

Manager's Commentary

First Quarter 2020

“ We’re down...but we’re not out by a long shot!!! Fortunately, in the stock market, there are no 4th quarters, no final stretch, no final bell, no final round, no last play. There is always a new day, a new beginning, a new season, a potential change in direction. And, the stock market has a short memory.”

Published by Don Hodges/ Dallas Morning News - April 18, 2009

During the March quarter, the stock market and just about every aspect our of everyday life has been meaningfully disrupted by the world-wide spread of the Covid-19 virus. After the market hit record highs in February, we have witnessed one of the most rapid market declines in a generation as hysteria has resulted in indiscriminate selling and a dramatic reversal in investor sentiment. The reality is that the full human and economic toll from Covid-19 is still completely unknown and difficult to quantify.

As far as investing in common stocks, we are already seeing evidence that there will be a severe adverse impact to the earnings of many companies in the months ahead. While we are starting to see the economic toll that widespread layoffs and curtailed consumption will have on our local and global economy, the duration of this massive disruption is still unknown. Wall Street has a difficult time pricing the unknown into stock valuations and tends to overreact when discounting uncertainty into stock prices during times of crisis. What we do know is that this is not a financial crisis like 2008-2009. However, the spread of Covid-19 will change the behavior of the U.S. consumer and likely result in a temporary disruption in what had been one of the strongest economic expansions in the past 50 years.

As of March 31, 2020, the S&P 500 Index has declined by more than 24% from its February record high to finish the quarter down 19.6%. Small cap stocks at March 31, 2020 as measured by the Russell 2000 Index, experienced an even more profound selloff of roughly 32.8% from the markets February high to finish the quarter down 30.6%. In our opinion, most stocks have now largely priced in a severe but short recession in corporate earnings. We would emphasize that we do not know what the market may do in the short run and the current bear market may continue until Covid-19 fears are abated and economic visibility improves.

During this unprecedented market sell-off, the investment team at Hodges Capital is rigorously looking for bargains in businesses that we believe are well run and can control their own destiny by relying on ingenuity and well-calculated business decisions, rather than day-to-day momentum in the stock market. Given the sudden disruption to revenue and cash flow that has occurred across many businesses, we are to a great extent focused on analyzing balance sheets and are taking an extra measure of caution when it comes to investing in companies with high debt burdens.

In conclusion, we see the turbulent months ahead as an ideal environment for active portfolio managers to carefully select individual stocks that can endure the current period of uncertainty and potentially generate long-term value for our clients' portfolios.

Returns (Retail Class) as of 3/31/2020:

	3 Months	1 Year*	3 Year*	5 Year*	10 Year*	Since Inception*
Hodges Small Cap Fund (12/18/07)	-39.63%	-39.59%	-12.96%	-8.16%	5.11%	3.59%
Russell 2000® Index	-30.61%	-23.99%	-4.64%	-0.25%	6.90%	4.98%
Hodges Fund (10/9/92)	-44.27%	-16.05%	-19.77%	-9.02%	1.99%	6.56%
S&P 500® Index	-19.60%	-6.98%	5.10%	6.73%	10.53%	9.16%
Hodges Small Intrinsic Value Fund (12/26/13)	-46.23%	-38.53%	-15.66%	-8.97%	n/a	-3.96%
Russell 2000® Value Index	-35.66%	-29.64%	-9.51%	-2.42%	n/a	-0.97%
Russell 2000® Index	-30.61%	-23.99%	-4.64%	-0.25%	n/a	1.27%
Hodges Small Mid-Cap Fund (12/26/13)	-33.83%	-29.86%	-10.64%	-4.69%	n/a	-1.59%
Russell 2500® Index	-29.72%	-22.47%	-3.10%	0.49%	n/a	2.38%
Hodges Blue Chip Equity Income Fund (12/26/13)	-22.67%	-10.66%	2.34%	3.60%	8.12%	8.40%
Russell 1000® Index	-20.22%	-8.03%	4.64%	6.22%	10.39%	11.17%

