CAPITAL INCOME FUND
Commentary
Calendar Year 2018

Hotchkis & Wiley

Manager Review and Economic Outlook

Investment Strategy
The Hotchkis & Wiley Capital Income Fund invests in both value equity securities and high yielding fixed income securities with an emphasis on income generation. The long-term allocation target between value equities and high yielding fixed income securities is 50/50. The portfolio has two benchmarks, the S&P 500 Index ("the equity benchmark") and the ICE BofAML US Corporate, Government & Mortgage Index ("the fixed income benchmark"). These benchmarks are averaged, using the portfolio's long-term allocation targets, to produce a "50/50 blended benchmark" to help assess performance.

Market Commentary
The S&P 500 Index was up more than +10% through the first nine months of the year before posting its worst calendar quarter in 7 years, falling -13.5% in Q4. The end result was a -4.4% return for calendar year 2018. The ICE BofAML US High Yield Index returned -2.3% in 2018, just the 7th negative return since its 1986 inception; the index had been up +3.5% over the year's first three quarters before declining -4.7% in Q4.

Until the most recent quarter, robust corporate earnings growth had overcome political unrest across the globe. In the fourth quarter, however, ongoing trade tensions came to the forefront. Markets began pricing in slowing economic growth in several major economies that are important trading partners with the US. In contrast to this however, real GDP growth in the US was a healthy +3.4% in the most recent quarter and the unemployment rate remains below 4%. Both the Federal Reserve and the European Central Bank implemented and spoke of future restrictive monetary policy. This appears to have added to equity investor apprehension. The forward P/E ratio for the S&P 500 declined from 20.0x at the beginning of the year to 15.4x at the end of the year. The index's median P/E since 1990 is 16.4x, so it went from well above average to comfortably below average over the course of the year. The high yield market's yield-to-worst rose 2.1% in the year, closing at 8.0%. The spread over treasuries widened 172 basis points, from 363 at the beginning of the year to 535 at year's end. The market's median spread since 1995 has been about 500 basis points; consequently, the spread went from much tighter than average to slightly wider than average in 2018—from our perspective, a considerably more attractive entry point.

Fears that slowing economic growth would weaken demand weighed heavily on oil prices. West Texas Intermediate crude closed the year at $45/barrel, down 25% from the beginning of the year ($60) and more than 40% from its early October high ($76). Commodity securities were among the worst-performers of the year, with the energy and materials leading the decline. Non-cyclical securities outperformed cyclical securities. The performance dispersion and resulting valuation differentials among securities that are economically sensitive compared to those that are not suggests the market has begun to price in a recession scenario. Economic metrics do not yet verify a meaningful change from positive economic growth. At present, while acknowledging the uncertain economic outlook, we view the valuation support of cyclical securities as vastly superior to non-cyclicals. We believe this valuation discrepancy provides a "margin of safety" in the long run almost irrespective of near term economic growth.

The Fed raised rates by 25 basis points four times in 2018, moving the Fed Funds target rate from 1.5% to 2.5% over the course of the calendar year. Treasury rates rose accordingly, more so on the short end of the curve, thus the yield curve flattened. As of year-end, the yield on the 10-year stood just 20 basis points higher than the yield on the 2-year, an ever so slightly positive sloping curve. The par-weighted average price of a high yield bond went from more than $100 a year ago to slightly above $92 at the end of 2018. CCC-rated bonds underperformed the broad market (-4.1% for the year), but interestingly single-B credits held up slightly better than BB's (-1.5% vs. -2.5%, respectively).

While it took a decline in markets to get here, we are more constructive on the both the equity and high yield market's forward-looking prospects than we were a year ago due to the improvement in valuation. The market is also providing pockets of opportunities that we view as especially compelling as an active manager. As a result, the portfolio exhibits a large valuation discount in its equity positions and a large spread advantage in its credit positions—an uncommon opportunity.

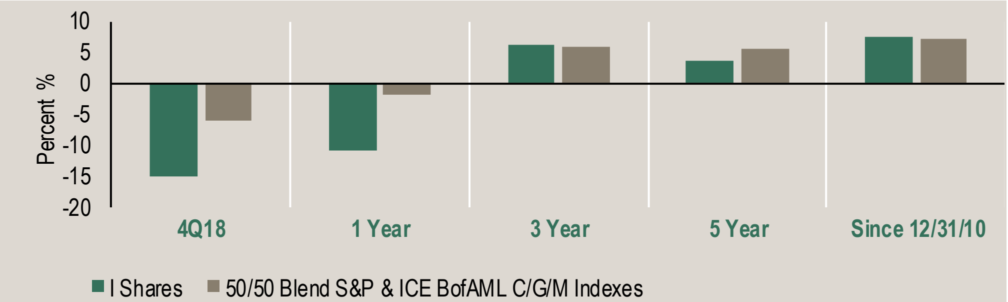
Attribution and Management Discussion: 2018
The Hotchkis & Wiley Capital Income Fund underperformed the 50/50 blended benchmark in 2018. The average equity weight was 56% and the average high yield bond weight was 44% over the course of the year. The equity overweight hurt as equities underperformed bonds.

