HIGH YIELD FUND
Commentary
Calendar Year 2018

Hotchkis & Wiley

Manager Review and Economic Outlook

Market Commentary

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. 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 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. 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). Retail outflows of about $45 billion, including $12 billion of ETF hemorrhaging, pressured the market. In terms of sectors, energy was the most notable laggard by far[1] as crude prices fell 25% from the beginning of the year and more than 40% from October highs.

Despite the market's decline, high yield fundamentals remain solid. The market experienced 29 defaults and 2 distressed exchanges in 2018, representing just over $40 billion in debt. This translates into a default rate of just 1.87% including distressed exchanges, which is slightly more than half of the market's long term average of 3.5%. The average recovery rate in 2018 was 41.7%, almost exactly in line with the long-term historical average of 41.5%. The percentage of the market trading at distressed levels—less than 50 cents on the dollar—climbed in 2018 but remains a benign 1.6% of all issuance. A total of $393 billion worth of bonds were upgraded during the year compared to $291 billion that were downgraded, a ratio of 1.35 to 1.

The new issue market slowed dramatically in 2018; there were $187 billion of new issuance, the lowest total since 2009 and a 43% decline from last year. During the December selloff, zero new issues priced. This was the first month with no new issuance since November 2008 during the financial crisis—the only such monthly occurrences since at least 1990. While smaller, the new issue market remained reasonably well-behaved with just 17% of all new issuance rated CCC, and all but one percentage point of that was used for refinancing. New issuance earmarked for leveraged buyout/acquisition financing rose slightly to 21% of all new issuance, which is close to average.

While it took a decline in the market to get here, we are more constructive on the 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 significant spread advantage—an uncommon opportunity. Our focus on credits of all sizes, modest overweight in energy, and under the BB-rated cohort have all contributed to the wider-than-market spread, and have us optimistic about the portfolio's prospects.

Attribution: 2018

The Hotchkis & Wiley High Yield Fund underperformed the ICE BofAML US High Yield Index and ICE BofA BB-B Constrained Index in 2018. The strategy's emphasis on small and mid cap credits was a headwind as smaller market cap names underperformed the larger, more liquid portion of the high yield market in 2018. The portfolio's allocation by credit rating had little relative performance effect versus the broad benchmark, but the portfolio's 5.5% average allocation to CCC's hurt performance relative to the BB-B benchmark which has no CCC-rated credits. The largest detractor to relative performance, irrespective of the benchmark, was the portfolio's energy credits. Our exposure is focused on upstream industries that are more attractively valued, yet more exposed to commodity prices. This hurt performance as crude oil declined. Positive credit selection in the basic industry, retail, and banking sectors helped offset the energy exposure.

Outlook (Scoring Scale: 1=Very Negative….5=Very Positive)

Fundamentals (3): We left the Fundamentals score unchanged at 3. The default rate remains about half of the historical average, and we expect a benign environment to continue because leverage remains in check and also revenue and earnings are healthy. Trade war potential keeps the score from rising further, which has the potential to impede economic growth and therefore affect revenue and earnings growth.

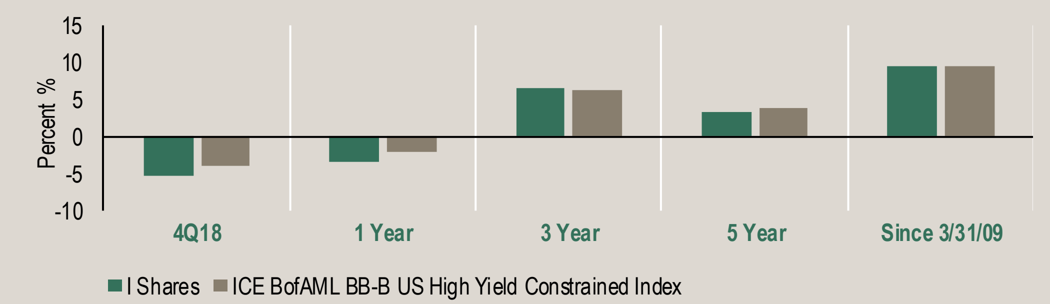
Technicals (3): The technicals score remains at 3. The new issue market has softened substantially. New issuance has been largely for refinancing with LBO issuance relatively contained. While overall market liquidity remains decent, the asset class has experienced considerable outflows.