*Average Annualized

	<u>HDP SX</u>	<u>HDP MX</u>	<u>HDS VX</u>	<u>HDS MX</u>	<u>HDP BX</u>
Gross Expense Ratio	1.29%	1.34%	1.50%	1.92%	1.48%
Net Expense Ratio		1.18%**	1.29%**	1.40%**	1.30%**

**The Advisor has contractually agreed to reduce its fees until at least July 31, 2020.

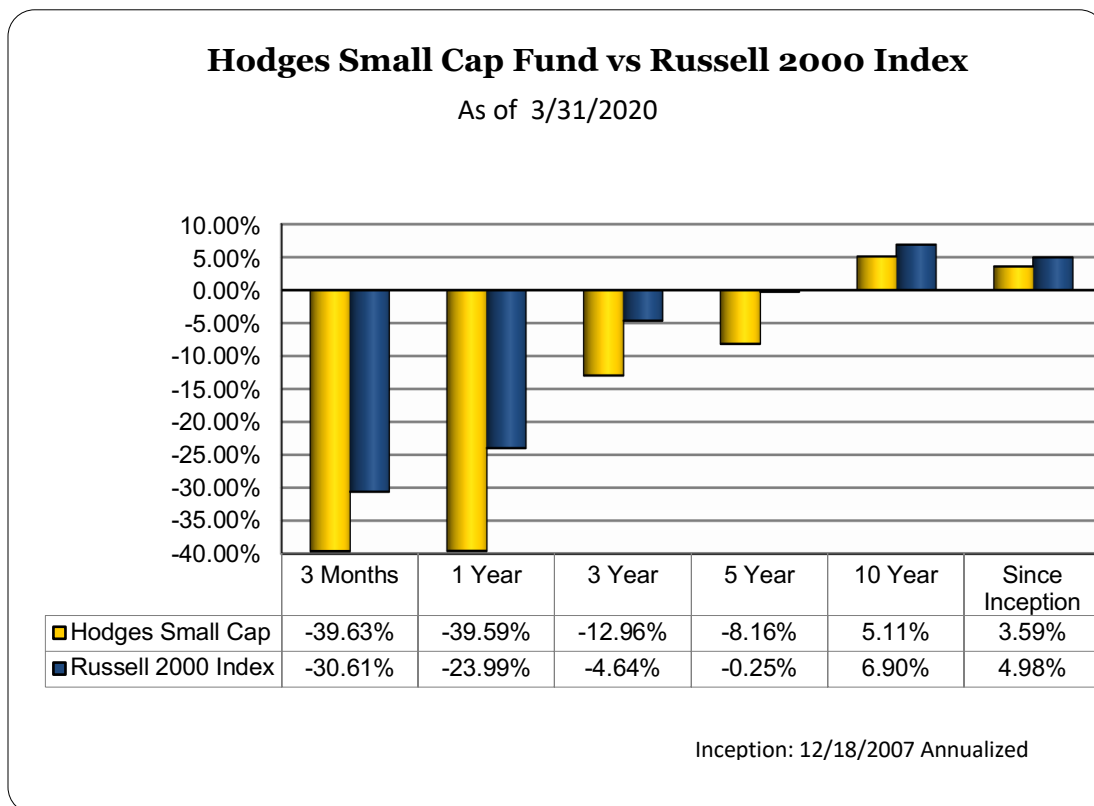
Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 866-811-0224. The Funds impose a 1.00% redemption fee on shares held for thirty days or less (60 days or less for Institutional Class shares). Performance data quoted does not reflect the redemption fee. If reflected, total returns would be reduced.

Hodges Small Cap Fund (HDP SX)

The Hodges Small Cap Fund experienced a loss of 39.63% in the March quarter of 2020, which compared to a loss in the Russell 2000 Index of 30.61%. Disappointing relative performance in the most recent quarter reflected severe weakness in many of the Fund's consumer, banks, homebuilding, and energy related names. Although small caps in general are more volatile during market selloffs due in part to their trading liquidity, we view the current risk reward for holding small cap stocks as attractive and would note that small caps have historically led coming out of most bear markets.

