VALUE OPPORTUNITIES FUND

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MANAGER REVIEW & ECONOMIC OUTLOOK

MARCH 31, 2022

MARKET COMMENTARY

The Russell 3000 Index declined -5.3% in the first quarter of 2022. The Russell 3000 Value Index declined a more modest -0.9% while the Russell 3000 Growth Index declined -9.3%. Despite value's recent outperformance, the valuation spread between growth and value remains wide because the spread at the period's outset was extreme. The Russell 3000 Value Index trades at 15x forward P/E (consensus FY1) compared to the Russell 3000 Growth Index at 25x.

After a long period of fighting deflation, the Fed must now contend with the highest level of inflation in 40 years. While initial assessments indicated recent inflation was likely due to pandemic disruptions, many economists and the Fed are increasingly concerned that this new inflation might be with us longer than originally thought and that Fed action is needed to keep inflation under control. Add to this concern Russia's invasion of Ukraine which accelerated inflationary forces in important commodities such as oil and gas. While inflation is a real concern, our view is the Fed is more concerned about deflation and maintaining economic growth. While the Fed will likely raise interest rates, we expect they will ease at the first signs of economic weakness.

The price of crude oil increased by 33%, finishing the quarter at $100/barrel; natural gas rose +51%, finishing the quarter at $5.64/MMBtu. Sanctions and trade disruption create supply shocks, putting inflationary pressures on significant Russian exports like oil, natural gas, and metals—each experienced meaningful price increases in the period. Our view has been that the lack of investment in new energy projects/production would create an imbalance once demand recovered to pre-pandemic levels; the resulting supply shortage would put upward pressure on energy prices. While this continues to be our view, Russia's invasion of Ukraine has exacerbated the situation. The rise in energy prices has effectively de-risked the energy sector. These companies are flush with cash and are reducing debt. Consequently, energy remains a significant sector overweight in the portfolio notwithstanding the strong recent performance.

The number of job openings continues to hover around its highest level in at least 20 years, increasing the risk of further wage inflation. To combat these inflationary threats, the Federal Open Market Committee increased the Fed Funds rate by 0.25% and signaled more aggressive rate increases in the coming year. Higher interest rates are generally bad for equities because it increases the cost of capital and makes fixed income investments a more appealing alternative. It is typically less bad for value than growth for two primary reasons. First, financials represent the lone sector that benefits from rising rates (higher earnings), and financials comprise significantly larger portions of value portfolios/indexes. Second, value equities are shorter duration securities than growth equities. In a discounted cash flow analysis, the terminal value estimate represents the lion's share of a conventional growth stock's value, whereas a conventional value stock will generate meaningful cash flows sooner. At 11x forward P/E and less than 9x normal P/E, the portfolio trades at an even larger discount to the benchmark. We believe the large valuation spreads and macroeconomic backdrop should continue to benefit value relative to growth, which should be a conducive environment for our investment approach.

ATTRIBUTION – 1Q22

The Hotchkis & Wiley Value Opportunities Fund outperformed the Russell 3000 Value Index in the first quarter of 2022 by a considerable margin. The overweight and security selection in energy was the largest positive contributor, by far. The portfolio's energy positions returned +49% as a group compared to the Russell 3000 Value's energy return of +39%. Positive security selection in healthcare, consumer discretionary, and communications services also helped. Security selection in financials detracted from performance, along with the overweight position in technology and lack of exposure to utilities. The largest positive contributors to relative performance in the quarter were Range Resources, NOV Inc., Kosmos Energy, Hess Corp., and Shell; the largest detractors were F5 Inc., Royal Mail, Credit Suisse, Stagwell, and General Motors.

LARGEST NEW PURCHASES – 1Q22

Accor is an asset light hotel management and franchise company that owns 33 hotel brands and is headquartered in Paris. Accor is the largest branded hotel company outside of the US, with over 700k rooms in its system and 95% of those rooms outside North America. After reporting mixed earnings, management reiterated their path to >€1B in EBITDA when revenue per available room recovers to 2019 levels, which they expect in the 2023/24 period. Additionally, management has a strong desire to return capital to shareholders with 50% FCF as a dividend and preference for share repurchases over acquisitions. The pandemic has hit the hotel industry hard, but Accor has a strong balance sheet and a robust liquidity position. Europe has been slower to recover than other geographies and we believe this has presented a buying opportunity at an attractive valuation.

AMERCO (UHAL), the parent company of U-Haul, is the dominant DIY (do-it-yourself) moving company, with almost 22k locations in the US and Canada. Their superior operating results come from one-way moves where a truck is rented at one location and dropped off at another. This model is extremely difficult to replicate and is highly costly – giving UHAL the first mover advantage. Their larger network and reservation system allows the company to properly price one-way moves given the location advantage, truck utilization, and cost to return the trucks. As a result of these advantages, UHAL offers a better price, value, and cost when compared to competitors; in fact, UHAL is 10x larger than the next competitor. We initially exited our position near the end of 2021. Price performance had appreciated 60% in FY2021, and more than 100% since Q4 2020. Since the beginning of 2022, UHAL has fallen almost 15% in just a few weeks – offering a worthwhile buying opportunity for a high-quality business that was formerly one of the top performers in our portfolios.

(continued)

Hotchkis & Wiley

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Murphy Oil (MUR) is an oil and gas company that primarily operates in the US and Canada. We continue to see much promise in the energy industry as supply has not kept up with demand. MUR trades at a low multiple to normal earnings, which does not account for the potential of their exploration operations in Brazil. Finally, if commodity prices increase, normal EPS could have an even more substantial upside.

PERFORMANCE (%) as of March 31, 2022

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/02
Value Opportunities Fund – I Shares	2.65	2.65	15.35	17.20	12.60	13.43	12.83
Russell 3000 Value	-0.85	-0.85	11.10	12.99	10.16	11.61	9.62

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 0.94% for I Shares. Expense ratio shown is 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.

The fund is non-diversified and may invest in foreign securities, junk bonds, derivatives, or small/mid cap companies. 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 3000 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.

 H&W and Russell sectors are based on GICS by MSCI and S&P. 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.

Market Disruption: The global coronavirus pandemic has caused disruption in the global economy and extreme fluctuations in global capital and financial markets. H&W is unable to predict the impact caused by coronavirus pandemic, which has the potential to negatively impact the firm's investment strategies and investment opportunities.

The Russell 3000® Value Index includes stocks from the Russell 3000® Index with lower price-to-book ratios and lower expected growth rates. The Russell 3000® Growth Index includes companies that display signs of above average growth. The index is used to provide a gauge of the performance of growth stocks in the U.S. 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 3/31/22 as a % of the Fund's net assets: F5 Inc. 7.2%, General Electric Co. 6.6%, Microsoft Corp. 5.3%, Alphabet Inc. 4.9%, General Motors Co. 4.5%, Range Resources Corp. 4.0%, Stagwell Inc. 3.9%, Oracle Corp. 3.6%, Credit Suisse Group AG 3.0%, and Discovery Inc. 3.0%.

Spread is the difference between valuations of value and growth stocks. Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g., depreciation) and interest expense to pretax income. Normal Price/Earnings is the current market price per share divided by normalized earnings per share. Forward Price/Earnings (fiscal year) is the projected P/E ratios of the companies invested in the portfolio, which ratios represent current market price per share divided by a company's estimated future earnings-per-share. Projected earnings are consensus analyst forecasts; actual P/E ratios may differ from projected P/E ratios. **A company's forecasted, or estimated, earnings made by analysts or by the company itself. Forward earnings differ from trailing earnings (which is the figure that is quoted more often) in that they are a projection and not a fact.**