VALUE OPPORTUNITIES FUND

MANAGER REVIEW & ECONOMIC OUTLOOK

JUNE 30, 2020

MARKET COMMENTARY

The S&P 500 Index returned +20.5% in the second quarter of 2020, recovering most of its first quarter decline; the index is -3.1% since the beginning of the year. Most US states took steps to reopen during the quarter, and the Federal Reserve announced additional actions to further stimulate the economy including: 1) a continuation of large scale asset purchases; 2) an indication to maintain rates near zero through 2022 if needed, and; 3) an initiation of purchases of individual corporate bonds. Employment and consumer spending improved more quickly than the market anticipated, helping fuel the equity market rebound. Volatility remained elevated, however, as an increase in COVID-19 cases accompanied the reopening efforts, and turbulent US/China trade negotiations resurfaced.

The Russell 3000 Growth Index outperformed the Russell 3000 Value Index by more than 13 percentage points in the quarter (+28.0% vs. +14.6%). This extended growth's year-to-date advantage to nearly 26 percentage points (+9.0% vs. -16.7%) and its three-year edge to 61 percentage points (+65.2% vs. +4.2%). The wide valuation gap between growth and value now resembles levels only observed during the late 1990's tech/growth bubble.

Our estimate of a company's intrinsic value is based on its earnings power over the long term, i.e. over a period of many years. If a company's earnings in any one year are impaired, due to a pandemic or otherwise, it will reduce our estimate of intrinsic value. However, unless the company lacks the financial wherewithal to survive challenging times—something we work hard to avoid in the first place—it is unlikely to result in a material reduction to our intrinsic value estimate. Yet in many cases recent market prices have declined by significant amounts, often despite little to no solvency/survival risk. Meanwhile, companies that are largely insulated from COVID-19's reach, and those that benefit from it in the short term, have seen their stock prices rise. Many of these companies traded at elevated valuations even before this period. We recognize the seriousness of the pandemic, including its extensive impact on the economy and capital markets; however, we view the market's response as an overreaction to near term events. While COVID-19 has taken a painful toll, both human and economic, we will get through it. In fact, there are many companies throughout the world currently working on a vaccine. When we do get past the COVID pandemic, we are confident that more rational economics will prevail, and valuations will revert toward more normal relationships—our clients are well positioned to potentially benefit from such a scenario.

Recently, the Business Cycle Dating Committee of the National Bureau of Economic Research ("NBER") declared February 2020 as the official start of a recession. This ended the 128-month expansion, which was the longest, though not the strongest, period of sustained economic growth in the history of US business cycles, dating back to at least 1854. Since the Great Depression, the average recession has lasted less than a year. In the recovery following recessions, value has outperformed growth consistently and by a large margin. In the five-year period following a recession's end, value beat growth in *all* 14 recovery periods dating back to the Great Depression, with an average performance advantage of more than 50 percentage points.*

The irrational gap between growth and value indices represent an uncommon opportunity, but in our view, the true opportunity in today's market goes well beyond this simple incongruity. The opportunities within value do not just stand out relative to growth but also on an absolute basis. The portfolio trades at 6.7x normal earnings which is near record low levels compared to its history; the Russell 3000 Value trades at 13.3x normal earnings which is in line with history; and the Russell 3000 Growth trades at 29.4x which is near record high levels compared to its history.

ATTRIBUTION – 2Q20

The Hotchkis & Wiley Value Opportunities Fund outperformed the Russell 3000 Value Index in the quarter. Positive security selection in financials, technology, and communication service were notable positive contributors in the quarter. The underweight exposure to utilities and consumer staples also helped performance. Security selection in industrials and consumer discretionary hurt relative performance, along with the underweight exposure to materials and consumer discretionary. The largest positive contributors to relative performance in the quarter were Microsoft, Morgan Stanley, Royal Mail, News Corp., and Evercore; the largest detractors were General Electric, Tesla put options, Wells Fargo, Frank's International, and McDermott debt.

LARGEST NEW PURCHASES – 2Q20

Euronet Worldwide is a provider of electronic payment systems, with a network of ATMs, a money transfer business, and a digital media payment business. The business has a long runway for growth, a history of consistent execution, a good balance sheet, and an attractive valuation.

(continued)

Hotchkis & Wiley

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Triple-S Management is a significant player in the managed care space in Puerto Rico, with nearly 30% market share. It also operates a life and property and casualty insurance business. Valuation is attractive and the it has no debt. With new management in place, the company is focused on addressing many past missteps such as integrating its Medicare/Medicaid networks to improve negotiating power with providers, and focusing the commercial insurance business on profitability vs growth.

Whiting (bonds) is an exploration & production with assets located in North Dakota. On April 1st Whiting filed for Chapter 11 protection due to the collapse in oil prices and upcoming maturities, which it was unable to refinance due to market conditions. We purchased the unsecured bonds of Whiting with the intent to own the equity of the reorganized company; under the current plan the unsecured creditors are expected to receive nearly all of the equity subject to dilution. The reorganized Whiting should be less leveraged, generate free cash flow, and offer attractive reinvestment economics at low oil prices. Following their Chapter 11 filing, Whiting's unsecured bonds traded as low as 6 cents, thereby offering an opportunity to purchase the reorganized equity at a substantial discount to its net asset value.

PERFORMANCE (%) as of June 30, 2020

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/02
Value Opportunities Fund – I Shares	16.43	-21.98	-17.56	-1.80	1.77	10.69	10.21
Russell 3000 Value	14.55	-16.74	-9.42	1.41	4.41	10.23	7.96

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 0.97% for I Shares. 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.

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. 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. Value stocks following a recession may start from a lower market value than growth stocks which can contribute to their outperformance. 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.

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 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. Price-to-Normal Earnings is the current market price per share divided by normalized earnings per share. Top ten holdings as of 6/30/20 as a % of the Fund's net assets: Microsoft Corp. 8.5%, General Electric Co. 6.6%, Medtronic PLC 4.0%, Wells Fargo & Co. 3.8%, News Corp. 3.8%, Bank of America Corp. 3.7%, American Int'l Group Inc. 3.7%, TE Connectivity Ltd. 3.6%, Goldman Sachs Group Inc. 3.3% and Amerco 3.2%.

*Source: BofA, Dartmouth/Ken French Data Library, NBER. Value defined as highest 3 deciles of book to market/Growth as lowest 3 deciles of book to market.