

HOTCHKIS AND WILEY CAPITAL MANAGEMENT, LLC

FORM ADV BROCHURE March 31, 2011

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This brochure (this "Brochure") provides information about the qualifications and business practices of Hotchkis and Wiley Capital Management, LLC ("Adviser"). If you have any questions about the content of this Brochure, please contact us at (213) 430-1000 or at hwclient@hwcm.com. The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about Adviser also is available on the SEC's website at www.adviserinfo.sec.gov.

Adviser refers to itself as a "registered investment adviser" in materials distributed to current and prospective clients. As a registered investment adviser with the SEC, Adviser is subject to the rules and regulations adopted by the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Registration as an investment adviser is not an indication that Adviser or its directors, officers, employees or representatives have attained a particular level of skill or ability.

ITEM 2: MATERIAL CHANGES TO ADV BROCHURE SINCE LAST ANNUAL AMENDMENT

On July 28, 2010, the SEC published "Amendments to Form ADV" which amends the disclosure document that Adviser provides to clients as required by SEC rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC's new requirements and rules. As such, this Brochure is materially different in structure and requires certain new information that Adviser's previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. Adviser will also reference the date of its last annual update of Adviser's brochure.

In the past Adviser has offered or delivered information about its qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC rules, Adviser will ensure that its clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of Adviser's fiscal year. Adviser may further provide other ongoing disclosure information about material changes as necessary.

Adviser will further provide clients with a new Brochure as necessary based on changes or new information, at any time, without charge.

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ITEM 4: ADVISORY BUSINESS

A. Advisory Firm

Adviser is a Delaware limited liability company, the primary members of which are HWCap Holdings, a Delaware limited liability company with members who are current and former employees of Adviser, and Stephens-H&W, an Arkansas limited liability company whose primary member is SF Holding Corp., which is a diversified holding company. Adviser commenced operations in October 2001. Adviser's predecessor was organized as an investment adviser in July 1980.

B. Specialization

Adviser has long experience and a strong background in providing investment advisory services with respect to value investing in equity securities. In 2009, Adviser commenced offering a fixed-income (high yield) product.

C. Advisory Services

Adviser furnishes investment supervisory services to investment companies (each, an "**Investment Company**") registered with the SEC under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"), including certain proprietary mutual funds (the "**Hotchkis and Wiley Funds**"), based on the investment objectives and restrictions as set forth in the prospectuses.

Adviser provides investment advisory services to individual, corporate, pension, public, endowment, foundation and other clients with respect to assets held in the client's custodial account (each, a "**Managed Account**"). Investment advice is tailored to client specified guidelines, objectives and restrictions.

Reference to Investment Companies and Managed Accounts are collectively referred to as the "**Client Accounts**."

D. Wrap Fee Programs

Not applicable.

E. Assets Under Management (as of December 31, 2010)

Discretionary: \$18,148,400,000

Non-Discretionary: \$0

ITEM 5: FEES AND COMPENSATION

A. Types of Fees

Generally, fees are based on a standard fee schedule for the type of service being provided as set forth below. Fees under those schedules are computed on the basis of a specified percentage of the market value of assets under management. Fees may vary from the standard schedules depending on the nature of services rendered, special requirements of the Client Account or other factors, such as potential size, product life-cycle and cross-over business. Fees may differ for sub-advised Client Accounts, large Client Accounts, non-discretionary or restricted-discretion Client Accounts and certain non-U.S. Client Accounts. Adviser may offer blended fee schedules to clients

with Client Accounts in different products. Assets under Adviser's management for a client with more than one portfolio or for a group of related clients may be combined for fee calculation purposes. Fees are normally paid on a monthly or quarterly basis in arrears. Fees paid to Adviser by clients may be negotiated based on the specific circumstances of the client. Certain accounts of Adviser and/or Adviser's affiliates may be managed by Adviser.

Holdings in a Client Account may include investment companies for which a separate management fee is charged. In the event that Client Account assets are invested in an Investment Company advised by Adviser, those assets are excluded from the applicable separate account fee schedule.

For certain non-U.S. investment vehicles, where permitted by applicable law, Adviser may refund to certain institutional investors a portion of its advisory fees or reimburse fund expenses.

Either party may terminate the contract upon written notice as set forth in the contract. Fees for partial periods are prorated based on the number of days in the calendar month or quarter, as applicable, during which Client Account assets were under management.

In addition to the asset-based compensation arrangements discussed above, Adviser may enter into performance-based compensation arrangements with certain Client Accounts. Adviser will structure any performance-based compensation arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**"), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3 under the Advisers Act. While such arrangements are negotiated with each client and thus the terms vary, they typically provide for performance compensation based on a percentage of the net capital appreciation (i.e., capital appreciation less capital depreciation) of the assets held in the Client Account. The performance-based compensation is payable only if, and to the extent that, the net capital appreciation of the Client Account assets exceeds any net capital depreciation accumulated as specified in the investment management agreement. Adviser's performance-based compensation may be subject to a requirement that the Adviser return to the Client Account all or a portion of the performance-based compensation the Adviser received from the account if there is a net capital depreciation in the account assets in subsequent periods.

Other investment advisers may charge higher or lower fees for comparable services.

Standard annual advisory fee schedules are as follows:

U.S. Large Cap Diversified Value Equity:

0.75% on the first \$15 million

0.50% thereafter

Minimum account size: \$15 million

U.S. Large Cap Fundamental Value Equity:

0.75% on the first \$15 million

0.50% thereafter

Minimum account size: \$15 million

U.S. Mid-Cap Value Equity:

0.90% on the first \$15 million

0.75% thereafter

Minimum account size: \$15 million

U.S. Small Cap Value Equity:

1.00% on assets managed

Minimum account size: \$15 million

Value Opportunities:

0.90% on the first \$25 million

0.75% thereafter

Minimum account size: \$15 million

High Yield Strategy:

0.55% on the first \$25 million

0.45% on the next \$25 million

0.35% thereafter

Minimum account size: \$50 million

Minimum account size may be waived under certain circumstances.

The fees and compensation paid to Adviser by each Hotchkis and Wiley Fund are described in the fund's prospectus. A copy of the prospectus of each Hotchkis and Wiley Fund is available through the SEC's website at www.sec.gov/edgar/searchedgar/companysearch.html.

B. Payment Method

Adviser bills clients for management fees on a monthly or quarterly basis in arrears. Certain clients calculate their management fees, which is then reviewed and approved by Adviser. The management fee will be prorated for assets held in the account for less than a full period. For a Client Account that is charged performance-based compensation, if a client terminates its investment management agreement on a date other than the end of a period, performance-based compensation will be made on the net capital appreciation of account assets for the period from the first day of the period to the date of termination.

C. Costs and Expenses

In addition to the management fee (and performance-based compensation, as applicable), a Client Account client is responsible for any fees, expenses or charges incurred by or on behalf of the account related to (i) custodial services provided for the account, (ii) transactions effected for the account, including brokerage and execution charges, markups and commissions, and (iii) any other service provided for the account by any person other than Adviser. For additional information regarding brokerage and execution charges, see Item 12 below.

