



*Large Cap Value Fund*

*Mid-Cap Value Fund*

*Small Cap Value Fund*

*All Cap Value Fund*



**HOTCHKIS AND WILEY FUNDS**

DECEMBER 31, 2003

**SEMI-ANNUAL REPORT**

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## **DEAR SHAREHOLDER:**

We are pleased to present you with this semi-annual report for the Hotchkis and Wiley Funds. The following investment review and semi-annual report represents the activities for the Funds for the six months ended December 31, 2003.

## **OVERVIEW**

Buoyed by a series of favorable economic reports and historically low interest rates, the U.S. equity markets closed out the last six months of 2003 at their highest levels of the year. A few of the milestones reached include the following: U.S. stocks had their first up-year since 1999; the Dow Jones Industrial Average once again crossed the psychological 10,000 mark; and the more volatile NASDAQ Composite Index rose above the 2,000 level (it was a symbolic breakthrough and remains far from hitting the 5,000 level reached in March 2000). During this period, the S&P 500 Index gained 15.14%, the Dow Jones Industrial Average rose 17.74% and the NASDAQ Composite Index rallied 23.45%.

Higher levels of consumer confidence, business spending and retail sales supported rising stock prices in the second half of 2003. Notably, broad-based investor enthusiasm for speculative issues, along with increased fervor for economically sensitive stocks, led to an extended rally and strong gains for the market.

As the outlook for the economy continued to improve, overall market prices rose sharply. If corporate earnings fall short of the positive economic data, 2004 could spell trouble for investors as the market has priced in a recovery. Given the upbeat data, we remain cautiously optimistic that the economic expansion will sustain itself and provide favorable opportunities for the astute investor; however, we are somewhat concerned with the renewed focus on some speculative areas of the market (particularly within the technology sector). We believe the market will ultimately reward disciplined managers who carefully evaluate the companies in which they invest.

## **HOTCHKIS AND WILEY LARGE CAP VALUE FUND**

The Fund's Class I, Class A, Class B, Class C and Class R shares had total returns of 24.71%, 24.50%, 24.01%, 24.05% and 24.99%, respectively, outperforming both the

passive S&P 500 Index return of 15.14% and the style-specific Russell 1000 Value Index return of 16.55%, for the six months ended December 31, 2003. (Fund results shown do not reflect sales charges and would be lower if sales charges were included. More complete performance information can be found on page 7 of this report to shareholders.)

Positive contributions to returns in the Fund were broad-based, with gains recorded in all 10 economic sectors. The largest contributors to returns were the financials and consumer discretionary sectors as security selection helped the Fund on both an absolute and relative basis (vs. the S&P 500 Index). Retail stocks did particularly well, in spite of mixed holiday sales. J.C. Penney Co. gained as the sale of its troubled Eckerd drugstore division appeared imminent. Sears Roebuck & Co. gained as sale of its credit card business was finalized in November and as news of management's plans to repurchase nearly one-third of its outstanding shares was released. The financials sector benefited from exposure to the insurance industry as shares of Allmerica Financial Corp., Metlife Inc., Prudential Financial Inc. and Allstate Corp. posted double-digit gains. In addition, security selection in the healthcare sector helped the Fund's out-performance. Specifically, Tenet Healthcare's stock price gained after the firm arrived at a settlement with the U.S. Department of Justice regarding unnecessary cardiac procedures performed at one of its hospitals. Conversely, one of the bottom contributors to the Fund was Eastman Kodak Co. as the share price fell due to investors' skeptical views of the company's restructuring efforts. Additional negative contributors to absolute performance were American Electric Power and DTE Energy Corp.

## **HOTCHKIS AND WILEY MID-CAP VALUE FUND**

The Fund's Class I, Class A, Class B, Class C and Class R shares had total returns of 30.06%, 29.82%, 29.39%, 29.38% and 30.89%, respectively, compared to the Russell Midcap Index return of 21.30% and the Russell Midcap Value Index return of 22.06%, for the six months ended December 31, 2003. (Fund results shown do not reflect sales charges and would be lower if sales charges were included. More complete performance information can be found on page 8 of this report to shareholders.)

Relative outperformance (vs. the Russell Midcap Index) resulted from security selection within the consumer discretionary and financials sectors. The financials sector – more specifically, the insurance industry – made significant gains as Allmerica Financial's stock price rose as concerns over the capital adequacy of the company's life insurance and annuity subsidiary subsided. The diversified financial services industry benefited from shares of CIT Group Inc., as the company announced a 10% increase in third quarter earnings. The consumer discretionary sector was helped by strong performance in retail stocks. Foot Locker Inc. posted strong gains on news that its relationship with Nike will be back on track. J.C. Penney gained as the sale of its troubled Eckerd drugstore division appeared imminent. And, despite falling in December, Sears Roebuck & Co. remains as one of the Fund's top contributors to performance, as the stock posted strong gains through the period. Offsetting the gains made within the consumer discretionary sector were shares of poor performing stocks Eastman Kodak Co. and Jack in the Box Inc. Eastman Kodak was under pressure as investors were concerned with the company's reorganization plans. Jack in the Box declined because of lowered profit forecasts (for both the fiscal quarter and year) due to the high cost involved in its restructuring efforts. In addition, relative weakness was mainly due to the Fund's below-market weight in the well-performing information technology sector. Relatively expensive industries such as semiconductors, which are not held in the Fund, performed well as industry profitability showed signs of turning around.

#### **HOTCHKIS AND WILEY SMALL CAP VALUE FUND**

The Fund's Class I, Class A, Class B and Class C shares had total returns of 33.96%, 33.78%, 33.29% and 33.32%, respectively, strongly outperforming both the Russell 2000 Index return of 24.92% and the Russell 2000 Value Index return of 25.36%, for the six months ended December 31, 2003. (Fund results shown do not reflect sales charges and would be lower if sales charges were included. More complete performance information can be found on page 9 of this report to shareholders.) Small cap stocks continued to post strong relative returns, as the Russell 2000 Index outperformed the S&P 500 Index by over 900 basis points. This was not surprising, as small caps generally perform better when

the economic outlook improves. Also noteworthy was the narrowed valuation gap between small cap stocks and their large cap counterparts.

The Fund's outperformance (vs. the Russell 2000 Index) was primarily attributable to security selection within the financials sector as insurance industry holding Allmerica Financial Corp. continued to benefit from decreased concerns over the company's life insurance and annuity subsidiary. Real estate industry holdings such as LNR Property Corp., MI Developments Inc. and Friedman Billings, Ramsey Group Inc. gained as low interest rates continued to fuel demand. In addition, the consumer discretionary sector helped the Fund's strong performance as household durables stocks Toll Brothers Inc., Beazer Homes USA Inc. and Brookfield Homes Corp. continued to benefit from the strong housing market. Relative weakness in the Fund was attributable to a below index weight in the information technology sector as semiconductor stocks continue to perform well. Among the lowest contributors to the Fund were consumer discretionary stocks Genesco Inc. and R.H. Donnelley Corp.

#### **HOTCHKIS AND WILEY ALL CAP VALUE FUND**

The Fund's Class I, A and C shares had total returns of 34.21%, 34.37% and 33.45%, respectively, outperforming both the S&P 500 Index return of 15.14% and the Russell 3000 Index return of 16.28%, for the six months ended December 31, 2003. (Fund results shown do not reflect sales charges and would be lower if sales charges were included. More complete performance information can be found on page 10 of this report to shareholders.)

Dominating the Fund's relative outperformance (vs. the S&P 500 Index) was superior stock selection in the financials and consumer discretionary sectors. When considering the total attribution effect (sector allocation and security selection combined), the financials sector added most to the Fund's upside, primarily benefiting from insurance holdings such as Allmerica Financial. Our decision to add to this position during previous lows helped performance, as the stock gained from fading concerns over the capital adequacy of the company's life insurance and annuity subsidiary. Further outperformance can be found in the consumer discretionary sector with positions in the retail industry, as shares of Sears Roebuck & Co.

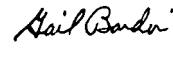
and J.C. Penney performed particularly well. Sears gained as the sale of its credit card business was finalized in November; J.C. Penney rose as the sale of its troubled Eckerd division became imminent. The household durables industry gained as Toll Brothers Inc. benefited from continued strength in the housing market, buoyed by record low mortgage rates. Offsetting the gains within consumer discretionary, Warnaco Group Inc. put downward pressure on the Fund's absolute performance, declining on the resignation of its sportswear unit president. Furthermore, relative weakness is attributable to a below-market weight in the information technology sector, as semiconductors, which are not held in the Fund, continue to perform strongly.

We appreciate your continued support of the Hotchkis and Wiley Funds, and we look forward to serving your investment needs in the future.

Sincerely,



Nancy D. Celick  
President



Gail Bardin  
Portfolio Manager  
Large Cap Value Fund



Sheldon Lieberman  
Portfolio Manager  
Large Cap Value Fund



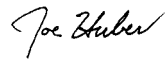
James Miles  
Portfolio Manager  
Mid-Cap Value Fund  
Small Cap Value Fund



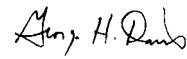
Stan Majcher  
Portfolio Manager  
Mid-Cap Value Fund



David Green  
Portfolio Manager  
Small Cap Value Fund



Joe Huber  
Portfolio Manager  
All Cap Value Fund



George Davis  
Portfolio Manager  
All Cap Value Fund

*The above reflects opinions of portfolio managers as of December 31, 2003. They are subject to change and any forecasts made cannot be guaranteed. The Funds might not continue to hold any securities mentioned and have no obligation to disclose purchases or sales in these securities. Past performance is no guarantee of future performance.*

## Fund Performance Data

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### ABOUT FUND PERFORMANCE

The Large Cap Value Fund and Mid-Cap Value Fund offer five classes of shares. The Small Cap Value Fund offers four classes of shares (currently only to existing investors) and the All Cap Value Fund offers three classes of shares. Each share class has its own sales charge and expense structure, allowing you to invest in the way that best suits your needs. The Small Cap Value Fund is closed to new investors.

**Class I shares** have no initial sales charge and bear no ongoing distribution and service fees under a 12b-1 plan. Class I shares are available only to eligible investors.

**Class A shares** incur a maximum initial sales charge of 5.25% and an annual distribution and service fee of 0.25%.

**Class B shares** are subject to a maximum contingent deferred sales charge (CDSC) of 5%, which is reduced in the first six years (5, 4, 3, 3, 2, 1) to 0% after the sixth year. In addition, Class B shares are subject to an annual distribution and service fee of 1.00%. These shares automatically convert to Class A shares after approximately seven years.

**Class C shares** are subject to an annual distribution and service fee of 1.00%. In addition, Class C shares are subject to a 1.00% CDSC if redeemed within one year after purchase.

**Class R shares** have no initial sales charge or CDSC and are subject to an annual distribution and service fee of 0.50%. Class R shares are available only to certain retirement plans.

None of the past results shown should be considered a representation of future performance. Performance results do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Figures shown in the "Average Annual Total Return" tables assume reinvestment of all dividends and capital gains distributions at net asset value on the ex-dividend date. The Funds' investment advisor pays annual operating expenses of the Funds' Class I, Class A, Class B, Class C and Class R shares over certain levels. If the investment advisor did not pay such expenses, net returns would be lower. Investment return and principal value of shares will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Dividends paid to each class of shares will

vary because of the different levels of distribution and service fees, if any, applicable to each class, which are deducted from the income available to be paid to shareholders. Performance of all Funds except All Cap Value Fund includes that of predecessor funds.

Investment by the Small Cap Value Fund, Mid-Cap Value Fund and All Cap Value Fund in small and medium-size companies presents greater risk than investment in larger, more established companies.

### MARKET INDEXES

The following are definitions for indexes used in the performance summary tables on the following pages. These indexes are unmanaged and include the reinvestment of dividends, but do not reflect the payment of transaction costs and advisory and other fees associated with an investment in the Funds. The securities that comprise these indexes may differ substantially from the securities in the Funds' portfolios. The Funds' value disciplines may prevent or restrict investment in major stocks in the benchmark indexes. It is not possible to invest directly in an index. Each index named is not the only index which may be used to characterize performance of a specific Fund and other indexes may portray different comparative performance.

**S&P 500® Index**, an unmanaged index, consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

**Russell Midcap® Index**, an unmanaged index, measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 26% of the total market capitalization of the Russell 1000 Index.

