VALUE OPPORTUNITIES FUND
Commentary

Calendar Year 2018

Hotchkis & Wiley

Manager Review and Economic Outlook

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 Russell 3000 Value Index returned -8.6% as value lagged growth and small caps lagged large caps. 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.

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 (-18%) and materials sectors (-15%) leading the decline. Industrials and financials, also cyclical sectors, each declined -13% and lagged the market by a wide margin. The non-cyclical healthcare and utilities sectors performed best, returning +6% and +4% during the year, respectively. The performance dispersion and resulting valuation differentials among stocks 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 stocks 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.

To illustrate the stark contrast in valuation between sectors, consider banks relative to utilities. Five years ago, S&P 500 banks traded at 12.5x consensus earnings while S&P 500 utilities traded at 15.5x. Since then, bank earnings have grown 53% compared to 36% for utilities, but bank stocks have lagged utility stocks. Utilities' total return outpaced its earnings growth considerably, while banks' total return lagged its earnings growth substantially. As a result, bank P/Es compressed while utility P/Es expanded. Today, S&P 500 banks trade at just 9.9x consensus earnings while S&P 500 utilities trade at 17.1x. This translates into an earnings yield of more than 10% for banks and just 5.8% for utilities—a rich valuation for an industry with modest growth prospects.

The portfolio trades at a substantial valuation discount to the index, which makes us optimistic about its prospects irrespective of market direction or temperament. The portfolio trades at 6.6x normal earnings compared to 13.0x for the Russell 3000 Value and 16.1x for the S&P 500. The portfolio's price-to-book ratio is 1.1x compared to 1.8x and 2.9x for the Russell 3000 Value and the S&P 500, respectively.

Attribution: 2018

The Hotchkis & Wiley Value Opportunities Fund underperformed the Russell 3000 Value Index in 2018. The strategy's focus on valuation and its ability to invest across the market cap spectrum are two important contributors to its long term outperformance. However, both of these characteristics detracted from relative performance in 2018 as value lagged growth and small caps lagged large caps. The overweight to small caps (24% vs. 6%), and corresponding underweight to mega caps (20% vs. 37%), hurt relative performance. An even larger factor was the valuation bias. More than 70% of the portfolio was invested in stocks with a price-to-book ratio of less than 2x compared to about 43% for the index—this cohort underperformed the market significantly. Combined, these factors explain all of the underperformance in the year. An overweight and positive security selection in technology helped relative performance. Positive security selection in consumer staples, and materials also helped. The largest individual detractors to relative performance in the year were WestJet Airlines, AIG, Goldman Sachs, Vodafone, and Apache; the largest positive contributors were ARRIS International, Microsoft, Popular, Ericsson, and National Oilwell Varco.

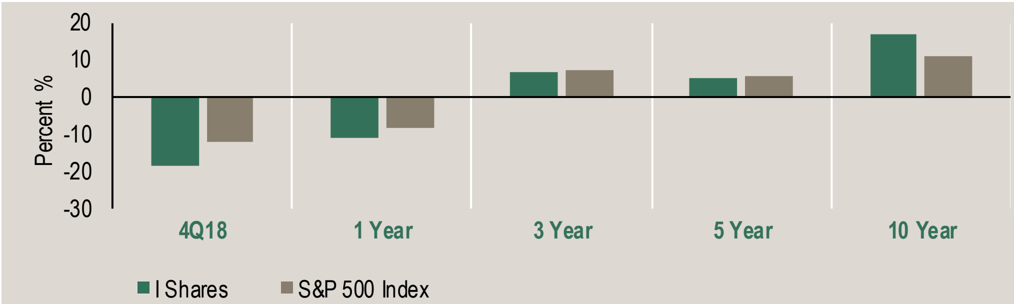
Largest New Purchases: 2018

Amerco, through its primary subsidiary U-Haul, offers truck, trailer, and self-storage rentals across its 22,000 locations in the US and Canada. U-Haul is over 10x larger than its next largest competitor and has more locations than all US rental car companies combined. In addition, the company has significant optionality in its self-storage business and real estate assets. These advantages, combined with Amerco's attractive valuation, make the stock compelling.

