

Market Commentary

The Russell 2000 Index returned +3.6% in the third quarter and is now up +11.5% 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, nearly two-thirds of Russell 2000 companies beat consensus earnings estimates in the most recent quarter; the median positive surprise was 16% above consensus estimates.

Small cap growth outperformed small cap value in the quarter, extending its considerable lead in recent years. Given value's multi-year underperformance, some investors are wondering if the value phenomena has taken a permanent hiatus. Our answer is no. The 10 year underperformance is not without historical precedent as small growth led small value by an equivalent magnitude in the 10 years that ended with the internet bubble's burst. While that period was also unusually long, value ultimately made a comeback as the valuation premium grew too wide. The current growth premium is more than double the long term average. Some of the performance disparity was due to differences in sector exposures: the growth index has more exposure to healthcare which outperformed and less exposure to energy which underperformed. Sector weights aside, however, stocks with high valuations outperformed stocks with low valuations. Ultimately, the primary drive of valuation premium was due to multiple expansion, not earnings growth. 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.

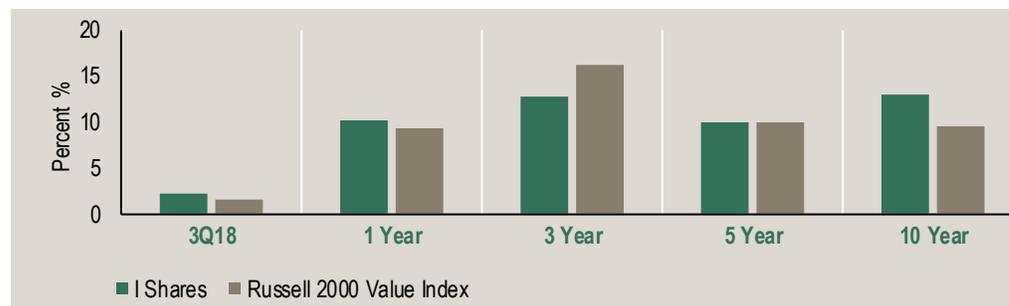
We remain overweight industrials and energy compared to the Russell 2000 Value, though we have taken capital out of energy since the beginning of the year. Our portfolio holdings in energy have outperformed and so we have shifted capital to more compelling valuation opportunities. Portfolio changes have been modest in 2018, however, with year-to-date turnover about 19% by weight and 14% 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 7.8x normal earnings compared to 15.2x for the Russell 2000 Value and 17.3x for the Russell 2000. The portfolio's price-to-book ratio is 1.3x compared to 1.5x and 2.2x for the Russell 2000 Value and the Russell 2000, respectively.

Attribution: 3Q 2018

The Hotchkis & Wiley Small Cap Value Fund (Class I) outperformed the Russell 2000 Value Index in the third quarter of 2018. Stock selection was positive in 7 of the 11 GICS sectors during the quarter and was particularly helpful in real estate, financials, healthcare, and technology. Small value underperformed small growth, which is a general headwind for our value focused approach. Stock selection in industrials, consumer discretionary, and communication services also detracted from performance. The largest positive contributors to relative performance were Hanger, Seritage Growth Properties, WestJet Airlines, Office Depot, and KBR; the largest detractors were Embraer, LSC Communications, TRI Pointe Group, Masonite International, and First Hawaiian.

Performance as of September 30, 2018



	3Q18	1 Year	3 Year	5 Year	10 Year	Since 9/20/85
I Shares	2.11%	10.08%	12.82%	9.83%	13.02%	11.68%
A Shares without sales charge	2.05	9.81	12.53	9.56	12.74	11.43
A Shares	-3.31	4.04	10.53	8.39	12.13	11.25
C Shares without CDSC	1.86	9.00	11.69	8.74	11.96	10.62
C Shares	0.86	8.00	11.69	8.74	11.96	10.62
Russell 2000 Value Index	1.60	9.33	16.12	9.92	9.52	n/a

The Fund's total annual operating expense ratio as of the most current prospectus is 1.02% for I Shares, 1.27% for A Shares and 2.02% for C Shares. Expense ratios shown are gross of any fee waivers or expense reimbursements.

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.

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-9/20/85, A Shares-10/6/00, C Shares-2/4/02). 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 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Russell 2000® Value Index measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Growth Index measures the performance of those Russell 2000® Index companies higher price-to-book ratios and higher forecasted growth values. 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. Earnings growth is the annual rate of growth of earnings from investments. GICS stands for Global Industry Classification Standard. Top ten holdings as of 9/30/18 as a % of the Fund's net assets: Whiting Petroleum Corp. 5.0%, ARRIS International PLC 4.9%, Seritage Growth Properties 4.8%, Enstar Group Ltd. 4.5%, First Hawaiian Inc. 4.1%, WestJet Airlines 3.8%, Matson Inc. 3.6%, Popular Inc. 3.5%, Frank's International 3.5%, and First Horizon Nat'l Corp. 3.0%. 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. Investing in smaller and/or newer companies involves greater risks than those associated with investing in larger companies, such as business risk, significant stock price fluctuations and illiquidity. The Fund may invest in ETFs, which are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a discount to its net asset value ("NAV"), an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a Fund's ability to sell its shares. The Fund may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods.

Contributors to Performance	
Top Five	% of Total Portfolio ¹
Hanger Inc.	2.9%
Seritage Growth Properties	4.8
WestJet Airlines Ltd.	3.8
Office Depot Inc.	2.2
KBR Inc.	2.8

Bottom Five	
	% of Total Portfolio ¹
C&J Energy Services	1.6%
Masonite International Corp.	3.2
TRI Pointe Group Inc.	1.8
LSC Communications Inc.	1.6
Embraer SA	2.4

Classes & Tickers	
I Shares	HWSIX
A Shares	HWSAX
C Shares	HWSCX

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 2000 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.

**NOT FDIC INSURED
NO BANK GUARANTEE
MAY LOSE VALUE**

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