**Russell 2000® Index**, an unmanaged index, measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

# Fund Performance Data

## LARGE CAP VALUE FUND<sup>+</sup>

Average Annual Total Return as of December 31, 2003<sup>++</sup>

| Class I   | Six months | 1 Year | 5 Years | 10 Years | Since 6/24/87 |
|---|------------|--------|---------|----------|---------------|
| Total return                                    | 24.71%     | 42.77% | 8.73%   | 12.21%   | 11.18%        |
| Class A <sup>(a)</sup>                          | Six months | 1 Year | 5 Years | 10 Years | Since 6/24/87 |
| Total return (with sales charge) <sup>(b)</sup> | 17.96%     | 34.85% | 7.40%   | 11.44%   | 10.59%        |
| Total return (without sales charge)             | 24.50%     | 42.32% | 8.57%   | 12.04%   | 10.96%        |
| Class B <sup>(a)</sup>                          | Six months | 1 Year | 5 Years | 10 Years | Since 6/24/87 |
| Total return (with CDSC) <sup>(b)</sup>         | 19.01%     | 36.27% | 7.39%   | 11.12%   | 10.07%        |
| Total return (without CDSC)                     | 24.01%     | 41.27% | 7.69%   | 11.12%   | 10.07%        |
| Class C <sup>(a)</sup>                          | Six months | 1 Year | 5 Years | 10 Years | Since 6/24/87 |
| Total return (with CDSC) <sup>(b)</sup>         | 23.05%     | 40.31% | 7.68%   | 11.12%   | 10.07%        |
| Total return (without CDSC)                     | 24.05%     | 41.31% | 7.68%   | 11.12%   | 10.07%        |
| Class R <sup>(a)</sup>                          | Six months | 1 Year | 5 Years | 10 Years | Since 6/24/87 |
| Total return                                    | 24.99%     | 42.75% | 8.29%   | 11.71%   | 10.66%        |
| S&P 500 Index                                   | Six months | 1 Year | 5 Years | 10 Years | Since 6/24/87 |
| Total return                                    | 15.14%     | 28.68% | -0.58%  | 11.07%   | 10.72%        |

<sup>(a)</sup> Returns shown for Class A, B, C and R shares for the periods prior to their inception are derived from the historical performance of Class I shares of the Fund during such periods and have been adjusted to reflect the higher total annual operating expenses of each specific class. (Inception dates: Class I - 6/24/87; Class A - 10/26/01; Class B and C - 2/4/02; Class R - 8/28/03.)

<sup>(b)</sup> Returns reflect the deduction of the current maximum initial sales charge of 5.25% for Class A shares and the applicable contingent deferred sales charge (CDSC) for Class B and C shares. Class B CDSC is 5% within the first year after purchase, declining to 0% after six years. Class C CDSC is 1% for the first year.

<sup>+</sup> The Fund invests primarily in stocks of U.S. companies with market capitalizations similar to the Russell 1000 Index.

<sup>++</sup> Fund returns during the periods shown may reflect a fee waiver and/or expense reimbursement. Without waiver/reimbursement, returns would have been lower. Returns for periods less than one year have not been annualized.

Past performance is not indicative of future results and the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

# Fund Performance Data

## MID-CAP VALUE FUND<sup>+</sup>

Average Annual Total Return as of December 31, 2003<sup>++</sup>

| Class I   | Six months | 1 Year | 5 Years | Since 1/2/97 |
|---|------------|--------|---------|--------------|
| Total return                                    | 30.06%     | 55.54% | 22.36%  | 18.34%       |
| Class A <sup>(a)</sup>                          | Six months | 1 Year | 5 Years | Since 1/2/97 |
| Total return (with sales charge) <sup>(b)</sup> | 23.01%     | 47.06% | 20.71%  | 17.16%       |
| Total return (without sales charge)             | 29.82%     | 55.21% | 22.02%  | 18.07%       |
| Class B <sup>(a)</sup>                          | Six months | 1 Year | 5 Years | Since 1/2/97 |
| Total return (with CDSC) <sup>(b)</sup>         | 24.39%     | 49.06% | 20.96%  | 17.13%       |
| Total return (without CDSC)                     | 29.39%     | 54.06% | 21.14%  | 17.13%       |
| Class C <sup>(a)</sup>                          | Six months | 1 Year | 5 Years | Since 1/2/97 |
| Total return (with CDSC) <sup>(b)</sup>         | 28.38%     | 53.02% | 21.16%  | 17.15%       |
| Total return (without CDSC)                     | 29.38%     | 54.02% | 21.16%  | 17.15%       |
| Class R <sup>(a)</sup>                          | Six months | 1 Year | 5 Years | Since 1/2/97 |
| Total return                                    | 30.89%     | 56.10% | 21.97%  | 17.90%       |
| Russell Midcap Index                            | Six months | 1 Year | 5 Years | Since 1/2/97 |
| Total return                                    | 21.30%     | 40.06% | 7.23%   | 10.72%       |

<sup>(a)</sup> Returns shown for Class A, B, C and R shares for the periods prior to their inception are derived from the historical performance of Class I shares of the Fund during such periods and have been adjusted to reflect the higher total annual operating expenses of each specific class. (Inception dates: Class I - 1/2/97; Class A, B, C - 1/2/01, Class R - 8/28/03.)

<sup>(b)</sup> Returns reflect the deduction of the current maximum initial sales charge of 5.25% for Class A shares and the applicable contingent deferred sales charge (CDSC) for Class B and C shares. Class B CDSC is 5% within the first year after purchase, declining to 0% after six years. Class C CDSC is 1% for the first year.

<sup>+</sup> The Fund invests primarily in stocks of U.S. companies with market capitalizations similar to the Russell Midcap Index.

<sup>++</sup> Fund returns during the periods shown may reflect a fee waiver and/or expense reimbursement. Without waiver/reimbursement, returns would have been lower. Returns for periods less than one year have not been annualized.

Past performance is not indicative of future results and the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

# Fund Performance Data

## SMALL CAP VALUE FUND<sup>+</sup>

Average Annual Total Return as of December 31, 2003<sup>++</sup>

| Class I   | Six months | 1 Year | 5 Years | 10 Years | Since 9/20/85 |
|---|------------|--------|---------|----------|---------------|
| Total return                                    | 33.96%     | 62.57% | 19.12%  | 14.48%   | 13.88%        |
| Class A <sup>(a)</sup>                          | Six months | 1 Year | 5 Years | 10 Years | Since 9/20/85 |
| Total return (with sales charge) <sup>(b)</sup> | 26.75%     | 53.62% | 17.99%  | 13.77%   | 13.31%        |
| Total return (without sales charge)             | 33.78%     | 62.14% | 19.27%  | 14.39%   | 13.64%        |
| Class B <sup>(a)</sup>                          | Six months | 1 Year | 5 Years | 10 Years | Since 9/20/85 |
| Total return (with CDSC) <sup>(b)</sup>         | 28.29%     | 55.95% | 17.79%  | 13.37%   | 12.78%        |
| Total return (without CDSC)                     | 33.29%     | 60.95% | 17.99%  | 13.37%   | 12.78%        |
| Class C <sup>(a)</sup>                          | Six months | 1 Year | 5 Years | 10 Years | Since 9/20/85 |
| Total return (with CDSC) <sup>(b)</sup>         | 32.32%     | 59.95% | 18.00%  | 13.38%   | 12.78%        |
| Total return (without CDSC)                     | 33.32%     | 60.95% | 18.00%  | 13.38%   | 12.78%        |
| Russell 2000 Index                              | Six months | 1 Year | 5 Years | 10 Years | Since 9/20/85 |
| Total return                                    | 24.92%     | 47.25% | 7.13%   | 9.47%    | 10.99%        |

<sup>(a)</sup> Returns shown for Class A, B, and C shares for the periods prior to their inception are derived from the historical performance of Class I shares of the Fund during such periods and have been adjusted to reflect the higher total annual operating expenses of each specific class. (Inception dates: Class I - 9/20/85; Class A - 10/6/00; Class B and C - 2/4/02.)

<sup>(b)</sup> Returns reflect the deduction of the current maximum initial sales charge of 5.25% for Class A shares and the applicable contingent deferred sales charge (CDSC) for Class B and C shares. Class B CDSC is 5% within the first year after purchase, declining to 0% after six years. Class C CDSC is 1% for the first year.

<sup>+</sup> The Fund invests primarily in stocks of U.S. companies with market capitalizations of less than \$3 billion.

<sup>++</sup> Fund returns during the periods shown may reflect a fee waiver and/or expense reimbursement. Without waiver/reimbursement, returns would have been lower. Returns for periods less than one year have not been annualized.

Past performance is not indicative of future results and the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

## Fund Performance Data

### ALL CAP VALUE FUND<sup>+</sup>

Average Annual Total Return as of December 31, 2003<sup>++</sup>

| Class I   | Six months | 1 year | Since 12/31/02 |
|---|------------|--------|----------------|
| Total return . . . . .                                    | 34.21%     | 68.83% | 68.83%         |
| Class A <sup>(a)</sup>                                    | Six months | 1 year | Since 12/31/02 |
| Total return (with sales charge) <sup>(b)</sup> . . . . . | 27.32%     | 60.68% | 60.68%         |
| Total return (without sales charge) . . . . .             | 34.37%     | 69.58% | 69.58%         |
| Class C <sup>(a)</sup>                                    | Six months | 1 year | Since 12/31/02 |
| Total return (with CDSC) <sup>(b)</sup> . . . . .         | 32.45%     | 65.97% | 65.97%         |
| Total return (without CDSC) . . . . .                     | 33.45%     | 66.97% | 66.97%         |
| S&P 500 Index   | Six months | 1 year | Since 12/31/02 |
| Total return . . . . .                                    | 15.14%     | 28.68% | 28.68%         |

<sup>(a)</sup> Returns shown for Class C shares for the periods prior to its inception are derived from the historical performance of Class I shares of the Fund during such periods and have been adjusted to reflect the higher total annual operating expenses of Class C. (Inception dates: Class I and A - 12/31/02; Class C - 8/28/03.)

<sup>(b)</sup> Returns reflect the deduction of the current maximum initial sales charge of 5.25% for Class A shares and the applicable contingent deferred sales charge (CDSC) for Class C shares, which is 1% for the first year.

<sup>+</sup> The Fund invests primarily in stocks of U.S. companies.

<sup>++</sup> Fund returns during the periods shown may reflect a fee waiver and/or expense reimbursement. Without waiver/reimbursement, returns would have been lower. Returns for periods less than one year have not been annualized.

Past performance is not indicative of future results and the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

# Schedule of Investments — December 31, 2003

## Large Cap Value Fund

| <b>COMMON STOCKS — 95.01%</b>                         | Shares<br>Held | Value        | <b>COMMON STOCKS — 95.01%</b>                       | Shares<br>Held | Value        |
|---|----------------|--------------|---|----------------|--------------|
| <b>Aerospace &amp; Defense — 2.46%</b>                |                |              | <b>Food Products — 2.60%</b>                        |                |              |
| Raytheon  | 188,700        | \$ 5,668,548 | Kraft Foods Inc.                                    | 144,900        | \$ 4,668,678 |
| <b>Auto Components — 0.47%</b>                        |                |              | Sara Lee Corporation                                | 61,400         | 1,332,994    |
| Delphi Automotive Systems                             | 106,949        | 1,091,949    |   |                | 6,001,672    |
| <b>Chemicals — 0.34%</b>                              |                |              | <b>Health Care Equipment &amp; Supplies — 0.78%</b> |                |              |
| Eastman Chemical Company                              | 19,800         | 782,694      | Bausch & Lomb Inc.                                  | 34,500         | 1,790,550    |
| <b>Commercial Banks — 3.32%</b>                       |                |              | <b>Health Care Providers &amp; Services — 6.71%</b> |                |              |
| Bank One Corporation                                  | 44,000         | 2,005,960    | Aetna Inc.  | 105,600        | 7,136,448    |
| KeyCorp   | 93,800         | 2,750,216    | Tenet Healthcare Corporation (a)                    | 522,600        | 8,387,730    |
| UnionBanCal Corporation                               | 50,600         | 2,911,524    |   |                | 15,524,178   |
|   |                | 7,667,700    | <b>Hotels, Restaurants &amp; Leisure — 5.09%</b>    |                |              |
| <b>Commercial Services &amp; Supplies — 3.91%</b>     |                |              | Mandalay Resort Group                               | 94,900         | 4,243,928    |
| Cendant Corporation (a)                               | 140,000        | 3,117,800    | Park Place Entertainment Corporation (a)            | 212,600        | 2,302,458    |
| Waste Management, Inc.                                | 199,500        | 5,905,200    | Yum! Brands, Inc. (a)                               | 151,100        | 5,197,840    |
|   |                | 9,023,000    |   |                | 11,744,226   |
| <b>Computers &amp; Peripherals — 0.22%</b>            |                |              | <b>Household Durables — 3.33%</b>                   |                |              |
| Gateway, Inc. (a)                                     | 108,800        | 500,480      | Lennar Corporation                                  | 73,400         | 7,046,400    |
| <b>Diversified Financial Services — 5.98%</b>         |                |              | Lennar Corporation — B Shares                       | 7,060          | 645,284      |
| CIT Group, Inc.                                       | 195,300        | 7,021,035    |   |                | 7,691,684    |
| Principal Financial Group, Inc.                       | 204,900        | 6,776,043    | <b>Industrial Conglomerates — 2.05%</b>             |                |              |
|   |                | 13,797,078   | Tyco International Limited                          | 178,800        | 4,738,200    |
| <b>Diversified Telecommunication Services — 0.16%</b> |                |              | <b>Insurance — 14.75%</b>                           |                |              |
| AT&T Corporation                                      | 18,000         | 365,400      | Allmerica Financial Corporation                     | 149,100        | 4,587,807    |
| <b>Electric Utilities — 6.70%</b>                     |                |              | The Allstate Corporation                            | 130,400        | 5,609,808    |
| Alliant Energy Corporation                            | 98,300         | 2,447,670    | MetLife, Inc.                                       | 304,550        | 10,254,199   |
| American Electric Power Company                       | 71,900         | 2,193,669    | Prudential Financial, Inc.                          | 168,400        | 7,034,068    |
| DTE Energy Company                                    | 14,800         | 583,120      | The St. Paul Companies, Inc.                        | 165,700        | 6,570,005    |
| Entergy Corporation                                   | 47,200         | 2,696,536    |   |                | 34,055,887   |
| FirstEnergy Corporation                               | 214,400        | 7,546,880    | <b>IT Services — 4.97%</b>                          |                |              |
|   |                | 15,467,875   | Electronic Data Systems Corporation                 | 467,900        | 11,482,266   |
| <b>Food &amp; Staples Retailing — 2.80%</b>           |                |              | <b>Leisure Equipment &amp; Products — 1.77%</b>     |                |              |
| Albertson's Inc.                                      | 285,100        | 6,457,515    | Eastman Kodak Company                               | 159,600        | 4,096,932    |
|   |                |              | <b>Metals &amp; Mining — 1.46%</b>                  |                |              |
|   |                |              | Alcoa Inc.  | 88,448         | 3,361,024    |