The equity portion of the portfolio underperformed the S&P 500 Index during the year. More than 70% of the portfolio is invested in stocks with a price-to-book ratio of less than 2x compared to just 20% for the index; this hurt relative performance as value stocks lagged by a large margin. Also, nearly half of the portfolio was invested in small and mid cap stocks compared to just 11% for the index. This also hurt performance as small and mid cap stocks lagged large caps. Positive stock selection in technology and healthcare partially offset these headwinds. The largest individual detractors to relative performance were AIG, Sanchez Energy, WestJet Airlines, Adient, and Ophir Energy; the largest positive contributors were Popular, Ericsson, Hewlett Packard Enterprise, ARRIS International, and Energy XXI.

The high yield bond portion of the portfolio underperformed the ICE BofAML US Corporate, Government & Mortgage Index and the ICE BofAML US High Yield Index. The overweight position and credit selection in energy detracted from relative performance as crude prices fell 25% over the year. The underweight position in telecommunications was also a detractor. Positive credit selection in retail, basic industry, banking, and healthcare were relative performance contributors during the year.

CAPITAL INCOME FUND

Performance as of December 31, 2018



	4Q18	1 Year	3 Year	5 Year	Since 12/31/10
I Shares	-15.27%	-10.87%	6.09%	3.44%	7.42%
A Shares without sales charge	-15.23	-10.97	5.84	3.22	7.53
A Shares	-19.28	-15.21	4.15	2.22	6.88
S&P 500 Index	-13.52	-4.38	9.26	8.49	11.32
ICE BofAML US Corp., Govt. & Mtg. Index	1.65	0.00	2.07	2.61	2.85
50/50 Blend S&P & ICE BofAML C/G/M Indexes	-6.04	-1.90	5.79	5.70	7.20
ICE BofAML US High Yield Index	-4.67	-2.26	7.27	3.82	5.75

Yield	I Shares	A Shares	A Shares (Load)
30-Day SEC Yield with expense waiver	5.32%	5.06%	4.82%
30-Day SEC Yield without expense waiver	4.45%	4.19%	3.99%

The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2019 so the net expense ratio does not exceed 0.80% for I Shares and 1.05% for A Shares. Over the past 12 months, the Fund invested in business development companies, which produced acquired fund fees and expenses ("AFFE") of 0.08%. The reported net expense ratio is the expense ratio cap plus AFFE, or 0.88% for I Shares and 1.13% for A Shares. Net expense ratios were applicable to investors. The Fund's total annual operating gross expense ratio as of the most current prospectus is 1.34% for I Shares and 1.59% for A Shares.

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. Short-term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns. 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: Class I-12/31/10, Class A-2/28/11). Returns shown for A returns without sales charge does not reflect the maximum sales load of 4.75%; if reflected, performance would be lower than shown. All other returns reflect the deduction of the current maximum initial sales charges of 4.75%. Class I shares sold to a limited group of investors. Total returns include reinvestment of dividends and capital gains. Expense limitations may have increased the Fund's total return.

Basis point is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument. Spread is the percentage point difference between yields of various classes of bonds compared to treasury bonds. Investment grade indicates that a municipal or corporate bond has a relatively low risk of default. Yield-to-Worst is the lowest possible yield from owning a bond considering all potential call dates prior to maturity. Forward P/E (Price/Earnings) ratio is a stock's price over its predicted earnings per share. Spread advantage based on the option adjusted spread (OAS). Earnings growth is the annual rate of growth of earnings from investments. Investment grade indicates that a municipal or corporate bond has a relatively low risk of default. Margin of safety is a principle of investing in which an investor only purchases securities when the market price is significantly below its intrinsic value; when market price is significantly below your estimation of the intrinsic value, the difference is the margin of safety. Price-to-book value is the price of a stock divided by its book value. 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. 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	HWIIX
A Shares	HWIAX

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 Russell 1000® Value Index measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values. The ICE BofAML US Corp., Govt. & Mtg. Index is a broad-based measure of the total rate of return performance of the US investment grade bond markets. The ICE BofAML 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 50/50 benchmark is an average, equal weighted blend of the S&P 500® Index and ICE BofAML US Corp., Govt. & Mtg. Index. 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.

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.

Specific securities identified are the largest contributors (or detractors) on a relative basis to the S&P 500 Index. Securities' absolute performance may reflect different results. The Fund may not continue to hold the securities mentioned and the Advisor has no obligation to disclose purchases or sales of these securities. Attribution is an analysis of the portfolio's return relative to a selected benchmark, is calculated using daily holding information and does not reflect the payment of transaction costs, fees and expenses of the Fund.

Top ten equity holdings as of 12/31/18 as a % of the Fund's net assets: American International Group Inc. 3.0%, Whiting Petroleum Corp. 2.6%, General Electric Co. 2.0%, WestJet Airlines 1.8%, Discovery Inc. 1.7%, Hewlett Packard Enterprise 1.6%, Seritage Growth Properties 1.6%, Wells Fargo & Co. 1.6%, Danieli & C Officine Meccaniche 1.5% and Goldman Sachs Group Inc. 1.5%. Fund holdings are subject to change and are not recommendations to buy or sell any security.

NOT FDIC INSURED
NO BANK GUARANTEE
MAY LOSE VALUE

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