DIVERSIFIED VALUE FUND
Commentary
Third Quarter 2018

Hotchkis & Wiley

Manager Review and Economic Outlook

Market Commentary

The S&P 500 Index returned +7.7% in the third quarter and is now up +10.6% since the beginning of the year. Failed Brexit negotiations and the threat of a global trade war have triggered short-lived bouts of equity market volatility, but positive economic data and strong corporate earnings growth has overwhelmed those concerns. Despite Wall Street having revised estimates upward rather persistently, 84% of S&P 500 companies beat consensus earnings estimates in the most recent quarter. The median positive surprise was 6% above consensus estimates. In technology and healthcare, the two top-performing sectors in the quarter, more than 90% of companies reported an earnings beat.

Growth outperformed value in the quarter, extending its considerable lead in recent years. Some of the disparity was due to differences in sector exposures: the growth index has more exposure to technology which outperformed, and less exposure to energy and financials which underperformed. Sector weights aside, however, stocks with high valuations outperformed stocks with low valuations. The Russell 1000 Growth Index has outperformed the Russell 1000 Value Index by more than 13 percentage points since the beginning of the year, after outperforming by nearly 17 percentage points in 2017. As a result, the valuation gap between growth stocks and value stocks has widened. Three years ago, the forward P/E for the Russell 1000 Growth was 18.6x compared to 15.3x for the Russell 1000 Value, for a difference of 3.3x ("growth premium"). Excluding the internet bubble, the average growth premium over that last 20 years has been 4.0x, so three years ago spreads were modestly narrower than average. Today, however, the forward P/E ratio for the Russell 1000 Growth has expanded to 22.9x while the Russell 1000 Value trades at 15.3x, the same multiple as three years ago. The current growth premium, therefore, is 7.6x (22.9x – 15.3x), or nearly double the long term average. Earnings growth between the two indices has been comparable, thus the primary cause of the outperformance has been the repricing of growth stocks, i.e. multiple expansion. We do not believe that this valuation gap can widen indefinitely, and consequently we are optimistic about the prospects of value relative to growth as we look forward.

We remain overweight technology and energy compared to the Russell 1000 Value, but we have taken capital out of these sectors since the beginning of the year. The sectors overall, and our portfolio holdings in particular, have outperformed and so we have shifted capital to more compelling valuation opportunities. We have added capital to financials, industrials, and consumer discretionary for the opposite reason—the sectors overall, and our holdings in particular, have underperformed and now exhibit improved valuations without a commensurate change in risk relative to other areas. Portfolio changes have been modest in 2018, however, with year-to-date turnover about 22% by weight and 11% by name.

The portfolio's valuation discount relative to the market has moved from wide to wider, which gets us excited about the portfolio going forward. The portfolio trades at 9.8x normal earnings compared to 15.1x for the Russell 1000 Value and 18.3x for the S&P 500 (nearly double the portfolio). The portfolio's price-to-book ratio is 1.6x compared to 2.1x and 3.4x for the Russell 1000 Value and the S&P 500, respectively.

Attribution: 3Q 2018

The Hotchkis & Wiley Diversified Value Fund underperformed the Russell 1000 Value Index in the third quarter of 2018. Growth outperformed value by a considerable margin, which presents a general headwind for our value-focused approach. Stock selection in consumer discretionary, healthcare, and industrials detracted from performance. The underweight position in healthcare, the index's top-performing sector, was also a detractor. The overweight position and positive stock selection in technology helped relative performance, along with positive stock selection in the energy sector. The largest detractors to relative performance were General Motors, Vodafone, Adient, AIG, and General Electric; the largest positive contributors were Corning, Oracle, Microsoft, Discovery, and Hewlett Packard Enterprise.

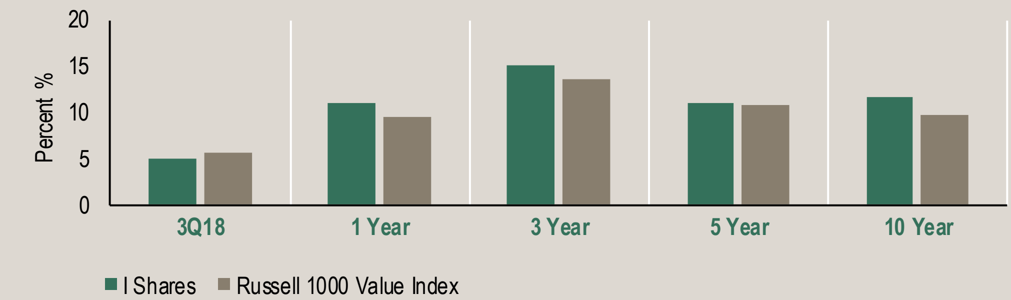
Largest New Purchases: 3Q 2018

Halliburton, headquartered in Houston, is the second largest global provider of oilfield services. The downturn in energy prices has reduced oilfield activity below sustainable levels, hurting HAL's sales and profitability. As activity rebounds, the majority of HAL's product lines should experience significant increases in volumes and pricing. HAL is currently under-earning but we believe should normalize more quickly than competitors given HAL's strength in U.S.-centric completions businesses.