See Notes to the Financial Statements

# Schedule of Investments — December 31, 2003

## Large Cap Value Fund

|   | Shares<br>Held | Value         |
|---|----------------|---------------|
| <b>Multiline Retail — 9.04%</b>                     |                |               |
| J.C. Penney Company, Inc.                           | 356,800        | \$ 9,376,704  |
| Sears, Roebuck and Company                          | 252,700        | 11,495,323    |
|   |                | 20,872,027    |
| <b>Multi-Utilities — 0.61%</b>                      |                |               |
| SCANA Corporation                                   | 40,896         | 1,400,688     |
| <b>Oil &amp; Gas — 3.39%</b>                        |                |               |
| Sunoco, Inc.  | 105,210        | 5,381,492     |
| Teekay Shipping Corporation                         | 42,800         | 2,440,884     |
|   |                | 7,822,376     |
| <b>Paper &amp; Forest Products — 0.63%</b>          |                |               |
| Weyerhaeuser Company                                | 22,900         | 1,465,600     |
| <b>Real Estate — 0.44%</b>                          |                |               |
| Plum Creek Timber Company                           | 33,000         | 1,004,850     |
| <b>Software — 4.27%</b>                             |                |               |
| Computer Associates International, Inc.             | 360,900        | 9,867,006     |
| <b>Textiles, Apparel &amp; Luxury Goods — 1.60%</b> |                |               |
| Jones Apparel Group                                 | 104,600        | 3,685,058     |
| <b>Thriffs &amp; Mortgage Finance — 1.59%</b>       |                |               |
| Washington Mutual, Inc.                             | 91,200         | 3,658,944     |
| <b>Tobacco — 3.57%</b>                              |                |               |
| Altria Group, Inc.                                  | 151,500        | 8,244,629     |
| Total investments — 95.01%                          |                |               |
| (Cost — \$179,678,553)                              |                | 219,330,036   |
| Time deposit* — 6.06%                               |                | 13,985,892    |
| Liabilities in excess of other assets — (1.07)%     |                | (2,479,838)   |
| Net Assets — 100.00%                                |                | \$230,836,090 |

(a) — Non-income producing security.

\* — Time deposit bears interest at 0.35% and matures on 01/02/2004.

See Notes to the Financial Statements

# Schedule of Investments — December 31, 2003

## Mid-Cap Value Fund

| <b>COMMON STOCKS — 96.98%</b>                       | Shares<br>Held | Value         | Shares<br>Held | Value |
|---|----------------|---------------|----------------|-------|
| <b>Aerospace &amp; Defense — 1.05%</b>              |                |               |                |       |
| Raytheon  | 284,900        | \$ 8,558,396  |                |       |
| <b>Auto Components — 0.57%</b>                      |                |               |                |       |
| Delphi Corporation                                  | 453,900        | 4,634,319     |                |       |
| <b>Chemicals — 5.21%</b>                            |                |               |                |       |
| Celanese AG   | 204,460        | 8,319,477     |                |       |
| Eastman Chemical Company                            | 140,200        | 5,542,106     |                |       |
| FMC Corporation (a)                                 | 389,800        | 13,303,874    |                |       |
| IMC Global, Inc. (a)                                | 817,100        | 8,113,803     |                |       |
| Millenium Chemicals, Inc. (a)                       | 573,700        | 7,274,516     |                |       |
|   |                | 42,553,776    |                |       |
| <b>Commercial Banks — 2.06%</b>                     |                |               |                |       |
| KeyCorp   | 311,450        | 9,131,714     |                |       |
| UnionBanCal Corporation                             | 133,200        | 7,664,328     |                |       |
|   |                | 16,796,042    |                |       |
| <b>Commercial Services &amp; Supplies — 3.61%</b>   |                |               |                |       |
| Allied Waste Industries, Inc. (a)                   | 364,900        | 5,064,812     |                |       |
| Ikon Office Solutions Inc.                          | 374,800        | 4,445,128     |                |       |
| Valassis Communication (a)                          | 680,000        | 19,958,000    |                |       |
|   |                | 29,467,940    |                |       |
| <b>Computers &amp; Peripherals — 0.14%</b>          |                |               |                |       |
| Gateway, Inc. (a)                                   | 245,400        | 1,128,840     |                |       |
| <b>Consumer Finance — 0.44%</b>                     |                |               |                |       |
| Americredit Corporation (a)                         | 224,400        | 3,574,692     |                |       |
| <b>Diversified Financial Services — 3.85%</b>       |                |               |                |       |
| CIT Group, Inc.                                     | 561,800        | 20,196,710    |                |       |
| Principal Financial Group                           | 339,600        | 11,230,572    |                |       |
|   |                | 31,427,282    |                |       |
| <b>Electric Utilities — 7.81%</b>                   |                |               |                |       |
| Alliant Energy Corporation                          | 654,500        | 16,297,050    |                |       |
| American Electric Power Company                     | 278,500        | 8,497,035     |                |       |
| Entergy Corporation                                 | 141,300        | 8,072,469     |                |       |
| FirstEnergy Corporation                             | 668,300        | 23,524,160    |                |       |
| Northeast Utilities                                 | 365,300        | 7,368,101     |                |       |
|   |                | 63,758,815    |                |       |
| <b>Food &amp; Staples Retailing — 2.03%</b>         |                |               |                |       |
| Albertson's Inc.                                    | 518,900        | \$ 11,753,085 |                |       |
| Safeway Inc. (a)                                    | 218,800        | 4,793,908     |                |       |
|   |                | 16,546,993    |                |       |
| <b>Food Products — 0.96%</b>                        |                |               |                |       |
| Del Monte Foods Company (a)                         | 452,300        | 4,703,920     |                |       |
| Sara Lee Corporation                                | 142,700        | 3,098,017     |                |       |
|   |                | 7,801,937     |                |       |
| <b>Gas Utilities — 0.17%</b>                        |                |               |                |       |
| Sempra Energy                                       | 45,400         | 1,364,724     |                |       |
| <b>Health Care Equipment &amp; Supplies — 0.61%</b> |                |               |                |       |
| Bausch & Lomb, Inc.                                 | 96,100         | 4,987,590     |                |       |
| <b>Health Care Providers &amp; Services — 5.68%</b> |                |               |                |       |
| Aetna Inc.  | 329,200.00     | 22,247,336    |                |       |
| Tenet Healthcare Corporation (a)                    | 1,499,900.00   | 24,073,395    |                |       |
|   |                | 46,320,731    |                |       |
| <b>Hotels, Restaurants &amp; Leisure — 8.60%</b>    |                |               |                |       |
| Jack in the Box, Inc. (a)                           | 335,700        | 7,170,552     |                |       |
| La Quinta Properties Inc. (a)                       | 2,426,000      | 15,550,660    |                |       |
| Mandalay Resort Group                               | 527,400        | 23,585,328    |                |       |
| Park Place Entertainment Corporation (a)            | 741,000        | 8,025,030     |                |       |
| Yum! Brands, Inc. (a)                               | 461,600        | 15,879,040    |                |       |
|   |                | 70,210,610    |                |       |
| <b>Household Durables — 4.25%</b>                   |                |               |                |       |
| Centex Corporation                                  | 116,100        | 12,498,165    |                |       |
| Furniture Brands International, Inc.                | 303,200        | 8,892,856     |                |       |
| Toll Brothers Inc. (a)                              | 334,600        | 13,303,696    |                |       |
|   |                | 34,694,717    |                |       |
| <b>Insurance — 9.45%</b>                            |                |               |                |       |
| Allmerica Financial Corporation                     | 927,200        | 28,529,944    |                |       |
| CNA Financial Corporation (a)                       | 497,724        | 11,995,148    |                |       |
| Lincoln National Corporation                        | 379,700        | 15,328,489    |                |       |
| The St. Paul Companies, Inc.                        | 537,400        | 21,307,910    |                |       |
|   |                | 77,161,491    |                |       |

See Notes to the Financial Statements

# Schedule of Investments — December 31, 2003

## Mid-Cap Value Fund

|   | Shares<br>Held | Value             |
|---|----------------|-------------------|
| <b>IT Services — 4.66%</b>                      |                |                   |
| Electronic Data Systems Corporation             | 1,549,900      | \$ 38,034,546     |
| <b>Leisure Equipment &amp; Products — 2.86%</b> |                |                   |
| Brunswick Corporation                           | 269,800        | 8,587,734         |
| Eastman Kodak Company                           | 575,300        | 14,767,951        |
|   |                | <u>23,355,685</u> |
| <b>Metals &amp; Mining — 0.57%</b>              |                |                   |
| Alcan, Inc.                                     | 98,800         | 4,638,660         |
| <b>Multiline Retail — 7.74%</b>                 |                |                   |
| J.C. Penney Company, Inc.                       | 1,111,000      | 29,197,080        |
| Sears, Roebuck & Company                        | 747,400        | 33,999,226        |
|   |                | <u>63,196,306</u> |
| <b>Oil &amp; Gas — 5.09%</b>                    |                |                   |
| Ashland Inc.                                    | 63,200         | 2,784,592         |
| Sunoco, Inc.                                    | 311,944        | 15,955,936        |
| Teekay Shipping Corporation                     | 350,600        | 19,994,718        |
| Valero Energy Corporation                       | 60,900         | 2,822,106         |
|   |                | <u>41,557,352</u> |
| <b>Real Estate — 10.16%</b>                     |                |                   |
| AMB Property Corporation                        | 257,300        | 8,460,024         |
| American Financial Reality                      | 1,006,900      | 17,167,645        |
| Friedman Billings Ramsey Group                  | 188,000        | 4,339,040         |
| LNR Property Corporation                        | 361,900        | 17,917,669        |
| MI Developments (a)                             | 903,900        | 25,236,888        |
| ST Joe Company                                  | 146,900        | 5,477,901         |
| Ventas, Inc.                                    | 197,200        | 4,338,400         |
|   |                | <u>82,937,567</u> |
| <b>Road &amp; Rail — 1.53%</b>                  |                |                   |
| CSX Corporation                                 | 348,400        | 12,521,496        |
| <b>Software — 3.52%</b>                         |                |                   |
| BMC Software Inc. (a)                           | 236,600        | 4,412,590         |
| Computer Associates International, Inc.         | 783,400        | 21,418,156        |
| Parametric Technical Corporation (a)            | 735,000        | 2,895,900         |
|   |                | <u>28,726,646</u> |

|   | Shares<br>Held | Value                              |
|---|----------------|------------------------------------|
| <b>Specialty Retail — 2.30%</b>                             |                |                                    |
| Foot Locker, Inc.   | 802,200        | \$ 18,811,590                      |
| <b>Textiles, Apparel &amp; Luxury Goods — 1.52%</b>         |                |                                    |
| Jones Apparel Group   | 240,500        | 8,472,815                          |
| Reebok International Limited                                | 100,000        | 3,932,000                          |
|   |                | <u>12,404,815</u>                  |
| <b>Tobacco — 0.53%</b>                                      |                |                                    |
| Loews Corporation — Carolina Group                          | 171,100        | 4,318,564                          |
| Total investments — 96.98%                                  |                |                                    |
|   |                | (Cost — \$651,015,598) 791,492,122 |
| Time deposit* — 3.94% 28,008,077                            |                |                                    |
| Liabilities in excess of other assets — (0.92)% (3,359,693) |                |                                    |
| <u>Net Assets — 100.00% \$816,140,506</u>                   |                |                                    |

(a) — Non-income producing security.