D. Refunds

Not applicable as clients are not billed in advance.

E. Sales Compensation

Adviser will not receive sales commissions in connection with sales of interests in any Investment Company advised or sub-advised by Adviser. However, certain employees of Adviser or its affiliates who are registered representatives of a broker-dealer receive sales-based compensation for marketing and selling the Hotchkis and Wiley Funds to financial intermediaries and institutional clients.

ITEM 6: PERFORMANCE-BASED FEES AND COMPENSATION

Adviser may enter into performance-based compensation arrangements with certain Client Accounts. Adviser will structure any performance-based compensation arrangement subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3 under the Advisers Act. Performance-based compensation may create an incentive for Adviser to cause a Client Account to make investments that are riskier than it would otherwise make. In addition, since Adviser's performance-based compensation is calculated on a basis which includes unrealized appreciation of the assets held by the Client Account, it may be greater than if such compensation were based solely on realized gains.

In the event that some Client Accounts to which Adviser provides investment advisory services are charged performance-based compensation but not others, a conflict may arise where Adviser has an incentive to treat some Client Accounts preferentially as compared to others because those Client Accounts pay performance-based compensation or because Adviser or one of its portfolio managers or affiliates has an interest in the Client Account. Adviser has adopted a policy to allocate portfolio transactions and investment opportunities across multiple Client Accounts on a fair and equitable basis over time. All eligible Client Accounts that can participate in a transaction share the same price on a pro rata allocation basis in an attempt to mitigate any conflict of interest. Investment opportunities are allocated among similarly managed Client Accounts to maintain consistency of portfolio strategy, taking into account cash availability, investment restrictions and guidelines, and portfolio composition. See Item 12(B) for discussion of *Aggregation and Allocation of Orders*.

Since management fees and performance-based compensation paid to Adviser are based on the net asset value of a Client Account, a conflict may also arise when Adviser or a related person is valuing the assets held by the Client Account. Assets will generally be valued using a third-party pricing vendor, or client's custodian, in accordance with U.S. generally accepted accounting practices.

ITEM 7: TYPES OF CLIENTS

Adviser provides investment advisory services to high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds and other U.S. and international institutions. Investment advice is tailored to client specified guidelines, objectives and restrictions. Those clients charged performance-based compensation must be eligible to enter into a performance compensation arrangement under the Advisers Act. Account minimum by strategy is disclosed under Item 5 above. The account minimum may be waived by Adviser in its sole discretion.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

Adviser evaluates investments based on an intensive due diligence process and critical analysis of each potential portfolio company's fundamentals (e.g., financial statements, profitability, cash flow, lines of business and market share) based on a proprietary valuation methodology developed by Adviser to achieve the investment objective of each strategy and the investment goals and guidelines of each Client Account. Following an investment by Adviser for and on behalf of Client Accounts, Adviser will continue to monitor the progress and suitability of portfolio investments as well as market and economic outlook.

To help develop its investment recommendations, Adviser may use commercially available information services and financial publications dealing with investment research. Such information may be obtainable in print, via the internet

or by some other means. Issuer-prepared materials (particularly prospectuses), private placement due diligence materials, and research releases prepared by third parties are also utilized. Adviser also may use research materials prepared by various investment product vendors or custodians as well as in-house analysts. Adviser may also obtain information by meeting with issuer's management, customers or competitors, attending industry conferences and consulting with experts in the appropriate field.

Under Adviser's investment management agreements with clients, Adviser is authorized to employ any investment strategy and enter into any type of investment transaction that it deems appropriate for the Client Account in accordance with each client's investment objective and subject to any investment guidelines and restrictions imposed by a client in the investment management agreement for the Client Account. Adviser may provide investment advice to clients on any type of investment product, including the purchase, sale, short sale, exchange or trade in publicly traded or over-the-counter stocks, bonds, options and other derivative instruments.

Equity strategies: Investments for each Client Account are identified and selected by Adviser. Adviser seeks to invest in stocks whose future prospects are misunderstood or not fully recognized by the market. Adviser employs a fundamental value investment approach which seeks to exploit market inefficiencies created by irrational investor behavior. To identify these investment opportunities, Adviser employs a disciplined, bottom-up investment process highlighted by rigorous, internally-generated fundamental research. With the exception of diversification guidelines, Adviser does not employ predetermined rules for sales; rather, Adviser evaluates each sell candidate based on the candidate's specific risk and return characteristics which include: (i) relative valuation; (ii) fundamental operating trends; (iii) deterioration of fundamentals; and (iv) diversification guidelines.

Fixed-income strategies: In selecting fixed-income securities, Adviser develops an outlook for credit markets, interest rates, currency exchange rates and the economy, analyzes individual credit and call risks, and uses other security selection techniques. The proportion of the account assets committed to investment in securities with particular characteristics (such as quality, sector, interest rate or maturity) varies based on Adviser's outlook for the U.S. economy and the economies of other countries in the world, the financial markets and other factors.

Capital Income strategies: Adviser invests in high yield fixed-income and equity securities that generate current income and are attractively valued. The allocation between high yield and equity can vary over time depending on where Adviser identifies compelling opportunities, but will range between 60%/40% (high yield/equity) and 40%/60% (high yield/equity) in most market environments. To identify investment opportunities, Adviser leverages its existing high yield/equity bottom-up, fundamental research platform. Security overlap with Adviser's existing high yield and value equity strategies is likely to be considerable.

Investment in securities involves risk of loss that clients must be prepared to bear.

B. Investment Strategy and Portfolio Risks

As with any investments, the value of the Client Account investments may go down. Many factors can affect those values. The factors that are most likely to have a material effect on a Client Account as a whole are called "principal risks." The principal risks of investing in one of Adviser's strategies, which could adversely affect its net asset value, yield and total return, are described in this section. Not all of the risks below are relevant to all strategies.

- Market Risk. Market risk is the risk that the market price of securities owned by a portfolio may go down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets.

