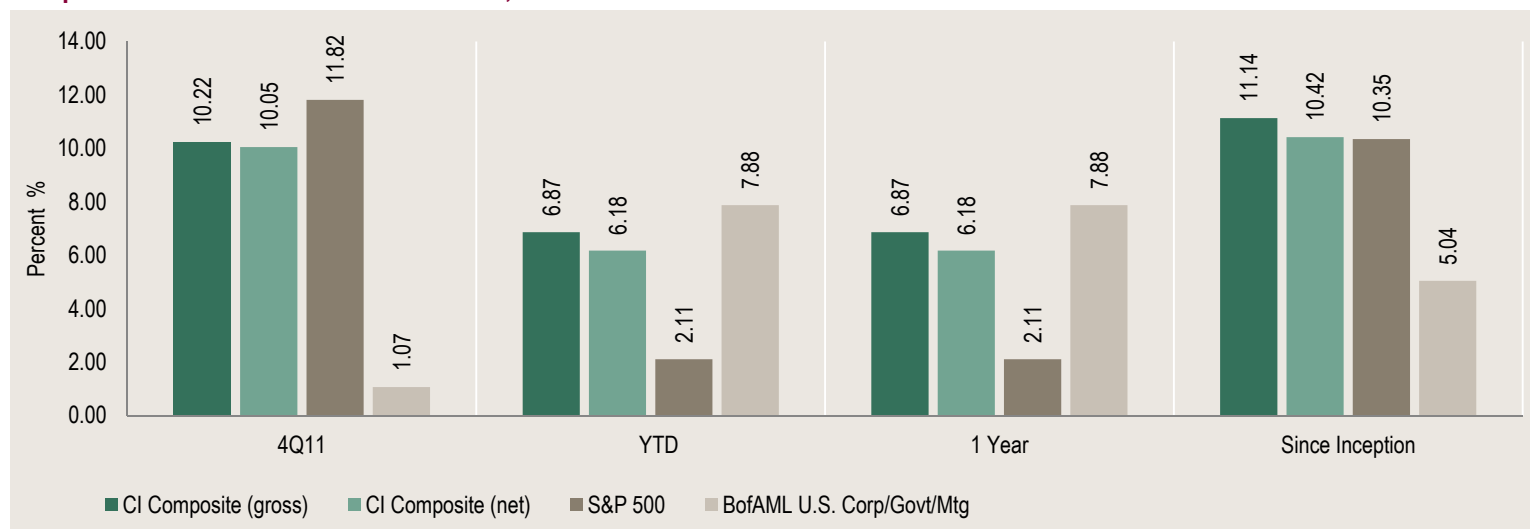
¹ % of Total Portfolio

Data source: H&W, FactSet, Bloomberg

Informational purposes and should not be considered as investment recommendations. Information provided is based on a representative portfolio of the Capital Income strategy. Statistics and holdings may vary due to different restrictions, cash flows, and other relevant considerations. Information is subject to change and may not be representative of the strategy's current holdings. Statistics presented may be based on proprietary or third-party estimates, which are subject to change and cannot be guaranteed.

CAPITAL INCOME

Composite Performance as of December 31, 2011



Commencement of Capital Income (CI) Composite: 10/1/10. Periods over one year are average annualized total return.

Hotchkis and Wiley Capital Management, LLC (the "Firm" or "H&W") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. H&W has been independently verified for the periods October 9, 2001 through December 31, 2010. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

H&W is an independent investment management firm registered with the U.S. Securities and Exchange Commission and manages U.S. value equity and high yield assets for institutional and mutual fund investors. Its predecessor firm was established in 1980. The U.S. equity team of the predecessor firm established H&W in October 2001.

Valuations and returns are stated in U.S. dollars. Investment returns include reinvestment of dividends, interest, and capital gains. Gross performance results are presented before management and custodial fees but after all trading expenses. Net performance results are presented after actual management fees and all trading expenses but before custodial fees. H&W's management fees are described in Part II of its Form ADV. The standard Capital Income management fee schedule is 65 basis points on the first \$25 million, 50 basis points on the next \$75 million and 35 basis points thereafter. Internal dispersion is calculated using the equal-weighted standard deviation of all portfolios that were included in the Composite for the entire year. Additional information regarding policies for valuing portfolios, calculating performance, preparing compliant presentations, treatment of significant cash flows and a complete list and description of all Firm composites are available upon request. Past performance is no guarantee of future performance.

	% Total Return Gross of Fees	% Total Return Net of Fees	% Total Return BofAML Cp/Gv/Mtg	% Total Return S&P	# of Accts	Internal Dispersion (%)	Comp. Assets (\$mm)	Total Firm Assets (\$mm)
2011	6.9	6.2	7.9	2.1	<6	n/m	8	16,171
2010 ⁽¹⁾	6.8	6.6	-1.4	10.8	<6	n/a	1	18,148

⁽¹⁾ Period from October 1, 2010 (composite inception) through December 31, 2010.

n/a – not applicable for periods less than one year.

n/m – not considered meaningful for composites with five accounts or less for the full year.

Composite: The Composite includes all Capital Income discretionary accounts. The Capital Income investment strategy seeks high current income and long-term growth of income, as well as capital appreciation, primarily through investments in a diversified portfolio of debt and equity securities. The typical market cap range for stocks is over \$1 billion and the number of stocks and bonds in the portfolio generally ranges from 25 – 50 securities and 75 – 100 issuers, respectively. There was a non-fee paying account in the Composite which represented 100% of the Composite assets as of 12/31/10. (Composite creation: 2010)

Indexes: The S&P 500® Index ("S&P") is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The BofA Merrill Lynch U.S. Corporate Government & Mortgage Index ("BofAML Cp/Gv/Mtg") is a broad-based measure of the total rate of return performance of the U.S. investment grade bond markets. The Index is a capitalization weighted aggregation of outstanding U.S. treasury, agency and supranational, mortgage pass-through, and investment grade corporate bonds meeting specified selection criteria. These indexes assume reinvestment of dividends and capital gains, and assume no management, custody, transaction or other expenses. The strategy used in managing the accounts in the Composite may prevent or limit investment in major bonds or stocks in the S&P and BofAML Cp/Gv/Mtg and returns may not be correlated to the indexes.

The 3-year annualized standard deviation measures the variability of the composite (using gross returns) and the benchmark(s) returns over the preceding 36-month period. As of December 31, 2011 the Composite did not have 3-year track record.