\* — Time deposit bears interest at 0.35% and matures on 01/02/2004.

See Notes to the Financial Statements

# Schedule of Investments — December 31, 2003

## Small Cap Value Fund

| <b>COMMON STOCKS — 97.86%</b>                       | Shares<br>Held | Value        | Shares<br>Held | Value         |
|---|----------------|--------------|----------------|---------------|
| <b>Airlines — 2.75%</b>                             |                |              |                |               |
| Airtran Holdings Inc. (a)                           | 526,100        | \$ 6,260,590 |                |               |
| Atlantic Coast Airlines (a)                         | 759,000        | 7,514,100    |                |               |
|   |                | 13,774,690   |                |               |
| <b>Chemicals — 4.93%</b>                            |                |              |                |               |
| Agrium Inc.   | 207,800        | 3,420,388    |                |               |
| Celanese AG   | 116,240        | 4,729,806    |                |               |
| FMC Corporation (a)                                 | 222,300        | 7,587,099    |                |               |
| IMC Global, Inc. (a)                                | 630,800        | 6,263,844    |                |               |
| Millennium Chemicals (a)                            | 209,000        | 2,650,120    |                |               |
|   |                | 24,651,257   |                |               |
| <b>Commercial Services &amp; Supplies — 12.09%</b>  |                |              |                |               |
| Bowne & Company, Inc.                               | 597,200        | 8,098,032    |                |               |
| Heidrick & Struggles International, Inc. (a)        | 444,400        | 9,687,920    |                |               |
| Ikon Office Solutions Inc.                          | 210,000        | 2,490,600    |                |               |
| Kelly Services Inc.                                 | 370,200        | 10,565,508   |                |               |
| Mac-Gray Corporation (a)                            | 40,300         | 217,620      |                |               |
| Spherion Corporation (a)                            | 1,213,800      | 11,883,102   |                |               |
| Valassis Communications, Inc. (a)                   | 597,600        | 17,539,560   |                |               |
|   |                | 60,482,342   |                |               |
| <b>Consumer Finance — 0.41%</b>                     |                |              |                |               |
| Americredit Corporation (a)                         | 128,300        | 2,043,819    |                |               |
| <b>Electric Utilities — 3.47%</b>                   |                |              |                |               |
| Alliant Energy Corporation                          | 359,000        | 8,939,100    |                |               |
| Northeast Utilities                                 | 416,700        | 8,404,839    |                |               |
|   |                | 17,343,939   |                |               |
| <b>Food &amp; Staples Retailing — 2.82%</b>         |                |              |                |               |
| BJ's Wholesale Club (a)                             | 398,300        | 9,144,968    |                |               |
| Pathmark Stores Inc. (a)                            | 652,600        | 4,959,760    |                |               |
|   |                | 14,104,728   |                |               |
| <b>Food Products — 0.49%</b>                        |                |              |                |               |
| Del Monte Foods Company (a)                         | 234,000        | 2,433,600    |                |               |
| <b>Health Care Equipment &amp; Supplies — 0.42%</b> |                |              |                |               |
| Bausch & Lomb, Inc.                                 | 40,900         | 2,122,710    |                |               |
| <b>Health Care Providers &amp; Services — 4.45%</b> |                |              |                |               |
| Lifepoint Hospitals (a)                             |                |              | 386,600        | \$ 11,385,370 |
| US Oncology, Inc. (a)                               |                |              | 1,010,255      | 10,870,344    |
|   |                |              |                | 22,255,714    |
| <b>Hotels, Restaurants &amp; Leisure — 9.92%</b>    |                |              |                |               |
| Isle of Capri Casinos, Inc. (a)                     |                |              | 190,600        | 4,092,182     |
| Jack in the Box, Inc. (a)                           |                |              | 715,100        | 15,274,536    |
| La Quinta Properties Inc. (a)                       |                |              | 1,714,300      | 10,988,663    |
| Magna Entertainment Corporation (a)                 |                |              | 491,600        | 2,492,412     |
| Mandalay Resort Group                               |                |              | 278,000        | 12,432,160    |
| Papa Johns International (a)                        |                |              | 130,400        | 4,352,752     |
|   |                |              |                | 49,632,705    |
| <b>Household Durables — 11.17%</b>                  |                |              |                |               |
| Beazer Homes USA, Inc.                              |                |              | 207,100        | 20,225,386    |
| Brookfield Homes Corporation                        |                |              | 350,400        | 9,029,808     |
| Furniture Brands International, Inc.                |                |              | 219,300        | 6,432,069     |
| Toll Brothers, Inc. (a)                             |                |              | 199,300        | 7,924,168     |
| WCI Communities Inc. (a)                            |                |              | 598,200        | 12,328,902    |
|   |                |              |                | 55,940,333    |
| <b>Insurance — 5.75%</b>                            |                |              |                |               |
| Allmerica Financial Corporation                     |                |              | 739,200        | 22,745,184    |
| United National Group (a)                           |                |              | 338,700        | 5,984,829     |
|   |                |              |                | 28,730,013    |
| <b>IT Services — 2.07%</b>                          |                |              |                |               |
| Bearingpoint Inc. (a)                               |                |              | 1,027,300      | 10,365,457    |
| <b>Machinery — 0.47%</b>                            |                |              |                |               |
| Joy Global, Inc.                                    |                |              | 89,800         | 2,348,270     |
| <b>Marine — 1.12%</b>                               |                |              |                |               |
| Alexander & Baldwin Inc.                            |                |              | 166,100        | 5,595,909     |
| <b>Media — 1.00%</b>                                |                |              |                |               |
| R.H. Donnelley Corporation (a)                      |                |              | 125,000        | 4,980,000     |
| <b>Multi-Utilities — 1.04%</b>                      |                |              |                |               |
| Sierra Pacific Resources (a)                        |                |              | 710,600        | 5,215,804     |

See Notes to the Financial Statements

# Schedule of Investments — December 31, 2003

## Small Cap Value Fund

|                              | Shares<br>Held | Value        |
|------------------------------|----------------|--------------|
| <b>Oil &amp; Gas — 3.97%</b> |                |              |
| Ashland Inc.                 | 58,400         | \$ 2,573,104 |
| Overseas Shipholding Group   | 166,600        | 5,672,730    |
| Stellmar Shipping Limited    | 327,700        | 7,163,522    |
| Teekay Shipping Corporation  | 78,800         | 4,493,964    |
|                              |                | 19,903,320   |

|  |         |            |
|--|---------|------------|
| <b>Real Estate — 15.95%</b>              |         |            |
| AMB Property Corporation                 | 71,700  | 2,357,496  |
| American Financial Realty                | 92,800  | 1,582,240  |
| American Financial Realty Trust 144A (r) | 488,000 | 8,320,400  |
| Arden Realty Group, Inc.                 | 137,800 | 4,180,852  |
| Fieldstone Investment 144A (a) (r)       | 542,400 | 9,085,200  |
| First Industrial Realty Trust            | 42,900  | 1,447,875  |
| Friedman Billings Ramsey Group           | 273,520 | 6,312,842  |
| LNR Property Corporation                 | 383,500 | 18,987,085 |
| MI Developments Inc. (a)                 | 859,500 | 23,997,240 |
| ST Joe Company                           | 78,900  | 2,942,181  |
| Winston Hotels, Inc.                     | 61,000  | 622,200    |
|  |         | 79,835,611 |

|                                |         |           |
|--------------------------------|---------|-----------|
| <b>Road &amp; Rail — 0.93%</b> |         |           |
| USF Corporation                | 136,400 | 4,663,516 |

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| <b>Software — 1.90%</b>               |           |           |
| Activision Inc. (a)                   | 4,200     | 76,440    |
| Compuware Corporation (a)             | 527,500   | 3,186,100 |
| Parametric Technology Corporation (a) | 1,589,043 | 6,260,829 |
|                                       |           | 9,523,369 |

|                                 |         |            |
|---------------------------------|---------|------------|
| <b>Specialty Retail — 3.83%</b> |         |            |
| Foot Locker, Inc.               | 368,900 | 8,650,705  |
| Genesco, Inc. (a)               | 462,600 | 6,999,138  |
| Stage Stores, Inc. (a)          | 126,000 | 3,515,400  |
|                                 |         | 19,165,243 |

|   |           |            |
|---|-----------|------------|
| <b>Textiles, Apparel &amp; Luxury Goods — 4.31%</b> |           |            |
| Warnaco Group Inc. (a)                              | 1,352,400 | 21,570,780 |

|   | Shares<br>Held | Value        |
|---|----------------|--------------|
| <b>Thriffs &amp; Mortgage Finance — 1.52%</b> |                |              |
| Berkshire Hills Bancorp Inc.                  | 53,168         | \$ 1,924,682 |
| Klamath First Bancorp Inc.                    | 135,300        | 3,590,862    |
| Timberland Bancorp                            | 92,800         | 2,105,631    |
|   |                | 7,621,175    |

|  |           |                        |
|--|-----------|------------------------|
| <b>Wireless Telecommunication Services — 1.08%</b> |           |                        |
| Metrocall Holdings Inc. (a)                        | 74,000.00 | 5,402,000              |
| Total investments — 97.86%                         |           |                        |
|  |           | (Cost — \$371,018,060) |
|  |           | 489,706,304            |
| Time deposit* — 3.03%                              |           |                        |
|  |           | 15,142,286             |
| Liabilities in excess of other assets — (0.89)%    |           |                        |
|  |           | (4,460,605)            |
| Net Assets — 100.00%                               |           |                        |
|  |           | \$500,387,985          |

(a) — Non-income producing security.

(r) — Restricted security. Purchased in a private placement transaction; resale to the public may require registration or be limited to qualified institutional buyers.

\* — Time deposit bears interest at 0.35% and matures on 01/02/2004.

See Notes to the Financial Statements

# Schedule of Investments — December 31, 2003

## All Cap Value Fund

| <b>COMMON STOCKS — 91.65%</b>                       | Shares Held | Value             |
|---|-------------|-------------------|
| <b>Chemicals — 0.09%</b>                            |             |                   |
| FMC Corporation (a)                                 | 1,300       | \$ 44,369         |
| <b>Commercial Services &amp; Supplies — 1.45%</b>   |             |                   |
| Cendant Corporation (a)                             | 7,300       | 162,571           |
| Waste Management Inc.                               | 18,900      | 559,440           |
|   |             | <u>722,011</u>    |
| <b>Computers &amp; Peripherals — 0.08%</b>          |             |                   |
| Gateway, Inc. (a)                                   | 8,800       | 40,480            |
| <b>Diversified Financial Services — 2.59%</b>       |             |                   |
| CIT Group Inc.                                      | 13,600      | 488,920           |
| Principal Financial Group                           | 24,200      | 800,294           |
|   |             | <u>1,289,214</u>  |
| <b>Health Care Providers &amp; Services — 4.84%</b> |             |                   |
| Tenet Healthcare (a)                                | 150,000     | 2,407,500         |
| <b>Hotels, Restaurants &amp; Leisure — 1.23%</b>    |             |                   |
| Mandalay Resort Group                               | 10,800      | 482,976           |
| Yum! Brands Inc. (a)                                | 3,700       | 127,280           |
|   |             | <u>610,256</u>    |
| <b>Household Durables — 7.14%</b>                   |             |                   |
| Toll Brothers, Inc. (a)                             | 14,600      | 580,496           |
| WCI Communities Inc. (a)                            | 143,900     | 2,965,779         |
|   |             | <u>3,546,275</u>  |
| <b>Industrial Conglomerates — 0.57%</b>             |             |                   |
| Tyco International Limited                          | 10,600      | 280,900           |
| <b>Insurance — 25.08%</b>                           |             |                   |
| Allmerica Financial Corporation                     | 228,700     | 7,037,099         |
| Metlife Inc.  | 58,400      | 1,966,328         |
| Prudential Financial                                | 46,700      | 1,950,659         |
| St Paul Companies Inc.                              | 38,200      | 1,514,630         |
|   |             | <u>12,468,716</u> |
| <b>IT Services — 6.78%</b>                          |             |                   |
| Electronic Data Systems                             | 137,400     | 3,371,796         |
| <b>Machinery — 0.79%</b>                            |             |                   |
| Miller Industries Inc. (a)                          | 52,100      | 391,271           |

|   | Shares Held | Value               |
|---|-------------|---------------------|
| <b>Metals &amp; Mining — 0.10%</b>                  |             |                     |
| Alcoa Inc.  | 1,300       | \$ 49,400           |
| <b>Multiline Retail — 17.70%</b>                    |             |                     |
| JC Penney Company, Inc.                             | 52,000      | 1,366,560           |
| Sears Roebuck & Company                             | 163,400     | 7,433,066           |
|   |             | <u>8,799,626</u>    |
| <b>Real Estate — 12.04%</b>                         |             |                     |
| American Financial Realty                           | 77,600      | 1,323,080           |
| American Financial Realty Trust 144A (r)            | 2,000       | 34,100              |
| Fieldstone Investment 144A (a) (r)                  | 168,900     | 2,829,075           |
| MI Developments (a)                                 | 64,400      | 1,798,048           |
|   |             | <u>5,984,303</u>    |
| <b>Software — 4.82%</b>                             |             |                     |
| Computer Associates International                   | 87,700      | 2,397,718           |
| <b>Textiles, Apparel &amp; Luxury Goods — 4.60%</b> |             |                     |
| Warnaco Group Inc.                                  | 143,400     | 2,287,230           |
| <b>Tobacco — 1.75%</b>                              |             |                     |
| Altria Group Inc.                                   | 16,000      | 870,720             |
| Total investments — 91.65%                          |             | 45,561,785          |
| (Cost — \$41,291,466)                               |             | 45,561,785          |
| Time deposit* — 7.52%                               |             | 3,739,947           |
| Other assets less liabilities — 0.83%               |             | 414,970             |
| Net Assets — 100.00%                                |             | <u>\$49,716,702</u> |

(a) — Non-income producing security.