- Fixed-Income Securities Risk. Fixed-income securities, such as bonds, involve credit risk. Credit risk is the risk that the borrower will not make timely payments of principal and interest. The degree of credit risk depends on the issuer's financial condition and on the terms of the securities. Fixed-income securities are also subject to interest rate risk.
- High Yield Risk. An investment in high yield securities and unrated securities of similar credit quality (commonly known as "junk bonds") may subject a Client Account to greater levels of credit and liquidity risk than portfolios that do not invest in such securities. While offering a greater potential opportunity for capital appreciation and higher yields, high yield securities typically entail greater potential price volatility and may be less liquid than higher-rated securities. An economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce a Client Account's ability to sell these securities (liquidity risk). If the issuer of a security is in default with respect to interest or principal payments, a Client Account may lose its entire investment.
- Equity Securities Risk. Equity securities, both common and preferred stocks, have greater price volatility than fixed-income securities. The market price of equity securities owned by a Client Account may go down, sometimes rapidly or unpredictably. Equity securities may decline in value due to factors affecting equity securities markets generally or particular industries represented by those markets.
- Capitalization Risk. Large cap companies as a group could fall out of favor with the market, causing a Client Account to underperform investments that focus on small or mid cap companies. A Client Account may also invest in the securities of small cap and mid cap companies. Investment in small cap and mid cap companies may involve more risk than investing in larger, more established companies. Small cap and mid cap companies may have limited product lines or markets. They may be less financially secure than larger, more established companies. They may depend on a small number of key personnel. Should a product fail, or if management changes, or if there are other adverse developments, a Client Account's investment in a small cap and mid cap company may lose substantial value.
- Management Risk. A Client Account is subject to management risk because it is an actively managed investment portfolio. Adviser invests in securities that may not necessarily be included in a Client Account's benchmark. To the extent that Adviser invests a Client Account's assets in securities that are not in the Client Account's applicable benchmark index, there is a greater risk that the Client Account's performance will deviate from that of the benchmark. Adviser does not seek to replicate the performance of any index.
- Security Selection Risk. Adviser may misjudge the risk and/or return potential of a security, which can result in a loss.
- Income Risk. Because a Client Account can only distribute what it earns, a Client Account's distributions to shareholders may decline when interest rates fall.
- Style Risk. Adviser follows an investing style that favors value investments. Historically, value investments have performed best during periods of economic recovery. Therefore, the value investing style may over time go in and out of favor. At times when the value investing style is out of favor, a Client Account may underperform other portfolios that use different investing styles.
- Issuer Risk. The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services.

- Foreign (Non-U.S.) Investment Risk. A Client Account may invest in foreign (non-U.S.) securities and may experience more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies. The securities markets of many foreign countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, issuers of foreign securities are usually not subject to the same degree of regulation as U.S. issuers. To the extent that a Client Account invests a significant portion of its assets in a specific geographic region, the Client Account will generally have more exposure to regional economic risks associated with foreign investments.
- Interest Rate Risk. Interest rate risk is the risk that fixed-income securities will decline in value because of changes in interest rates. As nominal interest rates rise, the value of certain fixed-income securities held by a Client Account is likely to decrease. Fixed-income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations.
- Credit Risk. A Client Account could lose money if the issuer or guarantor of a fixed-income security, or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations.
- Liquidity Risk. To the extent that a security is difficult to sell (whether because the security cannot be traded publicly or because of unusual market conditions), a Client Account may either be forced to accept a lower price for it or may have to continue to hold the security. Either outcome could adversely affect the performance of a Client Account. A Client Account's investments in illiquid securities may reduce the returns of the Client Account because it may be unable to sell the illiquid securities at an advantageous time or price. Additionally, the market for certain investments may become illiquid under adverse market or economic conditions independent of any specific adverse changes in the conditions of a particular issuer. In such cases, a Client Account, due to limitations on investments in illiquid securities and the difficulty in purchasing and selling such securities or instruments, may be unable to achieve its desired level of exposure to a certain sector. To the extent that a Client Account's principal investment strategies involve foreign (non-U.S.) securities, derivatives or securities with substantial market and/or credit risk, the Client Account will tend to have increased exposure to liquidity risk.
- Derivatives Risk. A derivative is a financial contract with a value that depends on, or is derived from, the value of an underlying asset, reference rate or index. A Client Account typically uses derivatives as a substitute for taking a position in the underlying asset and/or as part of a strategy designed to reduce exposure to other risks. A Client Account's use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other traditional investments, such as liquidity risk, interest rate risk, market risk, credit risk and management risk.
- Currency Risk. If a Client Account invests directly in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, foreign (non-U.S.) currencies, or in derivatives that provide exposure to foreign (non-U.S.) currencies, it will be subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. As a result, a Client Account's investments in foreign currency-denominated securities may reduce the returns of the Client Account.
- Portfolio Turnover Risk. A Client Account may engage in frequent and active trading of portfolio securities to achieve its investment objectives, particularly during periods of volatile market movements. High portfolio turnover (i.e., over 100%) involves correspondingly greater expenses to a Client Account, including dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains (which are

generally taxed at ordinary income tax rates). The trading costs and tax effects associated with portfolio turnover may adversely affect a Client Account's performance.

- Credit Ratings and Unrated Securities Risk. Rating agencies are private services that provide ratings of the credit quality of fixed-income securities, including convertible securities. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates. A Client Account may purchase unrated securities (which are not rated by a rating agency and may be less liquid) if its portfolio manager determines that the security is of comparable quality to a rated security that the Client Account may purchase. To the extent that a Client Account invests in high yield and/or unrated securities, the Client Account's success in achieving its investment objective may depend more heavily on the portfolio managers' creditworthiness analysis than if the Client Account invested exclusively in higher-quality and rated securities.
- Recent Developments in Global Credit and Equity Markets Risk. Global capital markets have recently experienced credit and valuation problems and the mass liquidation of investment portfolios. These conditions have generated extreme volatility and illiquidity. This financial crisis has caused a significant decline in the value and liquidity of many securities, and made valuation of a Client Account's portfolios more difficult.
- Current market conditions may continue or worsen. Because of the expansive scope of these conditions, past investment strategies and models may not be able to identify all significant risks that a Client Account may encounter, or to predict the duration of these events.

ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of Adviser or the integrity of Adviser's management. Adviser has no information applicable to this Item.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS

A. Registration as a Broker-Dealer or Registered Representative

Adviser is not a registered broker or dealer. However, certain management persons of Adviser are registered representatives of a broker-dealer. In such capacity, subject to applicable law, they may receive sales-based compensation for marketing and selling the Hotchkis and Wiley Funds.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person

Not applicable.

C. Material Relationships with Affiliates

Certain accounts of Adviser's affiliates may be managed by Adviser.

1. *broker-dealer, municipal securities dealer, or government securities dealer or broker*

Stephens Inc., an affiliate of Adviser, may act as selected dealer, agent or as broker-dealer with respect to portfolio transactions (including securities and other financial transactions) of certain Client Accounts. In addition, Adviser may provide Stephens Inc. with investment research services and model portfolios. Adviser will only execute transactions for a Client Account with an affiliated broker-dealer per client request. See also Item 11(B) and Item 12(A).

The Hotchkis and Wiley Funds are offered through affiliated broker-dealer services and/or investment advisers as part of an investment program. An affiliated broker-dealer may execute transactions as a securities broker-dealer for a commission for the Hotchkis and Wiley Funds or for other Client Accounts. While offering the Hotchkis and Wiley Funds through an affiliated broker-dealer could pose a conflict of interest, any relationship between the Hotchkis and Wiley Funds and an affiliated broker-dealer is reviewed by the independent directors of the Hotchkis and Wiley Funds. The Adviser is operated independently from its affiliated broker-dealers.

