VALUE OPPORTUNITIES 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. These interventions helped propel the S&P 500 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 3000 Growth and the Russell 3000 Value 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, 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 3000 Value Index continues to trade at a larger than normal discount to the Russell 3000 Growth. Also, despite the strategy outperforming the value index, the portfolio continues to trade at a larger than normal discount to the Russell 3000 Value. 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 94, which means that 94% of the portfolio is positioned differently than the Russell 3000 Value.

Financials remain the portfolio's largest sector exposure and banks represent the largest industry exposure within financials. 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. However, we held steady to the principles of value investing and worked as a team to both ensure existing investments remained prudent and to find new ideas in an ever-changing environment. 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 Value Opportunities Fund outperformed the Russell 3000 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 3000 Value, which had been a major stylistic headwind throughout 2020 until reversing in the fourth quarter. Positive security selection drove most of the outperformance, with industrials and financials leading the way. The overweight position in financials and underweight positions in consumer staples and utilities also helped. Security selection in the materials and consumer discretionary sectors were modest detractors. The largest positive contributors to relative performance in the quarter were General Electric, AIG, Euronet Worldwide, Royal Mail, and Cairn Energy; the largest detractors to relative performance were Microsoft, Ascena bonds, Equitrans Midstream, Oracle, and Iracore.

The Fund also outperformed the Russell 3000 Value Index over the full calendar year. Security selection in technology, energy, and industrials were the largest positive contributors. Security selection in real estate and consumer discretionary were the largest detractors.

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LARGEST NEW PURCHASES – 4Q20

Accor is an asset light hotel management and franchise company that owns 33 hotel brands including Sofitel, Fairmont, and Raffles. The company's shares have trailed the market as corporate and leisure travel has slowed due to the impacts of COVID-19. We believe the current downturn in travel has given us an opportunity to buy a strong franchise with excellent brands at an attractive valuation. In addition, Accor has a strong balance sheet which should allow the company to weather the current downturn.

Arrow Electronics is one of the world's largest distributors of electronics components and products. It is a business with strong free cash flow generation, solid returns on invested capital, and a shareholder friendly management team trading at an attractive valuation. Arrow has executed well despite the challenging macro environment and we see opportunities for the company to continue to gain market share.

Range Resources is a natural gas exploration & production company operating in the Appalachian Basin. Its early interest in the Marcellus formation allowed the firm to secure a large, contiguous acreage position in the liquids rich Southwestern Pennsylvania region prior to competitors. As a result, Range possesses many decades of drilling inventory on the low end of the US natural gas cost curve. US natural gas prices should rise over time as core dry gas acreage in the low-cost Marcellus and Haynesville is drilled, leading to a rising marginal cost of gas production. The combination of Range's low operating costs and rising natural gas prices should translate into rising profit margins over time. We believe near-term free cash flow will be used to pay down debt, while returns to shareholders will improve over the longer term.

PERFORMANCE (%) as of December 31, 2020

	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since 12/31/02
Value Opportunities Fund – I Shares	29.15	5.35	5.35	5.60	9.87	10.95	11.76
Russell 3000 Value	17.21	2.87	2.87	5.89	9.74	10.36	9.00

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. Investment grade refers to the quality of a company's credit. Active share is the extent to which the portfolio differs from the Russell 3000 Value Index. Top ten holdings as of 12/31/20 as a % of the Fund's net assets: Microsoft Corp. 8.2%, General Electric Co. 7.8%, Wells Fargo & Co. 5.6%, American Int'l Group Inc. 4.3%, Goldman Sachs Group Inc. 4.3%, Amerco 4.1%, News Corp. 4.0%, Bank of America Corp. 3.7%, Triple-S Mgmt Corp. 3.7% and Oracle Corp. 3.7%.