The recent market turbulence has provided us the opportunity to reposition the Small Cap Fund to take advantage of dislocations that have occurred between prudent asset valuations and distressed selling across small caps with less trading liquidity. As a result, we have over-weighted several of our high conviction ideas that we view as having an attractive risk/reward profile. The Small Cap Fund remains well diversified across industrials, transportation, financial services, technology, and consumer-related names, which we believe can contribute to the Fund's long-term performance. The total number of stocks held in the Fund at the end of the quarter was 49. The top ten holdings at

the end of the quarter represented 44.97% of the Fund's holdings and included Commercial Metals Co. (CMC), Eagle Materials Inc. (EXP), Exact Sciences Corp. (EXAS), Hilltop Holdings Inc. (HTH), NCR Corp. (NCR), Texas Pacific Land Trust (TPL), Five9, Inc. (FIVN), Tower Semiconductor Ltd. (TSEM), U.S. Concrete, Inc. (USCR) and YETI Holdings Inc. (YETI).



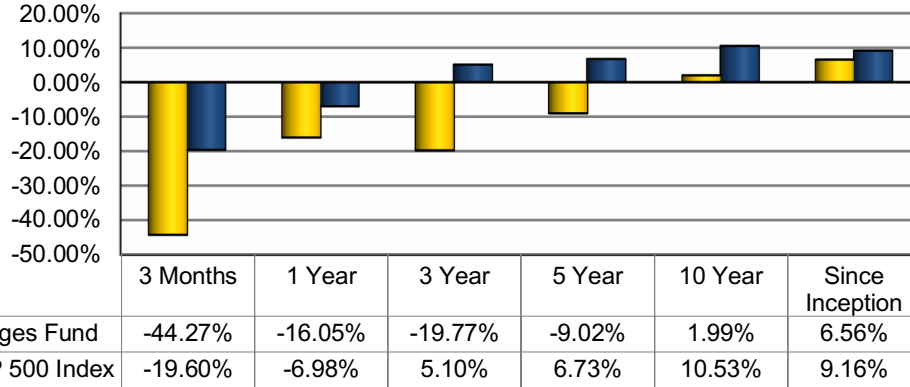
Hodges Fund (HDPMX)

The Hodges Fund's first quarter 2020 return amounted to a loss of 44.27% compared to a loss of 19.60% for the S&P 500 Index. Disappointing relative performance compared to the S&P 500 Index was largely attributed to the Fund's lack of exposure to the largest weighted positions in the S&P 500 Index, which held up in comparison to the broader market. This was made evident by the fact that the largest 10 stocks in the S&P 500 Index were down by only 16.92%, compared to the next 490 stocks that fell by 29.49% in the recent quarter. Consequently, the next 2500 stocks that make up the Russell 2000 Index were down an astonishing 40.89% in the March quarter, according to data sourced from Bloomberg.

While we are making no excuses for the Fund's performance in the recent quarter, the Hodges Fund remains focused on investments where we have the highest conviction based on fundamentals and valuations. During the recent quarter, we repositioned the portfolio to take advantage of what we view as oversold conditions in industrials, consumer discretionary, and financial stocks that we expect to endure the current economic uncertainty and that we believe can generate above average return over the next twelve to eighteen months. The number of positions held in the Fund at the end of the recent quarter was 38. Top ten holdings at the end of the quarter represented 47.50% of the Fund's holdings and included American Airlines Group (AAL), Cleveland-Cliffs Inc. (CLF), Commercial Metals Co. (CMC), Exact Sciences Corp. (EXAS), Cree, Inc. (CREE), Scorpio Tankers, Inc. (STNG), Twitter, Inc. (TWTR), Uber Technologies, Inc. (UBER), U.S Concrete, Inc. (USCR) and Texas Pacific Land Trust (TPL).