2. *investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)*

Each Hotchkis and Wiley Fund was organized with the intent that it be managed by Adviser, and Adviser does not intend to cause any Hotchkis and Wiley Fund to terminate its investment management relationship with Adviser absent Adviser's liquidation or bankruptcy. However, Adviser has a fiduciary duty to act in the best interest of each Hotchkis and Wiley Fund, and investors in each fund have the right to withdraw from the fund at any time subject to any notice requirement or other withdrawal limitations described in the fund's prospectus and statement of additional information.

In addition, neither Adviser nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular Hotchkis and Wiley Fund. Adviser and its related persons intend to devote as much time as they deem necessary for the conduct of each fund's operation and portfolio management, and will allocate investment opportunities in accordance with Adviser's trade allocation policy described in Item 12(B).

Adviser may from time to time enter into a side letter agreement with one or more investors in a non-U.S. fund managed by Adviser which may, among other terms, provide for a reduced management fee. Adviser may make support payments for marketing purpose to broker-dealers and/or sub-advisory clients.

3. *other investment adviser or financial planner*

Stephens-H&W, LLC, of which SF Holding Corp. is the primary member, owns a minority interest in Adviser. SF Holding Corp. invests in a wide variety of industries, including among others, oil and gas, telecommunications, publishing and media, health care, financial services, the Internet and e-commerce, technology, agriculture, manufacturing and retailing.

Adviser is affiliated with Stephens Investment Management Group, LLC, an SEC-registered investment adviser, and with Stephens Inc., an investment banking firm which is registered as a broker-dealer, an investment adviser and a municipal adviser with the SEC through common ownership. Stephens Inc. is also registered as a futures commission merchant with the Commodities Futures Trading Commission and is a member of the National Futures Association. Stephens Inc. performs pension consulting services for certain of its clients. Stephens Inc. is indirectly owned by a trust controlled by Warren A. Stephens. At least one account advised by Adviser is

custodied at Stephens Inc. Stephens Inc. and its employees may refer prospective clients to Adviser and may be compensated for such referrals.

Hotchkis and Wiley (UK) Limited ("HW-UK"), a wholly-owned subsidiary of Adviser, is registered with the Financial Services Authority in the United Kingdom. HW-UK is authorized to provide investment management services to the U.K. and to other passported countries in the European community. All investment management services provided by HW-UK are sub-advised by Adviser. Adviser may engage HW-UK to provide administration services to certain clients.

4. *futures commission merchant, commodity pool operator, or commodity trading adviser*

Not applicable.

5. *banking or thrift institution*

Not applicable.

6. *accountant or accounting firm*

Not applicable.

7. *lawyer or law firm*

Not applicable.

8. *insurance company or agency*

Not applicable.

9. *pension consultant*

Not applicable.

10. *real estate broker or dealer*

Not applicable.

11. *sponsor or syndicator of limited partnerships*

Not applicable.

D. Recommendation of Other Investment Advisers

Not applicable.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

A. Code of Ethics

In order to address conflicts of interest, Adviser has adopted a code of ethics (the “Code”) which is applicable to all of Adviser’s employees. Adviser’s Code generally sets the standard of ethical and professional business conduct that Adviser requires of its employees, requires employees to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by employees. The Code is discussed at Adviser’s annual compliance meeting, which is attended by Adviser’s employees. Each employee at least annually must certify in writing that he or she has read and followed the Code and any amendments thereto.

In addition to the Code, Adviser has a Code of Conduct which sets forth specific policies and procedures for its employees to follow regarding material, non-public information (“insider information”) and other confidential information of clients and Adviser. While Adviser does not generally expect its employees to be in receipt of inside information, it requires any employee receiving inside information to refrain from trading based on the information and to discuss the information only with the Chief Operating Officer or Chief Compliance Officer to determine an appropriate course of action. Procedures are set forth to safeguard all other confidential information.

Employees may, under certain circumstances, serve as directors, trustees, or officers of outside organizations, including public companies.

Adviser will provide a copy of the Code to any client or prospective client upon request.

B. Participation or Interest in Client Transactions

Adviser may solicit qualified clients to invest in a Hotchkis and Wiley Fund or another investment vehicle sponsored or managed by Adviser (each, an “Adviser-related fund”). Because of the relationship between Adviser and any Adviser-related fund, Adviser could be considered to have recommended the investment as suitable for a client if such person should invest in the fund. Adviser will inform each client of its relationship with an Adviser-related fund prior to the client’s investment, but does not intend to advise clients as to the appropriateness of the investment and will not receive any compensation for doing so or for selling interests in an Adviser-related fund (except to the extent that Adviser receives management fees from all fund investors).

Adviser, on behalf of clients, may from time to time engage in affiliated transactions with affiliates of SF Holding Corp. All such transactions must be consistent with Adviser’s obligations to its clients and must be in compliance with applicable contractual and regulatory requirements.

Securities may be purchased for clients during an underwriting syndicate of which an affiliate of Adviser is a member or from an affiliate of Adviser as a private placement agent. All such purchases for clients that are registered investment companies are made in accordance with procedures adopted by the companies’ boards of directors pursuant to Rule 10f-3 under the Investment Company Act. All such purchases for accounts subject to the rules and regulations under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), are made in accordance with Department of Labor regulations.

Adviser may effect portfolio transactions in securities or other instruments through its affiliates on an agency basis subject to applicable restrictions under the Securities Exchange Act of 1934, as amended, the Advisers Act, the Investment Company Act and ERISA. These transactions will be effected through such affiliates when, in Adviser’s judgment, they are consistent with obtaining best price and execution for the client. These transactions may be

effected through affiliates of Adviser even though the total brokerage commission for a transaction may be higher than that which might have been charged by another broker-dealer for the same transaction.

Periodically, Adviser may seek to adjust or rebalance Client Accounts by effecting cross-trades between or among Client Accounts (i.e., causing one or more Client Accounts to sell securities to one or more other Client Accounts). In effecting such cross-trades, Adviser seeks to reduce the transaction costs and promote trading efficiency to its clients of such account adjustments. All such cross-trades will be consistent with the investment objectives and policies of each Client Account involved in the trades, and will be effected in compliance with Rule 206(3)-2 under the Advisers Act, Rule 17a-7 under the Investment Company Act and any other applicable law. The Client Accounts involved in such cross-trades will not pay any brokerage commissions or mark-ups in connection with the trades (to the broker-dealer or Adviser), but will reimburse the applicable broker-dealer for any customary trading costs and/or transfer fees (i.e., aggregate ticket charges) that such broker-dealer incurs and that are assessed by any other broker-dealers through which such broker-dealer effects the trades.

Adviser believes that the nature and range of clients to whom affiliates of Adviser render investment banking services is such that it would be inadvisable to exclude these companies from a client's portfolio. Accordingly, unless a client advises Adviser to the contrary, it is possible that client holdings may include the securities of corporations for which affiliates of Adviser perform investment banking services. Moreover, client portfolios may include the securities of companies in which affiliates of Adviser make a market or in which Adviser, its officers, employees and affiliates hold positions within the company or own securities of such company.