CBS's multiple is depressed along with other media companies. It is exposed to cyclical risk in ad spending but with little impact on long run normal earnings power. The most important risk is fundamental change in TV's share of ad spend, which appears unlikely. The biggest opportunities are reversion in US ad spend, which would boost revenue and EBIT, and continued vertical integration into TV production, which would dramatically boost margins on syndication revenue.

General Electric has leading positions in power turbines, jet engines, diesel locomotives, and diagnostic imaging systems. The stock trades at an attractive valuation considering it has a high quality set of businesses with interesting future prospects. Shares have underperformed due to disappointing earnings in its power business, weak corporate cash flow, and concerns about its balance sheet. While the power business is earning returns below normal and it will face ongoing challenges in the near term, its earnings decline is more than reflected in its current share price. The market also misses that GE has great market positions in its aviation, healthcare, and other businesses, with a dominant installed base to service and sell equipment. Concerns about its balance sheet are overblown because the company has great assets well in excess of the company's debt levels.

Performance as of December 31, 2018



	4Q18	1 Year	3 Year	5 Year	10 Year	Since 12/31/02
I Shares	-18.56%	-10.97%	6.57%	5.20%	16.93%	11.36%
A Shares without sales charge	-18.59	-11.19	6.32	4.93	16.64	11.13
A Shares	-22.86	-15.85	4.42	3.81	16.01	10.76
C Shares without CDSC	-18.75	-11.86	5.53	4.15	15.79	10.28
C Shares	-19.75	-12.86	5.53	4.15	15.79	10.28
Russell 3000 Value Index	-12.24	-8.58	7.01	5.77	11.12	8.40

The Fund's total annual operating 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. 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 C Shares for the periods prior to its inception are derived from the historical performance of I Shares during such periods and have been adjusted to reflect the higher total annual operating expenses of each specific Share (Inception dates: I and A Share-12/31/02, C Share-8/28/03). 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 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 3000® Value Index includes stocks from the Russell 3000® Index with lower price-to-book ratios and lower expected growth rates. 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. Forward P/E (Price/Earnings) ratio is a stock's price over its predicted earnings per share. 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.

Mutual fund investing involves risk. Principal loss is possible. Investing in non-diversified funds and/or smaller and/or medium-sized companies involves greater risks than those associated with investing in diversified funds and/or large company stocks, such as business risk, significant stock price fluctuations, sector concentration and illiquidity. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. 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. 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.

Contributors to Performance

Top Five	% of Total Portfolio[1]
ARRIS International PLC	0.5%
Hewlett Packard Enterprise	3.9
Popular Inc.	0.0
Ericsson	0.0
National Oilwell Varco Inc.	1.6

Bottom Five	% of Total Portfolio[1]
General Electric Co.	7.8%
Wells Fargo & Co.	5.6
WestJet Airlines Ltd.	3.2
Goldman Sachs Group Inc.	4.8
American International Group Inc.	5.0

Classes & Tickers

I Shares	HWAIX
A Shares	HWAAX
C Shares	HWACX

[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 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. The "Largest New Purchases" section includes the three largest new security positions during the year based on the security's year-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 during the year, all new security positions are included. Top ten holdings as of 12/31/18 as a % of the Fund's net assets: General Electric Co. 7.8%, Wells Fargo & Co. 5.6%, American Int'l Group Inc. 5.0%, Goldman Sachs Group Inc. 4.8%, Seritage Growth Properties 4.6%, Microsoft Corp. 4.5%, Hewlett Packard Enterprise 3.9%, Amerco 3.8%, Bank of America Corp. 3.3%, and Oracle Corp. 3.2%. Fund holdings are subject to change and are not recommendations to buy or sell any security.

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MAY LOSE VALUE

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