News Corp's valuation is supported by its real-estate advertising businesses alone. It also has a mature Pay TV and national media business and a regional newspaper business, though the latter is in secular decline.

Synchrony Financial's stock trades at less than 8x current and normal earnings. As we look at the impact on normal earnings from the loss of its Wal-Mart account, we feel that it is much closer to zero than to the recent move in the stock. We also think that as one contemplates how dire this account loss is in terms of signaling a huge increase in the competitive environment for private label cards we should keep in mind that this loss follows shortly on the heels of the company's win of the PayPal account. With the ability to buy back 10% of its market cap in the next twelve months we feel that Synchrony is well positioned to take advantage of any extended weakness in its stock price.

Performance as of September 30, 2018



	3Q18	1 Year	3 Year	5 Year	10 Year	Since 8/30/04
I Shares	4.89%	11.04%	15.04%	10.95%	11.73%	7.62%
A Shares without sales charge	4.83	10.80	14.78	10.68	11.45	7.35
A Shares	-0.65	5.01	12.73	9.50	10.85	6.94
C Shares without CDSC	4.56	9.91	13.89	9.84	10.65	6.56
C Shares	3.56	8.91	13.89	9.84	10.65	6.56
Russell 1000 Value Index	5.70	9.45	13.55	10.72	9.79	8.22

The Fund's total annual operating gross expense ratio as of the most current prospectus is 0.97% for I Shares, 1.22% for A Shares and 1.97% for C Shares. The net expense ratio is 0.80% for I Shares, 1.05% for A Shares and 1.80% for C Shares. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2019.

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.

(Inception date: I , A and C Shares-8/30/04). Returns shown for A Shares and C Shares without sales charge do not reflect the maximum sales load of 5.25% or the Contingent Deferred Sales Charge (CDSC) of 1.00% for the first year; if reflected, performance would be lower than shown. Returns for A and C shares reflect the deduction of the current maximum initial sales charges of 5.25% and 1.00% CDSC. C Shares convert automatically to A Shares approximately eight years after purchase. A Shares are subject to lower annual expenses than C Shares. 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.

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 Russell 1000® Growth Index measures the performance of those Russell 1000® Index companies with higher price-to-book ratios and higher 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 Price-to-book value is the price of a stock divided by its book value. Forward P/E (Price/Earnings) ratio is a stock's price over its predicted earnings per share. Earnings growth is the annual rate of growth of earnings from investments. Top ten holdings as of 9/30/18 as a % of the Fund's net assets: American International Group Inc. 4.9%, Hewlett Packard Enterprise 4.1%, Oracle Corp. 3.5%, Citigroup Inc. 3.5%, Wells Fargo & Co. 3.5%, Apache Corp. 3.3%, Discovery Inc. 3.3%, Microsoft Corp. 3.1%, Marathon Oil Corp. 3.1%, and Hess Corp. 2.9%. Fund holdings are subject to change and are not recommendations to buy or sell any security.

Mutual fund investing involves risk. Principal loss is possible. The Fund may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. The Fund may invest in American Depository Receipts ("ADRs") and Global Depository Receipts ("GDRs") which may be subject to some of the same risks as direct investment in foreign companies.

Contributors to Performance

Top Five	% of Total Portfolio[1]
Oracle Corp.	3.5%
Corning Inc.	1.9
Discovery Inc.	3.3
Hewlett Packard Enterprise	4.1
Microsoft Corp.	3.1

Bottom Five	% of Total Portfolio[1]
Wells Fargo & Co.	3.5%
Adient PLC	0.8
Vodafone Group PLC	2.1
General Electric Co.	1.7
General Motors Co.	2.3

Classes & Tickers

I Shares	HWCIX
A Shares	HWCAX
C Shares	HWCCX

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

Investing in value stocks presents the risk that value stocks may fall out of favor with investors and underperform other asset types during a given period. Equities, bonds, and other asset classes have different risk profiles, which should be considered when investing. All investments contain risk and may lose value. Specific securities identified are the largest contributors (or detractors) on a relative basis to the Russell 1000 Value 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. The "Largest New Purchases" section includes the three largest new security positions during the quarter based on the security's quarter-end weight adjusted for its relative return contribution; does not include any security received as a result of a corporate action; if fewer than three new security positions at quarter-end, all new security positions are included.

NOT FDIC INSURED
NO BANK GUARANTEE
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