Individual and institutional clients may purchase shares of Hotchkis and Wiley Funds and/or other mutual funds advised by Adviser pending investment of assets or as part of their investment program. Clients along with other fund shareholders may bear a proportionate share of the expenses of those funds, including, to the extent permitted by law, the management fee paid to Adviser. Adviser purchases (and sells) shares of certain Hotchkis and Wiley Funds, generally for seed capital and occasionally to invest available operating capital. In addition, Adviser employees and affiliates may invest in shares of the Hotchkis and Wiley Funds and/or other mutual funds advised or sub-advised by Adviser.

Adviser or its employees may, from time to time, invest in securities issued by companies where Adviser has material business relationships, including companies that are the firm's clients, broker-dealer counterparties, third-party vendors, or financial intermediaries who distribute or place orders on behalf of their clients, or provide shareholder services related to the Hotchkis and Wiley Funds.

Adviser may use client lists when soliciting new clients provided that the existing clients included on such lists have not requested confidentiality.

Adviser may be restricted from purchasing for Client Accounts certain securities where the company (or government authority) has specific ownership limits of a company. Certain employees/officers of Adviser may also be restricted from personal transactions in such security under certain circumstances.

A potential conflict of interest may arise when Adviser determines whether or not a trading error has occurred. Adviser will review all relevant facts and circumstances to determine an appropriate course of action. Upon the detection and review of an error which results in a realized loss for a client, Adviser will seek to have the responsible party reimburse the client for losses attributable to such error. In determining the net impact to a client's account due to an error, the potential loss opportunity may not be included in the analysis and calculation. Adviser does not view trade exceptions that were detected and corrected prior to settlement as a trade error in the client's account. Adviser will notify clients of trade errors that occur in their accounts in accordance with contractual requirements.

C. Personal Trading

Adviser believes that if investment goals are similar for clients and for employees of Adviser, it is logical and even desirable that there be common ownership of some securities. At the same time, Adviser recognizes that there is a risk that employees will compete with Client Accounts or otherwise engage in personal securities transactions at the expense of a client's interest. In order to maintain a high code of ethics, Adviser's Code requires that all such transactions be carried out in a way that does not endanger the interest of any client. The Code establishes certain black-out periods, pre-clearance procedures and a quarterly securities transaction reporting system that is designed to monitor transactions in employees' personal accounts and seeks to prevent any conflicts that may arise between employees' personal securities transactions and transactions for clients of Adviser. For these purposes, an employee's "personal account" generally includes any account (i) in the name of the employee, his/her spouse, his/her minor children or other dependents residing in the same household, (ii) for which the employee is a trustee or executor, or (iii) which the employee controls.

D. Concurrent Trading Activity

Under Adviser's Code, employees are generally subject to black-out periods surrounding securities transactions for Client Accounts.

Transactions for Client Accounts generally will be effected independently from other Client Accounts. However, there will be occasions on which transactions to purchase or sell the same security may be effected at the same time for numerous accounts, some of which accounts may have similar investment objectives. See Item 12(B) for a description of Adviser's aggregation and allocation procedures.

ITEM 12: BROKERAGE PRACTICES

A. Selection of Broker-Dealers

Adviser generally has full authority to determine, without obtaining specific client consent, the securities and amount of securities to be bought or sold, broker or dealer to be used and commission rates to be paid on behalf of the client. Clients may specifically direct Adviser in writing to limit the foregoing authority.

Some clients may arrange for Adviser to manage their assets on a non-discretionary basis, which means that Adviser generally must obtain approval from such clients prior to effecting investment transactions. As with clients who direct brokerage, non-discretionary clients may not benefit from bunched orders, and may have execution of their orders delayed, which may result in the client receiving a price that is less favorable than that obtained for discretionary clients and paying higher commissions or spreads. In addition, non-discretionary clients may be precluded from participating in certain investment opportunities that are available to discretionary clients as a result of Adviser's inability to obtain client consent in a timely fashion.

In certain arrangements, Adviser also provides model investment recommendations without execution or additional services. The recommendations may be provided on a delayed basis relative to transactions of discretionary Client Accounts.

Adviser may make recommendations and take actions with respect to a particular Client Account that may be the same or may differ from the recommendations made or the timing or nature of action taken with respect to other Client Accounts.

Adviser renders investment advice on both a discretionary and non-discretionary basis. Generally, Adviser's clients give investment discretion to Adviser. When Adviser has investment discretion, it is authorized to make all investment decisions and to direct the execution of all transactions for the Client Accounts (subject to the investment objectives and guidelines applicable to the account) without consulting with the client in connection with each transaction. Clients may temporarily limit Adviser's discretion at any time.

When Adviser is retained on a non-discretionary basis, all investment decisions are made by the client and account transactions are executed in accordance with the client's advisory agreement (either by Adviser or by the client). Such transactions may be delayed relative to transactions for clients that have given Adviser discretionary authority.

Directed Brokerage. Adviser may effect investment transactions for certain clients through the brokerage firm specified in the client's management contract or as the client may otherwise instruct in writing. Brokerage fees paid by these clients may vary depending upon each client's arrangement with the brokerage firm or upon other factors such as the size of the transaction and the market for the security. Clients directing Adviser to use specific broker-dealers for transactions (i) may pay higher commissions on some transactions that might be attainable by Adviser, (ii) may receive less favorable execution of some transactions, (iii) may forego the possible benefit of volume discounts for aggregated transactions, (iv) may not be able to participate in new issues sold by other broker-dealers, (v) may restrict Adviser's ability to receive research-related products and services available from other broker-dealers and (vi) may not begin to execute transactions with a broker-dealer directed by the client until all non-directed brokerage orders are completed. Adviser's ability to obtain best execution for such clients may be hindered by the directed brokerage relationship.

Directed brokerage trade orders may be included in an aggregated transaction with instructions that the broker-dealer execute the transaction and then "step out" a portion of the commission to the client's directed broker-dealer. Client directed commission rates for step out trades may differ from the rate negotiated with the executing broker-dealer in the aggregated transaction.

Restricted Brokers. Certain clients may restrict the use of specific brokerage firm for their accounts. Clients directing Adviser to not use specific broker-dealers for transactions (i) may receive less favorable execution of some transactions, (ii) may forego the possible benefit of volume discounts for aggregated transactions, (iii) may not be able to participate in new issues sold by other broker-dealers, (iv) may restrict Adviser's ability to receive research-related products and services available from other broker-dealers and (v) may not begin to execute transactions with another broker-dealer until all non-restricted brokerage orders are completed. Adviser's ability to obtain best execution for such clients may be hindered by the restriction on the broker-dealer.

Restricted brokerage trade orders may be included in an aggregated transaction with instructions that the broker-dealer execute the transaction and then "step out" a portion of the commission to a different broker-dealer. Commission rates for step out trades may differ from the rate negotiated with the executing broker-dealer in the aggregated transaction.

