

Latest High Yield Perspectives

In the October webinar, Portfolio Manager Mark Hudoff provided his perspective on the high yield market. The following summarizes his discussion:



Mark Hudoff
Portfolio Manager

Top Takeaways

- Several factors are constructive for the high yield market, including a strong economy, supply/demand fundamentals, declining leverage and a low default rate.
- High yield bond issuance has been tepid in 2018 and more bonds have been retired.
- Over the last two years, demand has exceeded supply, resulting in a tight market for high yield bonds.
- Interest coverage in the high yield market has improved while interest coverage in the investment grade market has deteriorated.
- We anticipate the annualized default rate will remain below 2% through 2019.
- Rating agency upgrades have outpaced downgrades as of September 2018, which will likely reduce the number of fallen angels in the high yield market.
- At \$1.7 trillion, the high yield market remains an important funding source for many companies and an important asset class for investors seeking high income.
- High yield bonds remain fairly valued as excess spreads are modestly below the historical median.

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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.

Hotchkis & Wiley High Yield Fund

Performance as of 9/30/18	3Q	1 Year	3 Year	5 Year	Since Inception (3/31/09)
I Shares (HWHIX)	2.05%	3.02%	7.43%	5.16%	10.46
A Shares w/o sales charge	1.99	2.83	7.20	4.91	10.12
A Shares (HWHAX)	-1.83	-1.05	5.86	4.11	9.68
C Shares w/o CDSC	1.88	2.00	6.43	4.12	9.36
C Shares (HWHCX)	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

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 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.

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. The 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.

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%. 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. Investing in high yield securities is subject to certain risks including market, greater price volatility, credit, liquidity, issuer, interest-rate, inflation, and derivatives risks. Lower-rated and non-rated securities involve greater risk than higher-rated securities. Investment grade bonds, high yield bonds and other asset classes have different risk-return profiles, which should be considered when investing. Investment grade indicates that a municipal or corporate bond has a relatively low risk of default. Fallen angels are credits that were investment grade rated when issued (BBB- or above), but have since been downgraded. Spread is the % point difference between yields of various classes of bonds compared to treasury bonds.

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.

The opinions expressed are those of the portfolio managers as of 9/30/18 and may not be accurate reflections of their opinions after that date; there is no guarantee that any forecasts made will come to pass.

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