Valuation (3): We increased the valuation score from 2 to 3. The market's yield-to-worst increased to nearly 8% and spreads over treasuries widened to more than 500 basis points—both close to historical averages. The excess spread, or spread adjusted for unrecovered defaults, remains stable.

[1] The automotive sector had a worse return, but it averaged less than 2% of the market compared to more than 15% for energy.

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. Portfolio managers' opinions and data included in this commentary are as of 12/31/18 and are subject to change without notice. Any forecasts made cannot be guaranteed. Information obtained from independent sources is considered reliable, but H&W cannot guarantee its accuracy or completeness. Portfolio's 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.

Performance as of December 31, 2018



	4Q18	1 Year	3 Year	5 Year	Since 3/31/09
I Shares	-5.31%	-3.41%	6.65%	3.25%	9.57%
A Shares without sales charge	-5.41	-3.63	6.38	2.99	9.22
A Shares	-8.93	-7.21	5.03	2.20	8.79
C Shares without CDSC	-5.63	-4.46	5.62	2.22	8.46
C Shares	-6.63	-5.46	5.62	2.22	8.46
Z Shares	-5.36	-3.35	6.74	3.35	9.67
ICE BofAML BB-B US High Yield Constrained Index	-3.87	-2.04	6.33	3.88	9.56
ICE BofAML US High Yield Index	-4.67	-2.26	7.27	3.82	10.73

Yield	I Shares	A Shares	A Shares (Load)	C Shares	Z Shares
30-Day SEC Yield with expense waiver	8.70%	8.44%	8.12%	7.69%	8.83%
30-Day SEC Yield without expense waiver	8.65%	8.39%	8.07%	7.64%	8.79%

The Fund's total annual operating gross expense ratio as of the most current prospectus is 0.74% for I Shares, 0.99% for A Shares, 1.74% for C Shares and 0.63% for Z Shares. The net expense ratio is 0.70% for I Shares, 0.95% for A Shares, 1.70% for C Shares and 0.60% for Z Shares. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 29, 2019; October 31, 2019 for Z 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. 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. The High Yield Fund imposes a 2.00% redemption fee on shares held for 90 days or less. Performance data does not reflect the redemption fee. If it had, return would be reduced.

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 Z 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-3/31/09, A Shares-5/29/09, C Shares-12/31/12, Z Shares-3/29/18). Returns shown for A Shares and C Shares without sales charge do not reflect the maximum sales load of 3.75% 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 3.75% 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. 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.

Yield-to-Worst is the lowest possible yield from owning a bond considering all potential call dates prior to maturity. Basis point is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument. Investment grade indicates that a municipal or corporate bond has a relatively low risk of default. Spread is the percentage point difference between yields of various classes of bonds compared to treasury bonds.

Investing in high yield securities is subject to certain risks, including market, credit, liquidity, issuer, interest-rate, inflation, and derivatives risks Lower-rated and non-rated securities involve greater risk than higher-rated securities. High yield bonds and other asset classes have different risk-return profiles, which should be considered when investing. All investments contain risk and may lose value. Attribution is an analysis of the portfolio's return relative to a selected benchmark, is calculated using trade information and does not reflect the payment of transaction costs, fees and expenses of the Fund.

Classes & Tickers

I Shares	HWHIX
A Shares	HWHAX
C Shares	HWHCX
Z Shares	HWHZX

The ICE BofAML BB-B US High Yield Constrained Index contains all securities in the ICE BofAML US High Yield Index rated BB+ through B- by S&P (or equivalent as rated by Moody's or Fitch), but caps issuer exposure at 2%. Index constituents are capitalization weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. 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 indices do not reflect the payment of transaction costs, fees and expenses associated with an investment in the Fund. It is not possible to invest directly in an index. The Fund's returns may not correlate with the returns of its 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.

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.

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