Execution Quality. Where Adviser has discretionary authority to determine the broker or dealer to be used and the commission rate to be paid, Adviser will seek to obtain the best execution available under the circumstances. A number of factors are considered in arriving at such determinations. These factors include research capabilities, execution capabilities, back office and processing capabilities, reputation and perceived soundness of the firm and the level of commission rates that can be obtained. Adviser does not adhere to any rigid formulas in making the selection of the applicable broker-dealer, but weighs a combination of the preceding criteria.

While Adviser generally seeks competitive commission rates in those instances where it is authorized to do so, it may not necessarily pay the lowest commission or spread available. Transactions may involve specialized services on

the part of the broker or dealer involved and thereby entail higher commissions or spreads than would be the case with other transactions with more routine services. In certain situations to facilitate best execution, Adviser may use alternative trading systems (i.e., electronic crossing networks, etc.) in lieu of placing a trade order with a traditional brokerage firm for liquidity, anonymity, and lower transaction costs, if relevant.

Research Services; Client Commission Arrangements. When more than one broker-dealer is believed capable of providing the best combination of price and execution, Adviser may select a broker-dealer based upon research services provided to Adviser and its clients. Selecting a broker-dealer in recognition of research services or products other than simple transaction execution is known as paying for those services and products with "client commission arrangements" (i.e., "soft dollars"). Adviser defines the term "client commission arrangements" to refer to all payment structures that utilize client commissions to fund the purchase of research services under Section 28(e) of the Securities Exchange Act of 1934 ("**Section 28(e)**"). To the extent research services may be a factor in selecting broker-dealers, "research" may be in written form, through direct contact with individuals, attendance at conferences, access to data and analytics, or may be provided by a third-party vendor. Research services may include (but not limited to) information regarding the economy, industries, sectors of securities, individual companies, statistical information, security valuation information, and performance analytics.

During the last fiscal year, Adviser acquired various types of research. Adviser categorizes research services internally as either "Direct Broker Research" or "Indirect Broker Research", and views both categories equally under Section 28(e). "**Direct Broker Research**" is research services produced and provided by a broker-dealer acting in the capacity of introducing, executing, clearing or research broker-dealer. Included in Direct Broker Research is research services directly from and "provided by" introducing broker-dealers who have correspondent relationships with broker-dealers for execution and clearing services and broker-dealers who have entered into commission sharing arrangements to provide brokerage and research services to their mutual customers. For these types of broker-dealer relationships, the amount of commissions directed for broker research is determined by the portfolio managers/analysts input in the broker survey (which is used to evaluate the "value" of a broker's research and services). "**Indirect Broker Research**" is research services produced by a third-party (non-broker) vendor and provided by a broker-dealer, as permitted by Section 28(e). Indirect Broker Research includes traditional research reports such as Spin-off Advisors and Ross Smith Energy Group, and data and analytics from FactSet and Thomson Financial - First Call and Thomson One. Adviser may use client commission arrangements to acquire either type of research services or products.

Because many of those research services or products could be considered to provide some benefit to Adviser and because client commissions used to acquire them are assets of Adviser's clients, Adviser may have a conflict of interest in allocating client brokerage business. Adviser will make decisions involving "client commission arrangements" in a manner that satisfies the safe harbor provided by Section 28(e). That is, Adviser will generally determine, considering all appropriate factors, that the commissions paid are reasonable in relation to the value of all the brokerage and research products and services provided by the broker-dealer. Adviser may pay a higher commission than otherwise obtainable from other broker-dealers in return for such research products and services only if a good faith determination is made that the commission is reasonable in relation to the products and services provided. "Commissions" include fees paid to broker-dealers for trades conducted on an agency basis, and certain mark-ups, markdowns, commission equivalents and other fees received by dealers in riskless principal transactions.

In accordance with Financial Industry Regulatory Authority ("**FINRA**") regulations, Adviser may also purchase new issues of securities for Client Accounts in a fixed-price offering. In these situations, the selling dealer may be a member of the selling group that will, in addition to selling the securities, provide the firm with research.

Research services provided by broker-dealers may be used in servicing any or all of Adviser's Client Accounts, and may be used in connection with Client Accounts other than those making the payment of commissions to a broker-

dealer. In addition, certain investment strategies that do not generally pay brokerage commissions on securities transactions may also benefit from certain types of research and other services that are paid by client commission arrangements. If a research product provides both a research and a non-research function, Adviser will make a reasonable allocation of the use and pay for the non-research portion with hard dollars. The allocation between research and non-research depends on the use of the product. Under certain client relationships, the trading of securities is primarily done by the client and/or third-party on a delayed basis. Such clients may benefit from certain types of research that is paid by client commission arrangements.

Adviser seeks to ensure that all equity clients pay comparable commission rates per transaction and for clients to participate fairly in both execution trades only and research and execution trades (including Direct Broker Research and Indirect Broker Research). Clients that participate in directed brokerage arrangement may pay higher commissions.

On a periodic basis, typically every quarter, Adviser's portfolio managers/analysts complete a broker survey and evaluate each full service broker-dealers with regards to the research and service abilities. Investment personnel rate broker-dealers based on: (i) service – access to broker-dealers firm resources and (ii) research – the quality of research and impact on portfolios. Traders evaluate broker-dealers on an ongoing basis and best execution for a trade is determined at the time of the trade, taking into consideration the broker-dealer's capabilities, including but not limited to, the impact of trading in the market, total execution cost, and the ability to timely execute orders. At each quarter end, the traders evaluate the year-to-date and quarterly commissions paid to non-research broker-dealers and comment on significant or special circumstances. During the last fiscal year, Adviser directed client transactions to particular brokers based on the periodic broker survey results previously described.

The types of brokerage services that Adviser obtained during the last fiscal year include execution clearing and settlement service, exchange of messages among brokers, custodians and institutions; and communication services related to the execution, clearing and settlement of securities transactions and other incidental services.

Allocation of Investment Opportunities. Adviser makes decisions to recommend, purchase, sell or hold securities for all of its Client Accounts, including proprietary and /or affiliated Client Accounts, based on the specific investment objectives, guidelines, restrictions and circumstances of each account. It is Adviser's policy to allocate, to the extent operationally and otherwise practical, investment opportunities to each client over a period of time on a fair and equitable basis relative to its other clients. There may be instances where some clients may participate in certain opportunities made available to Adviser while other clients may not. Where Client Accounts, including mutual fund clients, have competing interests in a limited investment opportunity, including participation in new issues and company-specific ownership limits, Adviser will allocate investment opportunities based on relevant considerations, including appropriateness of company market capitalization, cash availability and/or requirements, current portfolio holdings, investment objectives and restrictions.

Adviser has procedures in place to ensure compliance with the FINRA's rules and restrictions relating to distribution of new issues. These procedures and rules may restrict participation by certain accounts.

B. Aggregation and Allocation of Orders

Adviser may group orders (including orders of proprietary and/or affiliates who have an advisory account with the firm and are treated as clients) to obtain the efficiencies that may be available on larger transactions when it determines that investment decisions are appropriate for each participating account and consistent with the terms of the investment management agreement with each client. Moreover, Adviser will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution for its clients. Certain clients may not be included in all trade allocations due to client restrictions or other factors.