(r) — Restricted security. Purchased in a private placement transaction; resale to the public may require registration or be limited to qualified institutional buyers.

\* — Time deposit bears interest at 0.35% and matures on 01/02/2004.

See Notes to the Financial Statements

# Statements of Assets and Liabilities

DECEMBER 31, 2003

(Unaudited)

|  | Large Cap Value Fund | Mid-Cap Value Fund   | Small Cap Value Fund | All Cap Value Fund  |
|--|----------------------|----------------------|----------------------|---------------------|
| <b>Assets:</b>   |                      |                      |                      |                     |
| Investments, at value*   | \$219,330,036        | \$791,492,122        | \$489,706,304        | \$45,561,785        |
| Time Deposit   | 13,985,892           | 28,008,077           | 15,142,286           | 3,739,947           |
| Dividends and interest receivable  | 362,462              | 1,025,312            | 419,959              | 62,603              |
| Receivable for investments sold  | 1,463,271            | 1,351,418            | 1,623,709            | 577,493             |
| Receivable for Fund shares sold  | 1,581,351            | 11,860,801           | 346,291              | 2,031,209           |
| Other assets   | —                    | —                    | —                    | 7,610               |
| Total assets   | <u>\$236,723,012</u> | <u>\$833,737,730</u> | <u>\$507,238,549</u> | <u>\$51,980,647</u> |
| <b>Liabilities:</b>  |                      |                      |                      |                     |
| Payable for investments purchased  | \$ 5,214,354         | \$ 16,381,137        | \$ 5,883,603         | \$ 2,210,789        |
| Payable for Fund shares repurchased  | 604,579              | 1,009,061            | 717,849              | 53,156              |
| Accrued expenses and other liabilities   | 67,989               | 207,026              | 249,112              | —                   |
| Total liabilities  | <u>5,886,922</u>     | <u>17,597,224</u>    | <u>6,850,564</u>     | <u>2,263,945</u>    |
| Net Assets   | <u>\$230,836,090</u> | <u>\$816,140,506</u> | <u>\$500,387,985</u> | <u>\$49,716,702</u> |
| <b>Net Assets consist of:</b>  |                      |                      |                      |                     |
| Paid in capital  | \$190,873,467        | \$674,226,489        | \$365,293,959        | \$45,424,492        |
| Undistributed investment income (accumulated investment loss) — net  | 38,469               | 115,435              | (515,801)            | 1,767               |
| Undistributed net realized gains on securities   | 272,671              | 1,322,059            | 16,921,583           | 20,124              |
| Net unrealized appreciation of securities  | 39,651,483           | 140,476,523          | 118,688,244          | 4,270,319           |
| Net assets   | <u>\$230,836,090</u> | <u>\$816,140,506</u> | <u>\$500,387,985</u> | <u>\$49,716,702</u> |
| <b>Calculation of Net Asset Value Per Share — Class A</b>  |                      |                      |                      |                     |
| Net Assets   | \$119,988,777        | \$261,520,071        | \$212,147,542        | \$21,382,974        |
| Shares Outstanding (unlimited shares \$0.001 par value authorized)   | 6,384,794            | 11,641,848           | 4,637,566            | 1,261,965           |
| Net asset value per share  | <u>\$ 18.79</u>      | <u>\$ 22.46</u>      | <u>\$ 45.75</u>      | <u>\$ 16.94</u>     |
| <b>Public Offering Price Per Share — Class A</b><br>(\$18.79 divided by .9475, \$22.46 divided by .9475, \$45.75 divided by .9475, \$16.94 divided by .9475) |                      |                      |                      |                     |
|  | <u>\$ 19.83</u>      | <u>\$ 23.71</u>      | <u>\$ 48.28</u>      | <u>\$ 17.88</u>     |
| <b>Calculation of Net Asset Value Per Share and Public Offering Price Per Share — Class B</b>  |                      |                      |                      |                     |
| Net Assets   | \$ 3,496,366         | \$ 28,099,226        | \$ 9,694,709         |                     |
| Shares Outstanding (unlimited shares \$0.001 par value authorized)   | 187,252              | 1,270,528            | 217,301              |                     |
| Net asset value per share  | <u>\$ 18.67</u>      | <u>\$ 22.12</u>      | <u>\$ 44.61</u>      |                     |
| <b>Calculation of Net Asset Value Per Share and Public Offering Price Per Share — Class C</b>  |                      |                      |                      |                     |
| Net Assets   | \$ 20,921,178        | \$ 85,869,614        | \$ 22,444,997        | \$ 9,264,986        |
| Shares Outstanding (unlimited shares \$0.001 par value authorized)   | 1,120,652            | 3,878,877            | 502,605              | 551,413             |
| Net asset value per share  | <u>\$ 18.67</u>      | <u>\$ 22.14</u>      | <u>\$ 44.66</u>      | <u>\$ 16.80</u>     |
| <b>Calculation of Net Asset Value Per Share and Public Offering Price Per Share — Class R</b>  |                      |                      |                      |                     |
| Net Assets   | \$ 58                | \$ 212,573           |                      |                     |
| Shares Outstanding (unlimited shares \$0.001 par value authorized)   | 3                    | 9,371                |                      |                     |
| Net asset value per share  | <u>\$ 19.00</u>      | <u>\$ 22.68</u>      |                      |                     |
| <b>Calculation of Net Asset Value Per Share and Public Offering Price Per Share — Class I</b>  |                      |                      |                      |                     |
| Net Assets   | \$ 86,429,711        | \$440,439,022        | \$256,100,737        | \$19,068,742        |
| Shares Outstanding (unlimited shares \$0.001 par value authorized)   | 4,594,976            | 19,558,132           | 5,638,783            | 1,131,267           |
| Net asset value per share  | <u>\$ 18.81</u>      | <u>\$ 22.52</u>      | <u>\$ 45.42</u>      | <u>\$ 16.86</u>     |
| *Cost of Investments   | <u>\$179,678,553</u> | <u>\$651,015,598</u> | <u>\$371,018,060</u> | <u>\$41,291,466</u> |

See Notes to the Financial Statements

# Statements of Operations

FOR THE SIX MONTHS ENDED DECEMBER 31, 2003

(Unaudited)

|   | Large Cap Value<br>Fund | Mid-Cap Value<br>Fund | Small Cap Value<br>Fund | All Cap Value<br>Fund |
|---|-------------------------|-----------------------|-------------------------|-----------------------|
| <b>Investment Income:</b>   |                         |                       |                         |                       |
| Income  |                         |                       |                         |                       |
| Dividends*  | \$ 1,383,113            | \$ 4,329,088          | \$ 2,009,516            | \$ 132,448            |
| Interest  | 19,084                  | 54,241                | 36,506                  | 2,041                 |
| Other   | —                       | 148                   | 39                      | —                     |
| Total Income  | <u>1,402,197</u>        | <u>4,383,477</u>      | <u>2,046,061</u>        | <u>134,489</u>        |
| <b>Expenses:</b>  |                         |                       |                         |                       |
| Advisory fees   | 514,912                 | 1,794,446             | 1,485,527               | 59,396                |
| Professional fees and expenses                                      | 14,281                  | 25,558                | 26,956                  | 6,497                 |
| Custodian fees and expenses   | 6,637                   | 19,467                | 13,773                  | 3,676                 |
| Transfer agent fees and expenses                                    | 95,572                  | 327,913               | 392,598                 | 17,147                |
| Accounting fees and expenses  | 35,514                  | 65,505                | 53,926                  | 20,710                |
| Administration fees   | 60,860                  | 212,022               | 176,231                 | 6,934                 |
| Trustees' fees and expenses   | 3,829                   | 11,891                | 9,946                   | 428                   |
| Reports to shareholders   | 6,402                   | 19,041                | 20,886                  | 399                   |
| Registration fees   | 21,941                  | 28,675                | 23,359                  | 16,316                |
| Distribution and service fees — Class A                             | 81,215                  | 172,497               | 220,388                 | 7,354                 |
| Distribution and service fees — Class B                             | 8,633                   | 97,184                | 37,311                  | —                     |
| Distribution and service fees — Class C                             | 41,471                  | 196,563               | 86,206                  | 12,427                |
| Distribution and service fees — Class R                             | —                       | 104                   | —                       | —                     |
| Other expenses  | 5,208                   | 15,537                | 14,753                  | 629                   |
| Total expenses  | 896,475                 | 2,986,403             | 2,561,860               | 151,913               |
| Less, expense waiver  | (45,581)                | —                     | —                       | (33,403)              |
| Net expenses  | <u>850,894</u>          | <u>2,986,403</u>      | <u>2,561,860</u>        | <u>118,510</u>        |
| Net investment income (loss)  | <u>551,303</u>          | <u>1,397,074</u>      | <u>(515,799)</u>        | <u>15,979</u>         |
| <b>Realized and Unrealized Gain on Investments:</b>                 |                         |                       |                         |                       |
| Net realized gains on securities                                    | 1,981,715               | 12,270,629            | 26,777,118              | 37,765                |
| Net change in unrealized<br>appreciation/depreciation of securities | <u>28,870,764</u>       | <u>115,793,054</u>    | <u>86,639,727</u>       | <u>3,991,814</u>      |
| Net gains on investments  | <u>30,852,479</u>       | <u>128,063,683</u>    | <u>113,416,845</u>      | <u>4,029,579</u>      |
| <b>Net Increase in Net Assets Resulting<br/>from Operations</b>     |                         |                       |                         |                       |
|   | <u>\$31,403,782</u>     | <u>\$129,460,757</u>  | <u>\$112,901,046</u>    | <u>\$4,045,558</u>    |
| *Net of Foreign Taxes Withheld                                      | \$ —                    | \$ 9,158              | \$ —                    | \$ —                  |

See Notes to the Financial Statements

# Statements of Changes in Net Assets

|   | <i>Large Cap Value Fund</i>                                   |                                     |
|---|---|-------------------------------------|
|   | <i>Six months ended<br/>December 31, 2003<br/>(unaudited)</i> | <i>Year ended<br/>June 30, 2003</i> |
| <b>Operations:</b>  |   |                                     |
| Net investment income (loss) .....  | \$ 551,303  | \$ 648,527                          |
| Net realized gains (losses) on securities .....   | 1,981,715   | 62,972                              |
| Net change in unrealized appreciation/depreciation of securities .....                      | 28,870,764  | 4,583,327                           |
| Net increase in net assets resulting from operations .....                                  | 31,403,782  | 5,294,826                           |
| <b>Dividends and Distributions to Shareholders :</b>  |   |                                     |
| Investment income — net:  |   |                                     |
| Class I .....   | (433,595)   | (402,376)                           |
| Class A .....   | (381,639)   | (104,103)                           |
| Class B .....   | (2,935)   | (1,610)                             |
| Class C .....   | (26,203)  | (5,830)                             |
| Class R .....   | —   | —                                   |
| Realized gain on investments — net:   |   |                                     |
| Class I .....   | (326,451)   | (2,763,994)                         |
| Class A .....   | (424,491)   | (593,175)                           |
| Class B .....   | (12,781)  | (16,162)                            |
| Class C .....   | (73,612)  | (82,303)                            |
| Class R .....   | —   | —                                   |
| Net decrease in net assets resulting from dividends and distributions to shareholders ..... | (1,681,707)   | (3,969,553)                         |
| <b>Capital Share Transactions:</b>  |   |                                     |
| Net increase in net assets derived from capital share transactions .....                    | 125,379,085   | 27,364,247                          |
| <b>Net Assets:</b>  |   |                                     |
| Total increase in net assets .....  | 155,101,160   | 28,689,520                          |
| Beginning of period .....   | 75,734,930  | 47,045,410                          |
| End of period* .....  | \$230,836,090   | \$75,734,930                        |
| * Undistributed investment income (accumulated investment loss) — net .....                 | \$ 38,469   | \$ 331,538                          |
| ^ Commencement of operations.   |   |                                     |

