HIGH YIELD FUND
Commentary
Third Quarter 2018

Hotchkis & Wiley

Manager Review and Economic Outlook

Market Commentary

The ICE BofAML US High Yield Index returned +2.4% in the third quarter of 2018, and is now up +2.5% since the beginning of the year. The FOMC raised the Fed Funds Target Rate by another quarter point to 2.25%, its third such raise of the year. Consequently, government bonds declined while spread sectors outperformed. Investment grade corporates were slightly positive (about +1%) and high yield corporates were slightly more positive (+2.4%). Treasury yields with maturities between 2 and 30 years rose between 20 and 30 basis points, with an ever-so-slight flattening of the yield curve.

The high yield market absorbed the rate hike and then some, experiencing a decline in the yield-to-worst of 0.24% during the quarter, which finished at 6.30%. Spreads tightened by 43 basis points, closing the quarter at 329 basis points over comparable duration treasuries. BB-rated and single B-rated credits performed similarly, while CCC-rated (and below) outperformed slightly—yields declined and spreads narrowed disproportionately for this lowest-rated cohort. Performance variation among sectors was modest: healthcare returned +3.4%, retail returned +1.1%, and all other sectors where somewhere in between.

A primary reason for high yield's outperformance relative to other fixed income asset classes has been the market's overall health. Only 2 high yield bonds defaulted in the quarter, following just 3 in the previous quarter—this represents the fewest defaults over a six month period in more than 7 years. The trailing 12 month default rate, including distressed exchanges, now stands at 2.0% which is well below long term averages. A meager 0.5% of the market trades at 50% of par or less, implying that the market believes the docile environment will persist. Recovery rates over the past 12 months averaged 46%, which is also slightly better than long term averages, though the sample size is small due to the low number of defaults. Rating agencies have agreed with the market's assessment of tranquility, and have upgraded 5 credits for every 4 they have downgraded.

The pace of new high yield issuance has been only about 70% of the market's average over the past 8 years. The subdued new issue market has been reasonably well-behaved with only 16% of the new issuance this year rated CCC, which is in line with historical averages—about half of this was earmarked for the refinancing of existing debt. More than 60% of all new issuance was for refinancing, with only 20% used for acquisition/LBO financing. Revenues have grown and corporate earnings have been strong.

The market's valuation is not the most exciting that we have ever observed, which leads us to be laser focused on ensuring sufficient asset coverage even though the market is in good health. We will continue to look for opportunities in credits of all sizes because we have learned that mispriced opportunities are more prevalent in small and mid caps. Currently, we are underweight investment grade and BB rated credits as we continue to have concerns about the ballooning of the BBB credit market and its nascent signs of deteriorating quality. We also have a modest weight in CCCs, so the portfolio continues to be heavily weighted toward single B rated credits. This, combined with our focus across the cap spectrum has led to a spread advantage relative to the broad market of more than 50 basis points.

Attribution: 3Q 2018

The Hotchkis & Wiley High Yield Fund underperformed the ICE BofAML US High Yield Index and ICE BofA BB-B Constrained Index in the third quarter. The two indices performed similarly, and the portfolio lagged both by a modest magnitude. Overall credit selection was close to neutral relative to either index. Positive credit selection in the basic industry and healthcare sectors was offset by negative credit selection in energy, particularly in the exploration & production industry. The underweight exposure in telecommunications was a notable performance detractor as this was among the top-performing sectors in the quarter.

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

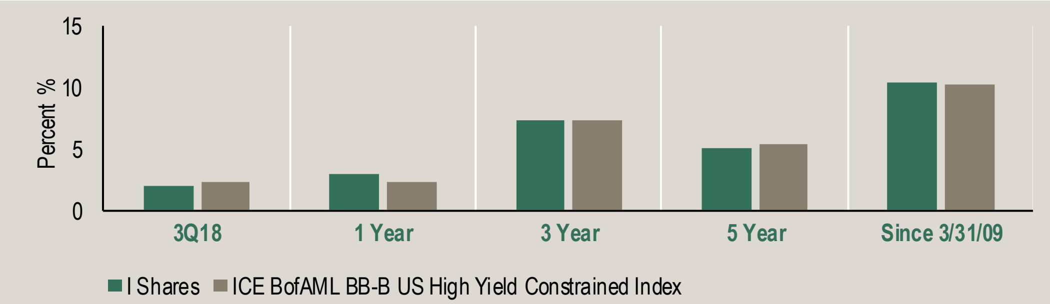
Fundamentals (3): We left the Fundamentals score unchanged at 3. The potential for trade wars create some uncertainty but financial leverage remains in check and the default rate including distressed exchanges, is 2.0%--well below historical averages. Revenue and earnings have been strong. Market maturities are well-termed out, with little near-term refinancing pressures. A paltry 0.5% of the market is trading at distressed levels.

Technicals (3): The technicals score remains at 3. Asset class outflows persist, particularly in the ETF space. However, the soft primary market is down significantly from 2017 offsetting these outflows. There was $168 billion in new issuance year to date—more than 60% was used for refinancing with just 20% earmarked for acquisition/LBO financing. CCC-rated new issuance comprised 16% of the primary market, in line with historical averages.

Valuation (2): The valuation score remains at 2. The market's yield-to-worst is 6.3% and spreads over treasuries stand at 329 basis points—a tighter than average market. Excess spreads, or spreads adjusted for unrecovered defaults, are reasonably close to long term averages because defaults remain subdued.

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 9/30/18 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 September 30, 2018



	3Q18	1 Year	3 Year	5 Year	Since 3/31/09
I Shares	2.05%	3.02%	7.43%	5.16%	10.46%
A Shares without sales charge	1.99	2.83	7.20	4.91	10.12
A Shares	-1.83	-1.05	5.86	4.11	9.68
C Shares without CDSC	1.88	2.00	6.43	4.12	9.36
C Shares	0.88	1.00	6.43	4.12	9.36
ICE BofAML BB-B US High Yield Constrained Index	2.38	2.29	7.33	5.39	10.28
ICE BofAML US High Yield Index	2.44	2.94	8.19	5.54	11.59

Yield	I Shares	A Shares	A Shares (Load)	C Shares
30-Day SEC Yield with expense waiver	6.04%	5.79%	5.57%	5.03%
30-Day SEC Yield without expense waiver	6.01%	5.75%	5.54%	5.00%

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 and 1.74% for C Shares. The net expense ratio is 0.70% for I Shares, 0.95% for A Shares and 1.70% 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. 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 and C 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). 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. 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.

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. Spread advantage based on the option adjusted spread (OAS). Leveraged buyout (LBO); Federal Open Market Committee (FOMC).

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

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.

NOT FDIC INSURED
NO BANK GUARANTEE
MAY LOSE VALUE

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