When aggregating orders for equity accounts, no client is favored over any other client; each client participating in the aggregated order will participate at the average share price for that order in that security on a given business day, with transaction costs shared pro rata based on each client's participation in the transaction subject to the brokerage fee rates negotiated by the brokerage firm and the client (rather than Adviser), as applicable. Partially-filled orders for securities purchased or sold in a batched transaction (including IPOs) are allocated pro rata, when possible, to the participating Client Accounts in proportion to the size of the original allocation for each account. Adviser may deviate from this procedure based on an account's cash availability and/or requirements, an account's investment guidelines, an account's tax sensitivities, an investment strategy's parameters, etc.

Adviser's allocation procedures for fixed-income securities include screening portfolios for minimum permissible security quality, average portfolio quality, other quality restrictions as well as a variety of sector and subsector related restrictions and preferences. Portfolios that do not allow the quality of the security being purchased are eliminated from the allocation process. Another step involves sorting portfolios by the sector and sub-sectors to which the purchased security belongs. Emphasis is given to portfolios that are the most underweight relative to the target portfolio weighting in the relative sector. Position size is also a factor in this process as available cash and other considerations might prohibit allocation to certain accounts. Given the nature and supply of certain fixed-income securities, a portfolio may be allocated a security comparable to that received by other accounts. Adviser may not obtain desired quantities of a fixed-income security due to market conditions, but may obtain more of such securities later in the trading period. In these situations, Adviser will allocate the securities obtained based on the factors described above and settle the initial trades. New allocations will occur if additional fixed-income securities become available later in the trading period, using the same criteria outlined above. Adviser does not give preference to portfolios based upon size, fees, performance, or any other criteria other than those outlined above.

Adviser may increase or decrease the amount of securities allocated to each account if necessary to avoid holding odd-lot or small numbers of shares/par for particular clients. Additionally, if Adviser is unable to fully execute a batched transaction and Adviser determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro rata basis, Adviser may allocate such securities using the "random" allocation program in the trading system or allocate such securities in a manner determined in good faith to be a fair allocation. Fair allocation may be based on cash availability and/or requirements, portfolio investment objectives, client guidelines and diversification benefit to the individual accounts (including an account's dispersion to the strategy's target portfolio).

Generally, the larger the block trade or portion thereof that is filled, the more likely a small account is to get an allocation. For a small partial fill of a block trade, small accounts may not receive an allocation if the shares do not round up to 100 shares/bonds. Small incremental changes to the target portfolio usually will not provide an allocation to the small accounts.

Under certain circumstances, Adviser may not aggregate orders for the same security if it is not consistent with its duty to seek best execution. For example, if an account receives a cash withdrawal and needs to execute a program trade (sale of securities across the portfolio in proportion to the cash withdrawal), Adviser may not deem it appropriate to include the order for a security which is currently being purchased for several accounts at the same time. Therefore, the same security may be purchased at different prices that day.

Under certain type of client arrangements where the trading of securities is done by the client and/or third-party, Adviser may provide such client with security trades after the firm has substantially completed transactions in such securities on behalf of all other discretionary Client Accounts of the firm. In situations where Adviser does not execute trades for the Client Accounts, the client may not benefit from bunched orders, and may have execution of their orders delayed, which may result in the client receiving a price that is less favorable than that obtained for Adviser's other clients and paying higher commissions or spreads.

Adviser may aggregate client transactions with instructions that the broker-dealer execute the transaction and then "step out" a portion of the commission to another broker-dealer. Step out trades may be used to compensate a broker-dealer for research or in a client directed arrangement. In this situation, Client Accounts participating in the aggregated transactions (including research and client directed trades) may receive the possible benefit of volume price discounts negotiated with the broker-dealer. However, commission rates for step out trades may differ from the rate negotiated with the executing broker-dealer in the aggregated transaction.

Different type of Client Accounts and investment strategies may have different fee structures. Certain Client Accounts may pay Adviser performance-based compensation, which may vary depending on how well the account performs compared to a benchmark. Because such compensation arrangements have the potential to create an incentive for the firm to favor such accounts in making investment decisions and allocations, Adviser has adopted policies and procedures reasonably designed to ensure that all of its clients are treated fairly and equitably.

ITEM 13: REVIEW OF ACCOUNTS

A. Periodic Account Review

Adviser manages institutional separate accounts and mutual funds. Investment reviews and decision-making are performed by Adviser's investment staff, including portfolio managers, on an ongoing basis. For the equity strategies, the investment process employed is the same for similar accounts and is team-based utilizing primarily in-house, fundamental research. The investment research staff is organized by industry and sector and supports all of the Client Accounts managed in each of Adviser's investment strategies. Portfolio coordinators for each strategy ensure that the best thinking of the investment team is reflected in the "target portfolios." For the high yield strategy, the portfolio managers review Client Accounts and portfolio holdings on the trading system.

B. Non-Periodic Account Review

The trading desk reviews accounts pre-trade for compliance with certain programmable guidelines and investment policies using the trading system. Client portfolios are reviewed against all programmable account restrictions via an overnight batch process. Potential trade violation flags are reviewed by the Compliance Department. The Compliance Department also prepares a formal compliance checklist monthly for compliance with client guidelines and applicable law.

C. Client Reports

Adviser and/or the qualified custodian of each Client Account will transmit unaudited monthly and/or quarterly performance reports and account statements to clients. Adviser may make the reports available in hardcopy or solely via electronic transmission or in electronic form on its website unless otherwise requested by a client. Adviser, in its discretion, may provide more frequent reports and/or more detailed information to all or any clients.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

A. Compensation By Non-Clients

Certain clients may pay the management fee directly to Adviser instead of having the management fee deducted from the Client Account assets.

Adviser receives certain research services (see *Research Services; Client Commission Arrangements* section above) from non-clients. Such research services may be paid by commission dollars generated by Client Accounts. Adviser

may receive compensation from affiliates for purchase of Adviser's model portfolio by clients or for other investment advice to clients.

Subject to Adviser's gift and entertainment policies, Adviser or its employees may receive gifts and/or entertainment by broker-dealers who execute trades for Client Accounts. Adviser's policy limits gifts received to \$100 per person per service provider for each calendar year. Further, Adviser's policy requires reporting of gifts and entertainment (which exceeds \$100 per event) by a service provider and quarterly employee gift/entertainment certifications.

B. Compensation for Client Referrals

Subject to applicable law, Adviser may employ solicitors to whom it will pay either a portion of the advisory fees received from clients referred by such solicitors or cash at Adviser's own expense. In such cases, this arrangement will be disclosed in writing to the client and Adviser will comply with any other applicable requirements under Rule 206(4)-3 under the Advisers Act. In particular, Adviser will ensure that each solicitor provides clients with a current copy of Adviser's Form ADV Brochure and the solicitor's written disclosure document.