Hodges Fund vs S&P 500

As of 3/31/2020

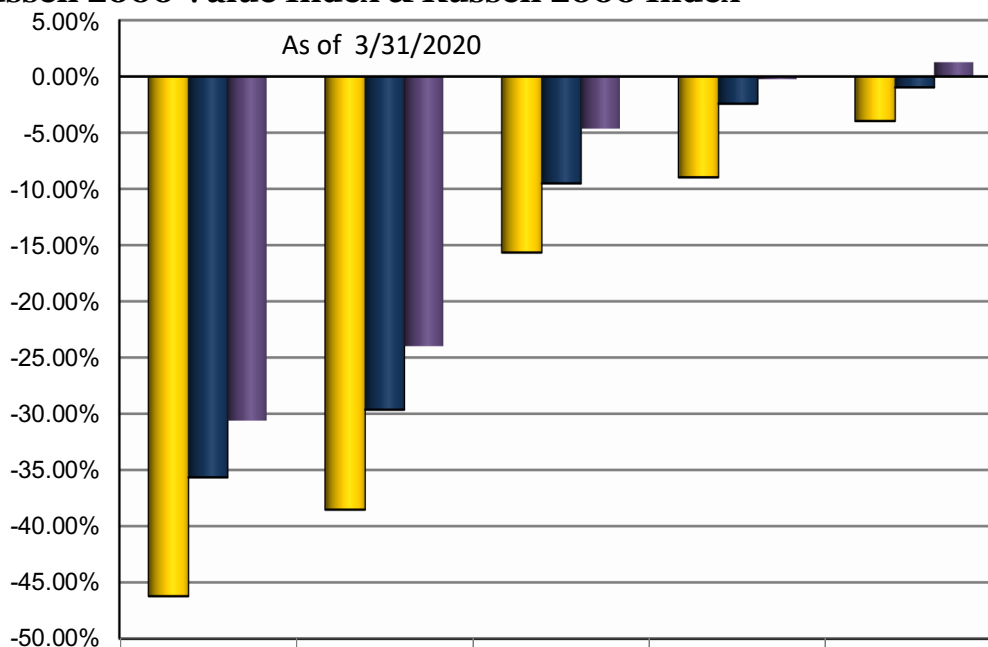


Inception: 10/09/1992 Annualized

Hodges Small Intrinsic Value Fund (HDSVX)

The Hodges Small Intrinsic Value Fund experienced a loss of 46.23% in the March quarter of 2020 compared to a loss of 35.66% for its benchmark, the Russell 2000 Value Index. The Fund's lagging relative performance in the recent quarter was adversely impacted by the Fund's consumer discretionary, energy, and industrial stocks, which were disproportionately impacted during the market's recent selloff. The top ten holdings at year end of the recent quarter represented 44.06% of the Fund's holdings and included Atlas Air Worldwide Holdings, Inc. (AAWW), Brunswick Corp. (BC), Commercial Metals Company (CMC), Eagle Materials Inc. (EXP), Hilltop Holdings Inc. (HTH), NCR Corp. (NCR), Tilly's Inc. (TLYS), Scorpio Tankers, Inc. (STNG), Tower Semiconductor Ltd. (TSEM), and U.S. Concrete, Inc. (USCR).

Hodges Small Intrinsic Value Fund vs Russell 2000 Value Index & Russell 2000 Index



	3 Months	1 Year	3 Year	5 Year	Since Inception
■ Hodges Small Intrinsic Value	-46.23%	-38.53%	-15.66%	-8.97%	-3.96%
■ Russell 2000 Value Index	-35.66%	-29.64%	-9.51%	-2.42%	-0.97%
■ Russell 2000 Index	-30.61%	-23.99%	-4.64%	-0.25%	1.27%

