LARGE CAP VALUE FUND

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. These interventions helped propel the S&P 500 Index which returned +18% for the year. Value investors were largely left behind; however, as growth stocks soared +38% and value stocks returned a modest +3%. This represented the largest gap between the Russell 1000 Growth Index and the Russell 1000 Value Index ever observed over a calendar year, and if history is any guide, sets the stage for a value comeback. We had a glimpse of what that comeback might look like during the fourth quarter of 2020. Value stocks outperformed, buoyed by the economic ramifications of new COVID-19 vaccines and another round of fiscal stimulus.

In our experience, when a major asset class underperforms for as long as value has, most investors are under-allocated to the asset class. Signs of this neglect include incessant rhetoric about the asset class' demise in the financial media, unusually wide valuation gaps, and the fatigue/frustration asset allocators experience when compelled to repeatedly explain why they have invested in such a lagging strategy. When the economic winds shift, however, we believe the out-of-favor asset class can enjoy a substantial and sustained period of outperformance. Following the tech bubble, for example, value outperformed growth seven consecutive years by more than 100 percentage points cumulatively. We have learned time and time again, that patience has been rewarded for those that stay focused on fundamentals and valuation.

Despite value outperforming growth in the fourth quarter, the Russell 1000 Value continues to trade at a larger than normal discount to the Russell 1000 Growth. Also, despite the Fund outperforming the value index, the portfolio continues to trade at a larger than normal discount to the Russell 1000 Value. In fact, the portfolio's discount remains near record levels. The portfolio trades at 8x normal earnings, which is more than 10% below its long-term average. The Russell 1000 Value, however, trades at 16x normal earnings, which is more than 20% above its long-term average. At the end of 4Q 2020 the portfolio's valuation was just half that of the index, a discount that has only been exceeded once before—at the beginning of 4Q 2020. The Fund's 4Q outperformance narrowed the gap modestly but we anticipate considerably more reversion ahead.

To achieve such a large valuation discount, a portfolio must not only be invested in stocks trading at substantial discounts to intrinsic value but must also be very different than the index. The portfolio is both. Its active share is 87, which means that 87% of the portfolio is positioned differently than the Russell 1000 Value. While the portfolio is always highly active, 87 is among the highest in the Fund's history. Among their top 10 positions respectively, the portfolio and the index share only one common name (Bank of America). Of the portfolio's top 10 positions, 8 trade at single digit multiples of normal earnings and 6 trade at single digit multiples of consensus forward earnings (FY3), compared to just one for the index.

Financials and banks remain the portfolio's largest sector and industry weights, respectively, both in absolute terms and relative to the benchmark. Banks have been an unloved industry for years as scars from the financial crisis remain and regulatory uncertainties linger. When it appeared that the market was finally beginning to recognize the industry's strong recurring profitability and its massive de-risking efforts over the past decade, the pandemic caused investors to shun banks regardless of underlying fundamentals or valuations. Among the most important of these de-risking efforts was a substantial increase in capital held on banks' balance sheets. In addition to having excess capital, banks took large provisions throughout the year for potential credit delinquencies that may occur in the future. While these provisions hit 2020 bank earnings, the industry continued to produce compelling pre-provision income, even in the low interest rate environment. The combination of having strong balance sheets, large reserve pools, and ongoing profitability gives us confidence that banks have more than enough capacity to withstand a severe economic downturn much worse than we have experienced thus far. Yet many banks trade at single-digit multiples of normal earnings, which we see as extremely attractive in this market. Further, the Federal Reserve recently lifted stock buyback restrictions. Many banks are in a position to return considerable capital to shareholders. This would be accretive to earnings per share thereby improving valuations even more.

