HIGH YIELD FUND

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MANAGER REVIEW & ECONOMIC OUTLOOK

DECEMBER 31, 2020

MARKET COMMENTARY

In 2020, investors witnessed the devastating impact of a worldwide pandemic on the global economy. While the effect was severe, investors perceived it as a transitory event, and recognized the stimulative influence of massive monetary and fiscal intervention. The ICE BofA US High Yield Index returned +6.5% in the fourth quarter, moving it into positive territory for the year. The index finished calendar year 2020 at +6.2%, which is far from heroic but quite impressive considering at one point during the year it was down more than -20%. Outperforming market segments during the fourth quarter were generally underperforming market segments over the course of the year. Lower rated credits outperformed higher rated credits in the quarter but underperformed in the year; small and mid cap credits outperformed large cap credits in the quarter but underperformed in the year; energy credits outperformed the broad market significantly in the quarter but underperformed significantly in the year.

The market's yield-to-worst ("YTW") declined from 5.8% to 4.2% during the quarter while option-adjusted spreads ("OAS") narrowed from 541 basis points to 386 basis points. The market's YTW and OAS were 5.4% and 360 basis points at the beginning of the year, respectively. Short term interest rates changed very little during the quarter, though long-term rates rose modestly, steepening the yield curve. Over the course of the full year, however, rates fell as the Federal Open Market Committee cut the Fed Funds target rate from 1.75% to near-zero. Short-term rates declined more than long-term rates, steepening the yield curve.

The pandemic stressed the high yield market in a meaningful way, which can be observed by elevated default activity. The 109 defaults representing $140 billion in par value represents the second most default activity ever recorded in a calendar year behind 2009's $205 billion (figures include bonds, loans, and distressed exchanges). The default rate, including distressed exchanges, finished the year at 6.7%, well above the 20-year average of 3.1%. About one-third of 2020 defaults were energy credits; the default rate excluding energy would be a more modest 4.5%. Post default recovery rates hit an all time low in 2020, at 21%--the previous low had been 22% in 2001. Recovery rates in the energy sector were particularly low (~13%). Excluding energy, the market's recovery rate would have been a more modest 29%. The market's average over the past 25 years has been about 40%. At year's end, bonds priced at distressed levels, or less than 50% of par value, represented just 0.6% of the entire market. This is down considerably from the 10-year high of 8.9% reached in March. Only 1.7% of the market is priced at less than 70% of par.

There were 523 rating agency downgrades during 2020, representing $677 billion in par value—a new record for a calendar year. This compares to just 177 upgrades representing $213 billion in par value. Accordingly, the upgrade/downgrade ratio was less than 0.35 for the year as measured by par or number of issues. This ratio has only been lower during the tech bubble burst and the financial crisis.

Fallen angels and new issuance also both set records in 2020. There were 63 new fallen angels that entered the market, representing $238 billion in par value. This easily surpassed the prior record of $150 billion set in 2009. The $450 billion in new issuance was also a new high, exceeding the $399 billion reached in 2013. About 58% of 2020's new issuance was used for refinancing, with just 8% used for leveraged buyout financing. Only 11% of new issuance was rated CCC, slightly below average (16%). Of this, about two-thirds was used for refinancing. While new issuance has been extensive it has not been overly aggressive.

Calendar year 2020 was challenging in a myriad of ways. We held steady in our commitment to the principles of bottom-up, value-oriented credit picking and worked as a team to ensure existing investments remained prudent and to find new ideas in an ever-changing environment. We will continue to do both. Our team remains entirely intact, the firm is healthy, and we are optimistic that our clients can be rewarded by our commitment and effort. It was reassuring to observe our time-tested investing style come back into vogue during the most recent quarter and we are optimistic that this reversion could be powerful and lasting. We look forward to the new year with enthusiasm.