See Notes to the Financial Statements.

| <u>Mid-Cap Value Fund</u>                                     |                                     | <u>Small Cap Value Fund</u>                                   |                                     | <u>All Cap Value Fund</u>                                     |   |
|---|-------------------------------------|---|-------------------------------------|---|---|
| <i>Six months ended<br/>December 31, 2003<br/>(unaudited)</i> | <i>Year ended<br/>June 30, 2003</i> | <i>Six months ended<br/>December 31, 2003<br/>(unaudited)</i> | <i>Year ended<br/>June 30, 2003</i> | <i>Six months ended<br/>December 31, 2003<br/>(unaudited)</i> | <i>Period<br/>December 31, 2002<sup>^</sup><br/>through June 30, 2003</i> |
| \$ 1,397,074  | \$ 971,058                          | \$ (515,799)  | \$ 351,737                          | \$ 15,979   | \$ 3,113  |
| 12,270,629  | (290,749)                           | 26,777,118  | 3,442,200                           | 37,765  | 15,113  |
| <u>115,793,054</u>  | <u>22,562,435</u>                   | <u>86,639,727</u>   | <u>25,466,956</u>                   | <u>3,991,814</u>  | <u>278,505</u>  |
| <u>129,460,757</u>  | <u>23,242,744</u>                   | <u>112,901,046</u>  | <u>29,260,893</u>                   | <u>4,045,558</u>  | <u>296,731</u>  |
| (1,368,966)   | (282,763)                           | (113,240)   | (166,924)                           | (11,531)  | —   |
| (586,975)   | (61,148)                            | —   | (76,338)                            | (5,272)   | —   |
| —   | —                                   | —   | (1,797)                             | —   | —   |
| (16,323)  | —                                   | —   | (2,813)                             | (522)   | —   |
| (390)   | —                                   | —   | —                                   | —   | —   |
| (5,828,933)   | (1,750,822)                         | (4,556,092)   | —                                   | (14,502)  | —   |
| (3,336,453)   | (595,947)                           | (3,814,481)   | —                                   | (12,762)  | —   |
| (395,838)   | (224,549)                           | (174,267)   | —                                   | —   | —   |
| (1,107,621)   | (207,278)                           | (409,097)   | —                                   | (5,490)   | —   |
| (1,658)   | —                                   | —   | —                                   | —   | —   |
| <u>(12,643,157)</u>   | <u>(3,122,507)</u>                  | <u>(9,067,177)</u>  | <u>(247,872)</u>                    | <u>(50,079)</u>   | <u>—</u>  |
| <u>447,988,002</u>  | <u>128,236,404</u>                  | <u>135,300,872</u>  | <u>116,899,975</u>                  | <u>42,161,456</u>   | <u>3,263,036</u>  |
| 564,805,602   | 148,356,641                         | 239,134,741   | 145,912,996                         | 46,156,935  | 3,559,767   |
| <u>251,334,904</u>  | <u>102,978,263</u>                  | <u>261,253,244</u>  | <u>115,340,248</u>                  | <u>3,559,767</u>  | <u>—</u>  |
| <u>\$816,140,506</u>  | <u>\$251,334,904</u>                | <u>\$500,387,985</u>  | <u>\$261,253,244</u>                | <u>\$49,716,702</u>   | <u>\$3,559,767</u>  |
| <u>\$ 115,435</u>   | <u>\$ 691,015</u>                   | <u>\$ (515,801)</u>   | <u>\$ 113,238</u>                   | <u>\$ 1,767</u>   | <u>\$ 3,113</u>   |

See Notes to the Financial Statements.







## Financial Highlights

The following per share data and ratios have been derived from information provided in the financial statements.

|  | Net asset value, beginning of period | Income from investment operations |   |                                  | Dividends and distributions            |                                    |                     | Net asset value, end of period | Total return <sup>2</sup>          | Net assets, end of period (in thousands) | Ratios to Average Net Assets   |                    |   |
|--|--------------------------------------|-----------------------------------|---|----------------------------------|--|------------------------------------|---------------------|--------------------------------|------------------------------------|--|--------------------------------|--------------------|---|
|  |                                      | Net investment income             | Net gains (losses) on securities (both realized and unrealized) | Total from investment operations | Dividends (from net investment income) | Distributions (from capital gains) | Total distributions |                                |                                    |  | Expenses, net of reimbursement | Expenses           | Investment income — net                                     |
| <b>All Cap Value Fund</b>                    |                                      |                                   |   |                                  |  |                                    |                     |                                |                                    |  |                                |                    |   |
| <b>Class I</b>                               |                                      |                                   |   |                                  |  |                                    |                     |                                |                                    |  |                                |                    |   |
| Six months ended 12/31/2003*                 | \$12.58                              | \$0.01                            | \$4.29  | \$4.30                           | \$(0.01)                               | \$(0.01)                           | \$(0.02)            | \$16.86                        | 34.21%                             | \$19,069                                 | 1.23% <sup>3</sup>             | 1.65% <sup>3</sup> | 0.45% <sup>3</sup>  |
| Period 12/31/2002 <sup>1</sup> to 6/30/2003  | 10.00                                | 0.01                              | 2.57  | 2.58                             | —                                      | —                                  | —                   | 12.58                          | 25.80                              | 3,560                                    | 1.10 <sup>3</sup>              | 5.84 <sup>3</sup>  | 0.47 <sup>3</sup>   |
| <b>Class A</b>                               |                                      |                                   |   |                                  |  |                                    |                     |                                |                                    |  |                                |                    |   |
| Six months ended 12/31/2003*                 | 12.62                                | 0.01                              | 4.33  | 4.34                             | (0.01)                                 | (0.01)                             | (0.02)              | 16.94                          | 34.37                              | 21,383                                   | 1.48 <sup>3</sup>              | 1.90 <sup>3</sup>  | 0.20 <sup>3</sup>   |
| Period 12/31/2002 <sup>1</sup> to 6/30/2003  | 10.00                                | 0.03                              | 2.59  | 2.62                             | —                                      | —                                  | —                   | 12.62                          | 26.20                              | —  | 1.10 <sup>3</sup>              | 5.84 <sup>3</sup>  | 0.47 <sup>3</sup>   |
| <b>Class C</b>                               |                                      |                                   |   |                                  |  |                                    |                     |                                |                                    |  |                                |                    |   |
| Period 8/28/2003 <sup>1</sup> to 12/31/2003* | 14.32                                | (0.01)                            | 2.50  | 2.49                             | —                                      | (0.01)                             | (0.01)              | 16.80                          | 17.42                              | 9,265                                    | 2.22 <sup>3</sup>              | 2.64 <sup>3</sup>  | (0.54) <sup>3</sup>   |
|  |                                      |                                   |   |                                  |  |                                    |                     |                                | Six months ended December 31, 2003 |  |                                |                    | Period December 31, 2002 <sup>1</sup> through June 30, 2003 |
| <b>Portfolio turnover rate</b>               |                                      |                                   |   |                                  |  |                                    |                     |                                | 6%                                 |  |                                |                    | 11%   |

<sup>1</sup> Commencement of operations.

<sup>2</sup> Total returns exclude the effects of sales charges. The Fund's investment advisor waived a portion of its advisory fee and reimbursed a portion of the Fund's expenses. Without such waiver and reimbursement, the Fund's performance would have been lower.

<sup>3</sup> Annualized.

\*Unaudited.

See Notes to the Financial Statements

# Notes to the Financial Statements

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DECEMBER 31, 2003

(Unaudited)

## NOTE 1.

**Organization and Significant Accounting Policies.** Hotchkis and Wiley Funds (the “Trust”) is registered under the Investment Company Act of 1940 as an open-end, management investment company. The Trust was organized as a Delaware statutory trust on July 23, 2001 and consists of four series of shares. The Hotchkis and Wiley Large Cap Value Fund, the Hotchkis and Wiley Mid-Cap Value Fund and the Hotchkis and Wiley Small Cap Value Fund (collectively, the “H&W Funds”) are diversified series and the Hotchkis and Wiley All Cap Value Fund (together with the H&W Funds, hereafter referred to as the “Funds”) is a non-diversified series of the Trust. The Trust was organized to acquire the assets and liabilities of the Mercury HW Large Cap Value Fund, the Mercury HW Mid-Cap Value Fund and the Mercury HW Small Cap Value Fund (the “Mercury HW Funds”). On February 4, 2002, the Mercury HW Funds were reorganized into the Trust through a non-taxable exchange. These financial statements include operating results, changes in net assets and financial highlights of the Mercury HW Funds prior to the reorganization.

The Large Cap Value Fund and Mid-Cap Value Fund have five classes of shares: Class A, Class B, Class C, Class I and Class R. The Small Cap Value Fund and All Cap Value Fund have four classes of shares: Class A, Class B, Class C and Class I. The All Cap Value Fund has issued only Class I, Class A and Class C shares. Class A shares are sold with a front-end sales charge. Class B and Class C shares may be subject to a contingent deferred sales charge. All classes of shares have identical voting, dividend, liquidation and other rights and the same terms and conditions, except that Class A, Class B, Class C and Class R shares bear certain expenses related to the distribution and servicing fees of such shares. Each class has exclusive voting rights with respect to matters relating to its distribution and servicing expenditures (except that Class B shares have certain voting rights with respect to Class A distribution and servicing expenditures).

The Funds’ unaudited financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which may require the use of management accruals and estimates. The following is a summary of significant accounting policies followed by the Funds.

**Security Valuation:** Portfolio securities that are listed on a securities exchange (whether domestic or foreign) or The Nasdaq Stock Market (“NSM”) are valued at the last sale price (or official closing price) on that day as of the close of the New York Stock Exchange (which is generally 4:00 p.m. New York time), or, in the absence of recorded sales, at the average of readily available closing bid and asked prices on such exchange or NSM. Unlisted equity securities that are not included in NSM are valued at the average of the quoted bid and asked price in the over-the-counter market. Fixed-income securities are normally valued on the basis of quotes obtained from broker/dealers or pricing services. Short-term investments which mature in less than 60 days are valued at amortized cost, which approximates fair value. Investments quoted in foreign currency are valued daily in U.S. dollars on the basis of the foreign currency exchange rate prevailing at the time of valuation. Securities and assets for which market value quotations are not available are valued at their fair value as determined in good faith by or under the direction of the Trust’s Board of Trustees.

**Federal Income Taxes:** It is each Fund’s policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and each Fund intends to distribute substantially all of its investment company net taxable income and net capital gains to shareholders. Therefore, no federal income tax provision is required. Under the applicable foreign tax law, a withholding tax may be imposed on interest, dividends and capital gains at various rates.

**Income and Expense Allocation:** Common expenses incurred by the Trust which are not allocable to a specific Fund are allocated among the Funds based upon relative net assets or evenly, depending on the nature of the expenditure. Net

investment income, other than class-specific expenses, and realized and unrealized gains and losses are allocated daily to each class of shares based upon the relative net asset value of outstanding shares of each class of shares at the beginning of the day (after adjusting for the current day's capital share activity of the respective class).

**Dividends and Distributions to Shareholders:** Dividends from net investment income are declared and paid semi-annually for the Large Cap Value Fund and annually for the Mid-Cap Value Fund, Small Cap Value Fund and All Cap Value Fund. Distributions of net realized capital gains, if any, will be declared and paid at least annually.

**Security Transactions and Investment Income:** Security and shareholder transactions are recorded on trade date. Realized gains and losses on sales of investments are calculated on the identified cost basis. Dividend income and dividends and distributions to shareholders are recorded on the ex-dividend date. Interest income is recognized on the accrual basis. Generally accepted accounting principles require that permanent financial reporting and tax differences relating to shareholder distributions be reclassified within the capital accounts.