Calendar year 2020 was challenging in a myriad of ways. Looking through our value investor lens, the year tested our patience and conviction. We held steady in our commitment to the principles of value investing 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 Large Cap Value Fund outperformed the Russell 1000 Value Index in the fourth quarter of 2020 by a wide margin. The portfolio has long exhibited valuation characteristics at a discount to the Russell 1000 Value, which had been a major stylistic headwind throughout 2020 until reversing in the fourth quarter. Positive stock selection drove about 80% of the outperformance, as the portfolio outperformed the index in 9 of 11 sectors. Positive stock selection in financials, industrials, consumer discretionary, and energy were the largest contributors to performance; the overweight exposure to financials and energy were also modestly helpful. Stock selection in consumer staples and technology were modest detractors. The largest positive contributors to relative performance in the quarter were General Electric, AIG, Citigroup, Magna International, and CNH Industrial; the largest detractors were GlaxoSmithKline, Unilever, Microsoft, PPL Corp., and Oracle.

(continued)

Hotchkis & Wiley

LARGE CAP VALUE FUND

HWLIX
HWLAX
HWLCX
HWLZX

MANAGER REVIEW & ECONOMIC OUTLOOK

DECEMBER 31, 2020

Over the calendar year, the Fund underperformed the Russell 1000 Value Index. The value-focused approach that helped during the fourth quarter hurt over the course of the entire year. Accordingly, the largest contributors/detractors over the year were largely opposite of what occurred during the fourth quarter. Stock selection in financials and the overweight position in energy were the largest detractors, while stock selection in technology was the largest positive contributor.

LARGEST NEW PURCHASES – 4Q20

Bristol-Myers Squibb is a large pharmaceutical company that trades at a discount to its existing portfolio of marketed drugs. Based on its valuation, we are receiving its pipeline for free, yet the company has a long history of successful drug developments, including the first immuno-oncology drugs. It is diversifying to the portfolio, has meaningful valuation support, and the potential for a successful pipeline provides considerable upside.

Host Hotels is a REIT that owns about 80 hotels primarily in the US. It trades at a discount to the replacement cost of its assets and at an attractive multiple of normal earnings. It has well-positioned hotels and an investment grade balance sheet. Travel has been disrupted due to the COVID-19 pandemic, but Host's hotels are in markets that serve both leisure and business travel. Delays in business travel may cause it to underearn temporarily but this should not impair the long-term normal earnings power of the franchise.

PERFORMANCE (%) as of December 31, 2020

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 6/24/87
Large Cap Value Fund – I Shares	29.88	-0.30	-0.30	3.35	9.45	10.10	8.83
Russell 1000 Value	16.25	2.80	2.80	6.07	9.74	10.50	n/a

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 0.95% for I Shares. Expense ratios shown are gross of any fee waivers or expense reimbursements. I Shares sold to a limited group of investors. 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.

The Fund may invest in foreign securities. Please read the fund prospectus for a full list of fund risks. 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 1000 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. The "Largest New Purchases" section includes the three largest new security positions during the quarter/year based on the security's quarter/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 quarter/year, all new security positions are included.

Style Risk: A value-oriented investment approach involves the risk that value stocks may remain undervalued or may not appreciate in value as anticipated. Value stocks can perform differently from the market as a whole or from other types of stocks and may be out of favor with investors and underperform growth stocks for varying periods of time. Growth investing tends to work well during speculative, momentum-driven markets, while value investing tends to work well following recessionary periods. Past recessions and recoveries cannot predict future performance due to different factors and circumstances.

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.

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.

The Russell 1000® Value Index measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000® Growth Index measures the performance of those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. 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 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. Top ten holdings as of 12/31/20 as a % of the Fund's net assets: Citigroup Inc. 5.1%, American Int'l Group Inc. 5.1%, General Electric Co. 4.9%, Wells Fargo & Co. 4.4%, General Motors Co. 3.3%, Anthem Inc. 3.3%, Goldman Sachs Group Inc. 2.8%, Oracle Corp. 2.6%, Bank of America Corp. 2.5% and Magna International Inc. 2.5%. Price-to-Normal Earnings is the current market price per share divided by normalized earnings per share. Active share is the extent to which the portfolio differs from the Russell 1000 Value Index. Investment grade refers to the quality of a company's credit. **Forward earnings is not representative of the Fund's future performance.**

Mutual fund investing involves risk. Principal loss is possible.
NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE
The Hotchkis & Wiley Funds are distributed by Quasar Distributors, LLC