ATTRIBUTION – 4Q20

The Hotchkis & Wiley High Yield Fund outperformed the ICE BofA US High Yield Index and the ICE BofA BB-B US High Yield Constrained Index in the fourth quarter of 2020. Small and mid cap credits outperformed large cap credits modestly, which is conducive to our approach. Positive credit selection drove more than 90% of the outperformance in the quarter. Credit selection in basic industry was the largest positive contributor by a wide margin, followed by positive credit selection in capital goods, healthcare, retail, and media. The underweight allocation to telecommunications was also helpful. Credit selection in transportation and banking were modest detractors.

The Fund lagged the indices over the full calendar year. Much of what helped during the most recent quarter hurt over the course of the entire year. The overweight exposure to small and mid cap credits hurt during the year as they lagged large cap credits. Credit selection in energy and retail were the largest detractors over the year, partially offset by positive credit selection in the basic industry and automotive sectors.

OUTLOOK (SCORING SCALE: 1=VERY NEGATIVE, 5=VERY POSITIVE)

Fundamentals (4)

We increased the score from 3 to 4. Economic data has improved, the reopening process remains ongoing amid the vaccine rollout, and expansion appears underway. Corporate liquidity remains strong, defaults appear to have peaked, but COVID-19 infection rates have stalled reopening efforts which would derail or delay an expansion.

(continued)

Hotchkis & Wiley

HIGH YIELD FUND

Technicals (4)
We left the score unchanged. The Fed has taken decisive steps to support credit markets. We have observed strong primary market issuance and fund flows into the asset class have been positive. Elevated defaults/downgrades offset some of these positive attributes, and the political landscape remains contentious.

Valuation (3)
We decreased the score from 4 to 3. Yields declined and spreads narrowed. Reopen progress and the increase in fallen angels helps offset the move in valuations. Spreads are at 386 basis points, but the dispersion of spreads is wide—the latter is conducive for active credit pickers. The small/mid spread advantage relative to large caps is more than 100 basis points.

PERFORMANCE (%) as of December 31, 2020

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 3/31/09
High Yield Fund – I Shares	8.13	3.81	3.81	3.18	6.65	5.76	9.06
ICE BofAML BB-B US HY Constrained	5.70	6.28	6.28	6.22	8.02	6.63	9.74
ICE BofAML U.S. High Yield	6.48	6.17	6.17	5.89	8.43	6.62	10.64

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 0.75% for I Shares; 0.70% net expense ratio. The Advisor has contractually agreed to waive advisory fees and/or reimburse expenses through August 31, 2021. Expense ratios shown are gross of any fee waivers or expense reimbursements. 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.

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.

Investments in debt securities involve credit risk and typically decrease in value when interest rates rise. Investments in lower rated and nonrated securities involve greater risk. The fund may invest in derivatives, asset backed and mortgage backed securities, and foreign securities. Please read the fund prospectus for a full list of fund risks. 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.

The ICE BofA BB-B US High Yield Constrained Index contains all securities in the ICE BofA 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 BofA 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 ICE BofA index data referenced is the property of ICE Data Indices, LLC ("ICE BofA") and/or its licensors and has been licensed for use by Hotchkis & Wiley. ICE BofA and its licensors accept no liability in connection with its use. See www.hwcm.com / *Index definitions* for full disclaimer.

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. Certain information presented based on proprietary or third-party estimates are subject to change and cannot be guaranteed.

Market Disruption: The recent global coronavirus pandemic has caused and continues to cause disruption in the global economy, unprecedented business and travel disruption and extreme fluctuations in global capital and financial markets. H&W is unable to predict the consequences of the upheaval caused by coronavirus pandemic, which, depending on the severity and the length of the outbreak, has the potential to negatively impact the firm's investment strategies and reduce available investment opportunities.

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. Basis point is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument. Spread is the percentage point difference between yields of various classes of bonds compared to treasury bonds. Fallen angels are credits that were investment grade rated when issued (BBB- or above), but have since been downgraded. Yield-to-Worst is the lowest possible yield from owning a bond considering all potential call dates prior to maturity. Spread over Treasuries is the difference in yield between a fixed-income security and a Treasury security of similar maturity. Upgrade/Downgrade ratio is the number of ratings upgrades divided by the number of ratings downgrades (by the major ratings agencies). Investment grade indicates that a municipal or corporate bond has a relatively low risk of default.