**NOTE 2.**

**Investment Advisory Agreements and Transactions with Affiliates.** The Trust has entered into an Investment Advisory Agreement for each of the Funds with Hotchkis and Wiley Capital Management, LLC (the "Advisor"), with which certain officers and a Trustee of the Trust are affiliated. The Advisor is a limited liability company, the primary members of which are HWCap Holdings, a limited liability company whose members are employees of the Advisor, and Stephens Group, Inc. and affiliates, which is a diversified holding company. The Advisor is responsible for the management of the Funds' investments and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. The Advisor receives a fee, computed daily and payable monthly, at the annual rates presented below as applied to each Fund's daily net assets. The Advisor has contractually agreed to pay all operating expenses in excess of the annual rates presented below as applied to such Fund's daily net assets through October 31, 2004. For the six-month period ended December 31, 2003, the Advisor waived expenses as follows:

|  | <i>Large Cap<br/>Value</i> | <i>Mid-Cap<br/>Value</i> | <i>Small Cap<br/>Value</i> | <i>All Cap<br/>Value</i> |
|--|----------------------------|--------------------------|----------------------------|--------------------------|
| Annual Advisory Rate . . . . .                       | 0.75%                      | 0.75%                    | 0.75%                      | 0.75%                    |
| Annual cap on expenses — Class I . . . . .           | 1.05%                      | 1.15%                    | 1.25%                      | 1.25%                    |
| Annual cap on expenses — Class A . . . . .           | 1.30%                      | 1.40%                    | 1.50%                      | 1.50%                    |
| Annual cap on expenses — Class B . . . . .           | 2.05%                      | 2.15%                    | 2.25%                      | Not applicable           |
| Annual cap on expenses — Class C . . . . .           | 2.05%                      | 2.15%                    | 2.25%                      | 2.25%                    |
| Annual cap on expenses — Class R . . . . .           | 1.55%                      | 1.65%                    | Not applicable             | Not applicable           |
| Investment advisory fees earned for period . . . . . | \$514,912                  | \$1,794,446              | \$1,485,527                | \$59,396                 |
| Investment advisory fees waived for period . . . . . | \$ 45,581                  | \$ 0                     | \$ 0                       | \$33,403                 |

The Trust has also entered into a Distribution Agreement with Stephens Inc. (the “Distributor” or “Stephens”), a wholly owned subsidiary of Stephens Group, Inc. and an affiliate of the Advisor. Pursuant to the Distribution Plan adopted by the Trust in accordance with Rule 12b-1 under the Investment Company Act of 1940, the Funds pay the Distributor ongoing distribution and service fees. The fees are accrued daily and paid monthly at the annual rates based upon the average daily net assets of the shares as follows:

|                   | <i>Distribution and Service<br/>Fee</i> |
|-------------------|---|
| Class A . . . . . | 0.25%                                   |
| Class B . . . . . | 1.00%                                   |
| Class C . . . . . | 1.00%                                   |
| Class R . . . . . | 0.50%                                   |

Pursuant to separate agreements with the Distributor, selected dealers and other financial intermediaries also provide distribution services to the Funds. The ongoing distribution and service fee compensates the Distributor and selected dealers for providing distribution-related and shareholder services to Class A, Class B, Class C and Class R shareholders.

For the six-month period ended December 31, 2003, Stephens earned underwriting concessions and dealer commissions on sales of the Funds’ shares as follows:

|  | <i>Underwriting<br/>Concessions</i> | <i>Dealer<br/>Commissions</i> |
|--|-------------------------------------|-------------------------------|
| Large Cap Value Fund — Class A . . . . . | \$ 6,851                            | \$16,568                      |
| Large Cap Value Fund — Class B . . . . . | —                                   | 2,148                         |
| Large Cap Value Fund — Class C . . . . . | —                                   | 892                           |
| Mid-Cap Value Fund — Class A . . . . .   | 35,694                              | 21,617                        |
| Mid-Cap Value Fund — Class B . . . . .   | —                                   | 7,627                         |
| Mid-Cap Value Fund — Class C . . . . .   | —                                   | 3,042                         |
| Small Cap Value Fund — Class A . . . . . | 8,099                               | 8,995                         |
| Small Cap Value Fund — Class B . . . . . | —                                   | 1,660                         |
| Small Cap Value Fund — Class C . . . . . | —                                   | 7,377                         |
| All Cap Value Fund — Class A . . . . .   | 8,207                               | 18,281                        |
| All Cap Value Fund — Class C . . . . .   | —                                   | 335                           |

Certain selected dealers and other financial intermediaries charge a fee for shareholder accounting services and administrative services that they provide to the Funds on behalf of certain shareholders; the portion of this fee paid by the Funds is included within transfer agent fees and expenses in the Statements of Operations.

The Trust has entered into an Administration Agreement with Stephens.

As permitted under Rule 10f-3 of the Investment Company Act of 1940, the Board of Trustees of the Trust has adopted procedures which allow the Funds, under certain conditions described in the Rule, to acquire newly issued securities from a member of an underwriting group in which an affiliated underwriter participates.

**NOTE 3.**

**Investments.** Purchases and sales of investment securities, excluding short-term investments, for the six-month period ended December 31, 2003 were as follows:

|                     | <i>Large Cap Value</i> | <i>Mid-Cap Value</i> | <i>Small Cap Value</i> | <i>All Cap Value</i> |
|---------------------|------------------------|----------------------|------------------------|----------------------|
| Purchases . . . . . | \$128,266,274          | \$518,055,496        | \$261,213,518          | \$39,088,236         |
| Sales . . . . .     | 9,827,819              | 92,921,660           | 136,035,898            | 1,015,103            |

The following information is presented on an income tax basis as of December 31, 2003:

|  | <i>Large Cap Value</i> | <i>Mid-Cap Value</i> | <i>Small Cap Value</i> | <i>All Cap Value</i> |
|--|------------------------|----------------------|------------------------|----------------------|
| Cost of investment . . . . .                       | \$180,452,929          | \$644,667,320        | \$371,128,895          | \$41,291,466         |
| Gross unrealized appreciation . . . . .            | 39,182,313             | 139,188,653          | 119,285,055            | 4,474,346            |
| Gross unrealized depreciation . . . . .            | (305,206)              | (922,248)            | (707,645)              | (204,026)            |
| Net unrealized appreciation on investments . . . . | 38,877,107             | 138,266,405          | 118,577,410            | 4,270,320            |
| Distributable ordinary income (as of 6/30/2003)    | 351,178                | 1,679,621            | 113,238                | 18,226               |
| Distributable long-term gains (as of 6/30/2003) .  | 183,903                | 551,858              | 8,233                  | —                    |

Any differences between book and tax are due primarily to wash sale losses and REITs tax adjustments.

The tax components of dividends paid during the six months ended December 31, 2003 and the fiscal year ended June 30, 2003, capital loss carryforwards as of June 30, 2003 and tax basis post-October losses as of June 30, 2003, which are not recognized for tax purposes until the first day of the following fiscal year, are:

|                           | <i>For the Six Months Ended<br/>December 31, 2003</i> |  | <i>For the Year Ended<br/>June 30, 2003</i>  |  |  |                                |
|---------------------------|---|--|--|--|--|--------------------------------|
|                           | <i>Ordinary<br/>Income<br/>Distributions</i>          | <i>Long-Term<br/>Capital Gains<br/>Distributions</i> | <i>Ordinary<br/>Income<br/>Distributions</i> | <i>Long-Term<br/>Capital Gains<br/>Distributions</i> | <i>Net Capital<br/>Loss<br/>Carryovers</i> | <i>Post-October<br/>Losses</i> |
| Large Cap Value . . . . . | \$ 1,064,764  | \$ 616,943   | \$ 717,539                                   | \$3,252,014  | —  | \$131,112                      |
| Mid-Cap Value . . . . .   | 10,760,064  | 1,883,093  | 1,815,502                                    | 1,307,005  | —  | 457,125                        |
| Small Cap Value . . . . . | 8,598,331   | 468,846  | 247,914                                      | —  | —  | 766,913                        |
| All Cap Value . . . . .   | 50,079  | —  | —  | —  | —  | —                              |

**NOTE 4.**

**Capital Share Transactions.** Transactions in capital shares for each class were as follows:

| <b>Large Cap Value Fund — Class I</b>   | <i>For the Six Months Ended<br/>December 31, 2003</i> |                          | <i>For the Year Ended<br/>June 30, 2003</i> |                          |
|---|---|--------------------------|---|--------------------------|
|   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> | <i>Shares</i>                               | <i>Dollar<br/>Amount</i> |
| Shares sold . . . . .   | 2,529,113   | \$ 42,962,208            | 958,573                                     | \$12,974,921             |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions . . . . . | 26,725  | 461,748                  | 180,419                                     | 2,311,235                |
| Total issued . . . . .  | 2,555,838   | 43,423,956               | 1,138,992                                   | 15,286,156               |
| Shares redeemed . . . . .   | (848,798)   | (14,325,347)             | (704,392)                                   | (9,286,493)              |
| Net increase . . . . .  | <u>1,707,040</u>                                      | <u>\$ 29,098,609</u>     | <u>434,600</u>                              | <u>\$ 5,999,663</u>      |

|   | <i>For the Six Months<br/>Ended December 31, 2003</i> |                          | <i>For the Year Ended<br/>June 30, 2003</i> |                          |
|---|---|--------------------------|---|--------------------------|
|   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> | <i>Shares</i>                               | <i>Dollar<br/>Amount</i> |
| <b>Large Cap Value Fund — Class A</b>   |   |                          |   |                          |
| Shares sold . . . . .   | 4,765,576   | \$81,663,612             | 1,677,326                                   | \$22,529,194             |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions . . . . . | <u>29,396</u>   | <u>516,588</u>           | <u>46,565</u>                               | <u>602,583</u>           |
| Total issued . . . . .  | 4,794,972   | 82,180,200               | 1,723,891                                   | 23,131,777               |
| Shares redeemed . . . . .   | <u>(292,796)</u>                                      | <u>(5,097,074)</u>       | <u>(250,968)</u>                            | <u>(3,345,649)</u>       |
| Net increase . . . . .  | <u>4,502,176</u>                                      | <u>\$77,083,126</u>      | <u>1,472,923</u>                            | <u>\$19,786,128</u>      |

|   | <i>For the Six Months<br/>Ended December 31, 2003</i> |                          | <i>For the Year Ended<br/>June 30, 2003</i> |                          |
|---|---|--------------------------|---|--------------------------|
|   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> | <i>Shares</i>                               | <i>Dollar<br/>Amount</i> |
| <b>Large Cap Value Fund — Class B</b>   |   |                          |   |                          |
| Shares sold . . . . .   | 160,036   | \$2,719,244              | 26,616                                      | \$355,640                |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions . . . . . | <u>236</u>  | <u>4,235</u>             | <u>200</u>                                  | <u>2,555</u>             |
| Total issued . . . . .  | 160,272   | 2,723,479                | 26,816                                      | 358,195                  |
| Shares redeemed . . . . .   | <u>(9,075)</u>  | <u>(153,025)</u>         | <u>(2,867)</u>                              | <u>(40,162)</u>          |
| Net increase . . . . .  | <u>151,197</u>  | <u>\$2,570,454</u>       | <u>23,949</u>                               | <u>\$318,033</u>         |

|   | <i>For the Six Months Ended<br/>December 31, 2003</i> |                          | <i>For the Year Ended<br/>June 30, 2003</i> |                          |
|---|---|--------------------------|---|--------------------------|
|   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> | <i>Shares</i>                               | <i>Dollar<br/>Amount</i> |
| <b>Large Cap Value Fund — Class C</b>   |   |                          |   |                          |
| Shares sold . . . . .   | 971,151   | \$16,791,916             | 113,232                                     | \$1,567,010              |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions . . . . . | <u>1,045</u>  | <u>18,699</u>            | <u>625</u>                                  | <u>8,043</u>             |
| Total issued . . . . .  | 972,196   | 16,810,615               | 113,857                                     | 1,575,053                |
| Shares redeemed . . . . .   | <u>(10,535)</u>                                       | <u>(183,769)</u>         | <u>(23,416)</u>                             | <u>(314,630)</u>         |
| Net increase . . . . .  | <u>961,661</u>  | <u>\$16,626,846</u>      | <u>90,441</u>                               | <u>\$1,260,423</u>       |

|   | <i>For the Period<br/>August 28, 2003* to<br/>December 31, 2003</i> |                          |
|---|---|--------------------------|
|   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> |
| <b>Large Cap Value Fund — Class R</b>   |   |                          |
| Shares sold . . . . .   | 3   | \$50                     |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions . . . . . | <u>—</u>  | <u>—</u>                 |
| Total issued . . . . .  | 3   | 50                       |
| Shares redeemed . . . . .   | <u>—</u>  | <u>—</u>                 |
| Net increase . . . . .  | <u>3</u>  | <u>\$50</u>              |