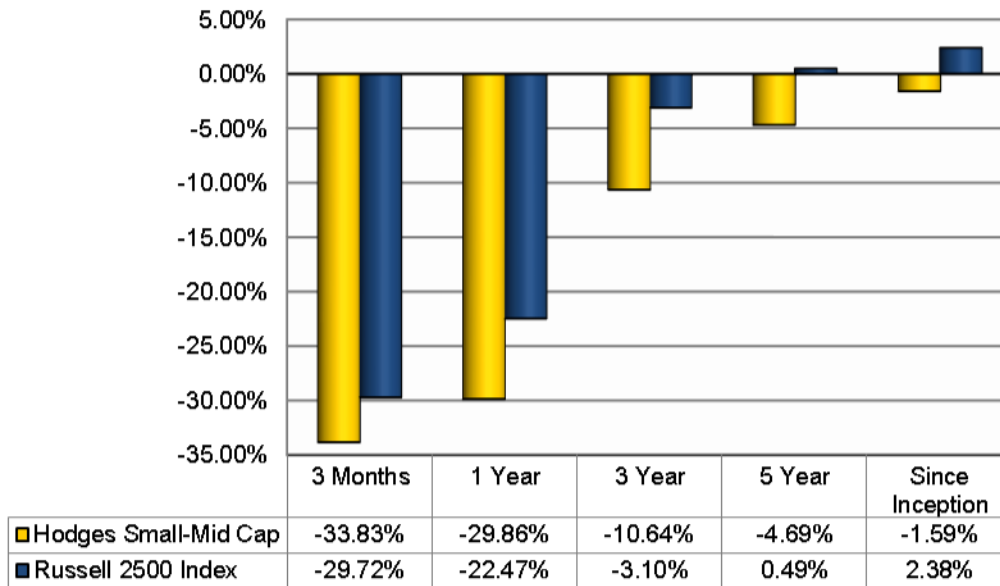
Inception: 12/26/2013 Annualized

Hodges Small-Mid Cap Fund (HDSMX)

For the first quarter of 2020, the Hodges Small-Mid Cap Fund experienced a loss of 33.83% compared to a loss of 29.72% for the Russell 2500 Index. The Fund's unfavorable relative performance in the first quarter of the year was attributed to disappointing performances in several consumer and energy related names during the market's recent selloff. Top ten holdings at the end of the quarter represented 54.73% of the Fund's holdings and included Commercial Metals Co. (CMC), Eagle Materials Inc. (EXP), Kirby Corp. (KEX), LGI Homes Inc. (LGIH), Owens Corning (OC), Tandem Diabetes Care Inc. (TNDM), Generac Holdings, Inc. (GNRC), Lumentum Holdings Inc. (LITE), Kansas City Southern (KSU) and Triumph Bancorp, Inc. (TBK).

Hodges Small-Mid Fund vs Russell 2500 Index

As of 3/31/2020



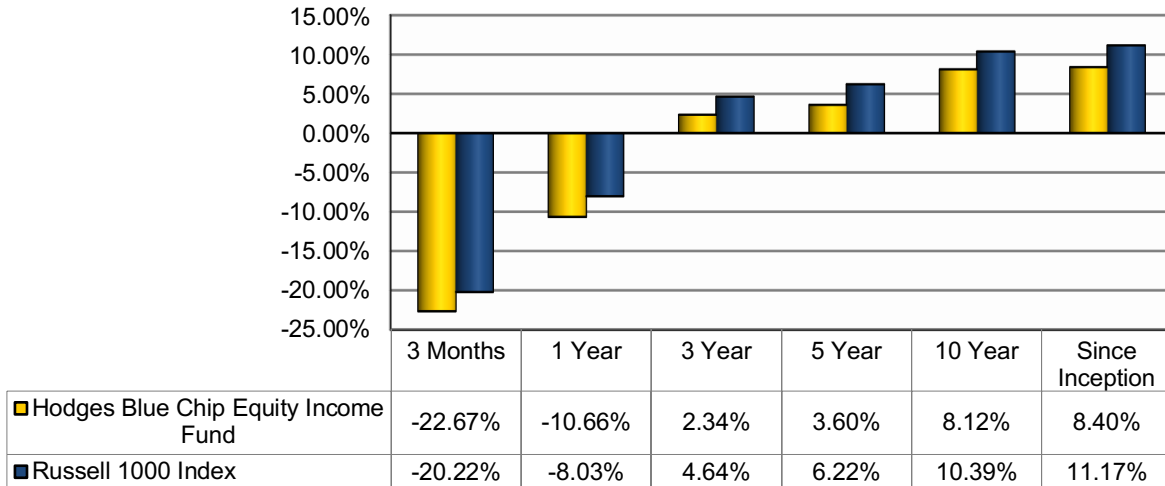
Inception: 12/26/2013 Annualized

Hodges Blue Chip Equity Income Fund (HDPBX)