Adviser maintains an internal bonus compensation plan which may reward employees for new Client Account relationships developed by them. This plan will also comply with Rule 206(4)-3 under the Advisers Act.

ITEM 15: CUSTODY

Adviser will not maintain possession or custody of the funds or securities that a client transferred to a Client Account. The assets transferred by a client will typically be deposited with a qualified custodian selected by the client. The qualified custodian will provide clients with periodic performance reports and/or account statements. Clients should carefully read these reports and compare any reports received from Adviser against reports received from the qualified custodian.

ITEM 16: INVESTMENT DISCRETION

Adviser generally has full authority to determine, without obtaining specific client consent, the securities and amount of securities to be bought or sold, broker or dealer to be used and commission rates to be paid on behalf of the client. Clients may specifically direct Adviser in writing to limit the foregoing authority. Adviser's discretionary authority is derived from the investment management agreement executed by each client. Adviser's discretionary authority with respect to a client may be subject to the client's ability to direct Adviser to effect brokerage business for its account to a particular broker. See Item 12(A) above.

Backoffice: Adviser outsources certain backoffice functions to a third-party service provider (i.e., trade communication, settlement instructions, corporate actions, accounting, cash and asset reconciliation, performance calculation). Adviser oversees these functions.

ITEM 17: VOTING CLIENT SECURITIES

Generally, and except to the extent that a client otherwise instructs Adviser in writing, Adviser will vote (by proxy or otherwise) on all matters for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held in Client Accounts in such manner as Adviser deems appropriate in accordance with its written policies and procedures. These policies and procedures set forth guidelines for voting typical proxy proposals. However, each proxy issue will be considered individually in order that Adviser may consider what would be in its client's best interest. Further, where a proxy proposal raises a material conflict of interest between the interests of Adviser and its client, Adviser will vote according to its predetermined specific policy. Adviser's Compliance

Department will review the vote to determine that the decision was based on the client's best interest rather than the best interest of Adviser.

Although Adviser has affiliates that provide investment advisory, broker-dealer, insurance or other financial services, Adviser does not generally receive information about the business arrangements of such affiliates (except with regard to limited matters such as underwritings by the broker-dealer) or the directors, officers and employees of such affiliates. Therefore, Adviser is unable to consider such information in its process of determining whether there are material conflicts of interests.

Adviser may determine not to vote proxies in respect of securities of any issuer if Adviser determines that it would be in the client's overall best interest not to vote under the circumstances, such as when the cost of voting exceeds the expected benefit, the impact of the vote will not have an effect on the outcome of the matter up for vote or on the client's economic interests or if the security is no longer held in the clients' portfolios by the proxy meeting date. For example, to the extent that Adviser receives proxies for securities that are transferred into a client's portfolio that were not recommended or selected by Adviser and have been sold or are expected to be sold promptly in an orderly manner ("legacy securities"), Adviser will generally refrain from voting such proxies. In such circumstances, since legacy securities have been sold or are expected to be sold promptly, voting proxies on such securities would not further Adviser's interest in maximizing the value of client investments. Adviser may consider an institutional client's special request to vote a legacy security proxy, and if agreed would vote such proxy in accordance with Adviser's guidelines. If Adviser is authorized to exercise proxy voting rights for a Client Account, Adviser will vote the proxies for securities beneficially held by the custodian for the portfolio as of the record date of the shareholder meetings (settlement date). Securities not held by the custodian as of the record date (e.g., due to an unsettled purchase or securities lending) will not be voted by Adviser. Employees of Adviser may own the same securities held by Client Accounts. The employees vote their securities independently from Adviser's proxy voting policy.

Adviser utilizes a third-party service provider to provide administrative assistance in connection with the voting of proxies, including certain record keeping and reporting functions.

A client may obtain a copy of Adviser's proxy voting policies and procedures and/or information on how Adviser has voted the client's securities free of charge by written request to hwclient@hwcm.com.

Fixed-income securities normally do not provide voting rights; however, special circumstances may occur that permit voting or responding to another type of corporate action.

Certain clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios and receive their proxies or other solicitations directly from their custodian. Adviser may provide advice to clients regarding the clients' voting of proxies.

Corporate Actions: There may also be a variety of corporate actions or other matters for which shareholder action is required or solicited and with respect to which Adviser may take action that it deems appropriate in its best judgment except to the extent otherwise required by agreement with the client. These actions may include, for example and without limitation, tender offers or exchanges and bankruptcy proceedings.

Legal Proceedings and Class Action Litigation: If a client has a claim or potential claim in any bankruptcy proceeding, class action securities litigation, or other litigation or proceeding affecting securities held in the client's account, Adviser will not be obligated to pursue such claim on behalf of the client, but will provide the client or its custodian with reasonable assistance in support of the client's pursuit of such claim while the account is managed by Adviser.

ITEM 18: FINANCIAL INFORMATION

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Adviser's financial condition. Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

BUSINESS CONTINUITY PLAN

Adviser maintains a formal Business Continuity Plan that addresses the recovery of critical business functions and operations. The plan outlines the procedures necessary to re-establish operations in an organized manner and addresses: (i) emergency response; (ii) resumption of critical functions; (iii) recovery of non-critical functions; and (4) restoration at a new or restored business location. The recovery time objective for critical functions is 24 hours from the arrival of appropriate staff at the recovery location. Adviser has contracted with a third-party service provider for an alternate site in which to resume business operations. In the event of a significant business disruption, clients can access information on Adviser's website at www.HWCM.com.

PRIVACY NOTICE

Hotchkis and Wiley Capital Management, LLC ("HWCM") values our relationship with our clients as our most important asset. We are committed to safeguarding our clients' confidential non-public personal information. Our privacy policy outlines the steps we take to protect our clients' personal information.

HWCM collects non-public personal information about you from the following sources in the normal course of business to serve you better:

- Information we receive about you on applications, questionnaires or other forms;
- Information you give us orally or on written or electronic correspondence;
- Information about your transactions with us, financial intermediaries, or others;
- Information received from your custodian, consultant, attorneys, or others; and
- Information provided and captured on our website, including any information captured on our website through the use of "cookies".

HWCM does not sell your personal information to anyone, nor do we disclose your personal information to unaffiliated third parties without the client's authorization, except to your authorized representatives (including your consultant, attorney or accountant). We may disclose your personal information to financial intermediaries (such as broker-dealers and custodians) only as permitted by law and only as necessary for us to provide agreed services and products. HWCM may also disclose your personal information to other service providers with whom we have business arrangements to help administrate our business. These service providers are bound by law or by contract to use your information only for the services for which we hired them, and are not permitted to use or share this information for any other purpose. In limited circumstances, we may disclose your personal information as required by law or in response to inquiries from governmental authorities.

HWCM limits access to your personal information, as much as possible, to those employees who need to know that information to provide products and services to you. We also maintain physical, electronic and procedural safeguards to guard the privacy of your nonpublic personal information.

HWCM applies this policy to current and former clients.