|   | <i>For the Six Months Ended<br/>December 31, 2003</i> |                          | <i>For the Year Ended<br/>June 30, 2003</i> |                          |
|---|---|--------------------------|---|--------------------------|
|   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> | <i>Shares</i>                               | <i>Dollar<br/>Amount</i> |
| <b>Mid-Cap Value Fund — Class I</b>   |   |                          |   |                          |
| Shares sold . . . . .   | 11,289,535  | \$227,625,765            | 7,534,883                                   | \$116,936,297            |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions . . . . . | <u>270,699</u>  | <u>5,828,154</u>         | <u>83,275</u>                               | <u>1,222,479</u>         |
| Total issued . . . . .  | 11,560,234  | 233,453,919              | 7,618,158                                   | 118,158,776              |
| Shares redeemed . . . . .   | <u>(1,207,179)</u>                                    | <u>(23,913,696)</u>      | <u>(2,160,651)</u>                          | <u>(31,957,281)</u>      |
| Net increase . . . . .  | <u>10,353,055</u>                                     | <u>\$209,540,223</u>     | <u>5,457,507</u>                            | <u>\$ 86,201,495</u>     |

|   | <i>For the Six Months Ended<br/>December 31, 2003</i> |                          | <i>For the Year Ended<br/>June 30, 2003</i> |                          |
|---|---|--------------------------|---|--------------------------|
|   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> | <i>Shares</i>                               | <i>Dollar<br/>Amount</i> |
| <b>Mid-Cap Value Fund — Class A</b>   |   |                          |   |                          |
| Shares sold . . . . .   | 8,829,744   | \$179,538,654            | 3,121,375                                   | \$ 46,963,574            |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions . . . . . | <u>123,175</u>  | <u>2,645,808</u>         | <u>23,292</u>                               | <u>341,695</u>           |
| Total issued . . . . .  | 8,952,919   | 182,184,462              | 3,144,667                                   | 47,305,269               |
| Shares redeemed . . . . .   | <u>(728,018)</u>                                      | <u>(14,622,789)</u>      | <u>(833,790)</u>                            | <u>(12,304,498)</u>      |
| Net increase . . . . .  | <u>8,224,901</u>                                      | <u>\$167,561,673</u>     | <u>2,310,877</u>                            | <u>\$ 35,000,771</u>     |

|   | <i>For the Six Months Ended<br/>December 31, 2003</i> |                          | <i>For the Year Ended<br/>June 30, 2003</i> |                          |
|---|---|--------------------------|---|--------------------------|
|   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> | <i>Shares</i>                               | <i>Dollar<br/>Amount</i> |
| <b>Mid-Cap Value Fund — Class B</b>   |   |                          |   |                          |
| Shares sold . . . . .   | 583,697   | \$11,652,493             | 335,558                                     | \$ 5,063,561             |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions . . . . . | <u>2,782</u>  | <u>58,844</u>            | <u>1,258</u>                                | <u>18,263</u>            |
| Total issued . . . . .  | 586,479   | 11,711,337               | 336,816                                     | 5,081,824                |
| Shares redeemed . . . . .   | <u>(97,251)</u>                                       | <u>(1,895,331)</u>       | <u>(230,008)</u>                            | <u>(3,469,681)</u>       |
| Net increase . . . . .  | <u>489,228</u>  | <u>\$ 9,816,006</u>      | <u>106,808</u>                              | <u>\$ 1,612,143</u>      |

|   | <i>For the Six Months Ended<br/>December 31, 2003</i> |                          | <i>For the Year Ended<br/>June 30, 2003</i> |                          |
|---|---|--------------------------|---|--------------------------|
|   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> | <i>Shares</i>                               | <i>Dollar<br/>Amount</i> |
| <b>Mid-Cap Value Fund — Class C</b>   |   |                          |   |                          |
| Shares sold . . . . .   | 3,036,307   | \$61,502,769             | 478,821                                     | \$ 7,399,015             |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions . . . . . | <u>14,236</u>   | <u>301,367</u>           | <u>2,916</u>                                | <u>42,397</u>            |
| Total issued . . . . .  | 3,050,543   | 61,804,136               | 481,737                                     | 7,441,412                |
| Shares redeemed . . . . .   | <u>(46,869)</u>                                       | <u>(933,561)</u>         | <u>(145,170)</u>                            | <u>(2,019,417)</u>       |
| Net increase . . . . .  | <u>3,003,674</u>                                      | <u>\$60,870,575</u>      | <u>336,567</u>                              | <u>\$ 5,421,995</u>      |

|   | <i>For the Period<br/>August 28, 2003* to<br/>December 31, 2003</i> |                          |   |                          |
|---|---|--------------------------|---|--------------------------|
| <b>Mid-Cap Value Fund — Class R</b>   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> |   |                          |
| Shares sold . . . . .   | 10,611  | \$227,284                |   |                          |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions . . . . . | 28  | 607                      |   |                          |
| Total issued . . . . .  | 10,639  | 227,891                  |   |                          |
| Shares redeemed . . . . .   | (1,268)   | (28,366)                 |   |                          |
| Net increase . . . . .  | 9,371   | \$199,525                |   |                          |
|   | <i>For the Six Months Ended<br/>December 31, 2003</i>               |                          | <i>For the Year Ended<br/>June 30, 2003</i> |                          |
| <b>Small Cap Value Fund — Class I</b>   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> | <i>Shares</i>                               | <i>Dollar<br/>Amount</i> |
| Shares sold . . . . .   | 2,366,394   | \$ 96,269,138            | 2,033,946                                   | \$ 58,869,044            |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions . . . . . | 50,225  | 2,225,455                | 1,898                                       | 52,963                   |
| Total issued . . . . .  | 2,416,619   | 98,494,593               | 2,035,844                                   | 58,922,007               |
| Shares redeemed . . . . .   | (734,389)   | (30,437,433)             | (1,140,825)                                 | (32,101,714)             |
| Net increase . . . . .  | 1,682,230   | \$ 68,057,160            | 895,019                                     | \$ 26,820,293            |
|   | <i>For the Six Months Ended<br/>December 31, 2003</i>               |                          | <i>For the Year Ended<br/>June 30, 2003</i> |                          |
| <b>Small Cap Value Fund — Class A</b>   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> | <i>Shares</i>                               | <i>Dollar<br/>Amount</i> |
| Shares sold . . . . .   | 1,984,610   | \$ 77,128,963            | 3,384,161                                   | \$100,487,276            |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions . . . . . | 61,517  | 2,755,914                | 2,100                                       | 89,552                   |
| Total issued . . . . .  | 2,046,127   | 79,884,877               | 3,386,261                                   | 100,576,828              |
| Shares redeemed . . . . .   | (602,822)   | (25,166,873)             | (617,272)                                   | (18,175,782)             |
| Net increase . . . . .  | 1,443,305   | \$ 54,718,004            | 2,768,989                                   | \$ 82,401,046            |
|   | <i>For the Six Months Ended<br/>December 31, 2003</i>               |                          | <i>For the Year Ended<br/>June 30, 2003</i> |                          |
| <b>Small Cap Value Fund — Class B</b>   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> | <i>Shares</i>                               | <i>Dollar<br/>Amount</i> |
| Shares sold . . . . .   | 94,417  | \$3,676,406              | 123,062                                     | \$3,598,196              |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions . . . . . | 551   | 24,001                   | 8   | 208                      |
| Total issued . . . . .  | 94,968  | 3,700,407                | 123,070                                     | 3,598,404                |
| Shares redeemed . . . . .   | (15,184)  | (597,124)                | (8,830)                                     | (254,072)                |
| Net increase . . . . .  | 79,784  | \$3,103,283              | 114,240                                     | \$3,344,332              |

|   | <i>For the Six Months Ended<br/>December 31, 2003</i> |                          | <i>For the Year Ended<br/>June 30, 2003</i> |                          |
|---|---|--------------------------|---|--------------------------|
|   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> | <i>Shares</i>                               | <i>Dollar<br/>Amount</i> |
| <b>Small Cap Value Fund — Class C</b>   |   |                          |   |                          |
| Shares sold   | 266,885   | \$10,159,345             | 200,496                                     | \$ 5,859,725             |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions | 2,459   | 107,194                  | 20  | 572                      |
| Total issued  | 269,344   | 10,266,539               | 200,516                                     | 5,860,297                |
| Shares redeemed   | (20,948)  | (844,114)                | (56,167)                                    | (1,525,993)              |
| Net increase  | <u>248,396</u>  | <u>\$ 9,422,425</u>      | <u>144,349</u>                              | <u>\$ 4,334,304</u>      |

|   | <i>For the Six Months Ended<br/>December 31, 2003</i> |                          | <i>For the Period<br/>December 31, 2002* to<br/>June 30, 2003</i> |                          |
|---|---|--------------------------|---|--------------------------|
|   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> | <i>Shares</i>   | <i>Dollar<br/>Amount</i> |
| <b>All Cap Value Fund — Class I</b>   |   |                          |   |                          |
| Shares sold   | 868,701   | \$13,755,662             | 283,080   | \$3,263,026              |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions | 1,595   | 26,033                   | —   | —                        |
| Total issued  | 870,296   | 13,781,695               | 283,080   | 3,263,026                |
| Shares redeemed   | (22,109)  | (355,961)                | —   | —                        |
| Net increase  | <u>848,187</u>  | <u>\$13,425,734</u>      | <u>283,080</u>  | <u>\$3,263,026</u>       |

|   | <i>For the Six Months Ended<br/>December 31, 2003</i> |                          | <i>For the Period<br/>December 31, 2002* to<br/>June 30, 2003</i> |                          |
|---|---|--------------------------|---|--------------------------|
|   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> | <i>Shares</i>   | <i>Dollar<br/>Amount</i> |
| <b>All Cap Value Fund — Class A</b>   |   |                          |   |                          |
| Shares sold   | 1,301,278   | \$20,697,437             | 1   | \$10                     |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions | 665   | 10,911                   | —   | —                        |
| Total issued  | 1,301,943   | 20,708,348               | 1   | 10                       |
| Shares redeemed   | (39,979)  | (643,970)                | —   | —                        |
| Net increase  | <u>1,261,964</u>                                      | <u>\$20,064,378</u>      | <u>1</u>  | <u>\$10</u>              |

|   | <i>For the Period<br/>August 28, 2003* to<br/>December 31, 2003</i> |                          |
|---|---|--------------------------|
|   | <i>Shares</i>   | <i>Dollar<br/>Amount</i> |
| <b>All Cap Value Fund — Class C</b>   |   |                          |
| Shares sold   | 552,738   | \$8,692,611              |
| Shares issued to shareholders in reinvestment of dividends<br>and distributions | 33  | 531                      |
| Total issued  | 552,771   | 8,693,142                |
| Shares redeemed   | (1,358)   | (21,798)                 |
| Net increase  | <u>551,413</u>  | <u>\$8,671,344</u>       |

\* Commencement of operations.

**NOTE 5.**

**Indemnifications.** Under the Trust's organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the Funds. In addition, in the normal course of business the Trust enters into contracts that contain a variety of representations and warranties, which provide general indemnifications. The Funds' maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Funds. However, the Funds expect the risk of loss to be remote.

**NOTE 6.**

**Subsequent Event.** Gail Bardin, co-manager for the Hotchkis and Wiley Large Cap Value Fund, will retire in April 2004. She will remain as co-manager until the end of the first quarter. Effective April 1, 2004, George H. Davis Jr. will join Sheldon Lieberman as co-manager of the Hotchkis and Wiley Large Cap Value Fund. Mr. Davis' background information is included in The Management Team sections of the prospectuses under All Cap Value Fund.



**ADVISOR**

Hotchkis and Wiley Capital Management, LLC  
725 South Figueroa Street, 39th Floor  
Los Angeles, California 90017

**LEGAL COUNSEL**

Vedder, Price, Kaufman & Kammholz, P.C.  
222 North LaSalle Street  
Chicago, Illinois 60601

**INDEPENDENT ACCOUNTANTS**

PricewaterhouseCoopers LLP  
350 South Grand Avenue  
Los Angeles, California 90071

**DISTRIBUTOR AND ADMINISTRATOR**

Stephens Inc.  
111 Center Street, 14th Floor  
Little Rock, Arkansas 72201

**TRANSFER AGENT**

U.S. Bancorp Fund Services, LLC  
615 East Michigan Street  
Milwaukee, Wisconsin 53202

**CUSTODIAN**

Brown Brothers Harriman & Co.  
40 Water Street  
Boston, Massachusetts 02109

CODE #HWF-SAR-1203

*This report is for the information of shareholders of the Hotchkis and Wiley Funds, but may also be used as sales literature when preceded or accompanied by a current prospectus, which gives details about charges, expenses, investment objectives and operating policies of the Funds.*



**HOTCHKIS AND WILEY FUNDS**

725 SOUTH FIGUEROA STREET, 39th Floor  
LOS ANGELES, CALIFORNIA 90017-5439

[www.hwcm.com](http://www.hwcm.com)

1.866.HW.FUNDS (1.866.493.8637)

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