The Hodges Blue Chip Equity Income Fund experienced a decline of 22.76% in the first quarter of 2020 compared to a decline of 20.22% for the Russell 1000 Index. Large cap growth stocks generally outperformed the broader market in the recent quarter. However, we view the recent sell off as creating several opportunities in high-quality dividend-paying stocks with solid upside potential, as well as potential dividend income. The Blue Chip Equity Income Fund remains well diversified in companies that we believe can generate above average income and total returns on a risk adjusted basis. Top ten holdings at the end of the quarter represented 51.88% of the Fund's holdings and included Abbvie, Inc. (ABBV), Amazon.com Inc. (AMZN), Apple Inc. (AAPL), Home Depot Inc. (HD), Facebook Inc. (FB), Johnson & Johnson (JNJ), JPMorgan Chase & Co. (JPM), Lowes Co. (LOW), Microsoft Corp. (MSFT), and Walt Disney Co. (DIS).

Hodges Blue Chip Equity Income Fund vs Russell 1000 Index

As of 3/31/2020



Inception: 9/10/2009 Annualized

In conclusion, we remain optimistic regarding the long-term investment opportunities surrounding the Hodges Mutual Funds despite all the near-term uncertainty that has transpired in recent months. By offering five distinct mutual fund strategies that cover most major segments of the domestic equity market, we can serve the diverse needs of most financial advisors and individual investors. Our entire investment team of portfolio managers, analysts, and traders are rigorously studying companies, meeting with management teams, observing trends, and attempting to navigate today's volatile financial markets. Feel free to contact us directly if we can address any specific questions.

The above discussion is based on the opinions of Eric Marshall, CFA, and is subject to change. It is not intended to be a forecast of future events, a guarantee of future results, and is not a recommendation to buy or sell any security. Portfolio composition and company ownership in the Hodges Funds are subject to daily change.

The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectuses contain this and other important information about the Hodges Funds, and it may be obtained by calling 866-811-0224, or visiting www.hodgesmutualfunds.com. Read it carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for investments in emerging markets. Options and future contracts have the risks of unlimited losses of the underlying holdings due to unanticipated market movements and failure to correctly predict the direction of securities prices, interest rates and currency exchange rates. These risks may be greater than risks associated with more traditional investments. Short sales of securities involve the risk that losses may exceed the original amount invested. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer term debt securities. Investments in small and medium capitalization companies involve additional risks such as limited liquidity and greater volatility. Funds that are non-diversified are more exposed to individual stock volatility than a diversified fund. Investments in companies that demonstrate special situations

or turnarounds, meaning companies that have experienced significant business problems but are believed to have favorable prospects for recovery, involve greater risk.

Value investing carries the risk that the market will not recognize a security's inherent value for a long time, or that a stock judged to be undervalued may be appropriately priced or overvalued.

Diversification does not assure a profit or protect against a loss in a declining market.

Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced.

The S&P 500 Index is a broad-based unmanaged index of 500 stocks that is widely recognized as representative of the equity market in general. The Russell 1000 Index is a subset of the Russell 3000 Index and consists of the 1,000 largest companies comprising over 90% of the total market capitalization of all listed stocks. The Russell 2000 Index consists of the smallest 2,000 companies in a group of 3,000 U.S. companies in the Russell 3000 Index, as ranked by market capitalization. The Russell 2500 Index consists of the smallest 2,500 companies in a group of 3,000 U.S. companies in the Russell 3000 Index, as ranked by market capitalization. The Russell 3000 Index is a stock index consisting of the 3000 largest publicly listed companies, representing about 98% of the total capitalization of the entire U.S. stock market. You cannot invest directly in an index. The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect value characteristics.

Cash Flow: A revenue or expense stream that changes a cash account over a given period.

Earnings Growth is not a measure of the Fund's future performance.

Hodges Capital Management is the Advisor to the Hodges Funds.

Hodges Funds are distributed by Quasar Distributors LLC.

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