

*“Buy value, not market trends or economic outlook.” Sir John Templeton*

U.S. stocks staged an impressive comeback in the June quarter, resulting in gains of 20.54% for the S&P 500 and 25.42% for the Russell 2000. While stocks reached an extreme oversold condition in March as investors reacted to the world-wide spread of the COVID-19 virus, much of the recovery in the recent quarter seemed to be driven by an aggressive monetary response by the Federal Reserve designed to support credit markets, as well as significant fiscal stimulus to lessen the immediate financial blow from the temporary shutdown of much of the economy. These actions sent a clear message to the market that policy makers were willing to do whatever it takes to ensure a sustainable recovery and avoid a Great Depression scenario. Frankly, the combination of such low interest rates and low core inflation has driven up PE multiples for stocks and put an even greater premium on the scarcity of earnings growth. The longer-term consequences of unprecedented liquidity and a swelling federal debt burden are still unknown and difficult to quantify. However, we believe the near-term reality is that productive assets, such as a business with sustainable earnings power, is a more attractive long-term investment for the average investor than a 10-year Treasury yielding 0.66% as of June 30, 2020.

As far as our universe of 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 the economic toll of widespread layoffs and curtailed consumption is impacting the domestic and global economy, the length and severity of this massive disruption is still unknown. Wall Street has a difficult time pricing the unknown into stock valuations, which can result in opportunities for active managers pursuing mispriced stocks. As a result, the investment team at Hodges Capital views this period of uncertainty as an ideal time to rigorously look 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 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 realize the path to a recovery will not be without its setbacks. We also expect challenging market conditions in the second half of 2020 to include uncertainty surrounding the November elections and the potential for major changes in tax policy. However, we believe it is likely that earnings should reaccelerate for many of our portfolio companies in the second half of 2020, with the potential for a full earnings recovery occurring by the end of 2021. Although short-term market volatility can seem overwhelming at times, we always fall back to the idea that the long-term performance of stock prices is determined by the future earnings and cash flows of each underlying business. Investors in the Hodges Funds can be assured that we are not changing our core investing discipline, which is designed to seek out quality companies running great businesses with excellent management teams that are trading at reasonable prices.

Returns (Retail Class) as of 6/30/2020:

	3 Months	<u>1 Year*</u>	<u>3 Year*</u>	<u>5 Year*</u>	<u>10 Year*</u>	<u>Since Inception*</u>
Hodges Small Cap Fund (12/18/07)	40.59%	-16.68%	-1.18%	-1.56%	9.13%	6.37%
Russell 2000 <sup>®</sup> Index	25.42%	-6.63%	2.01%	4.29%	10.50%	6.79%
Hodges Fund (10/9/92)	54.39%	-14.85%	-6.40%	-0.31%	7.90%	8.18%
S&P 500 <sup>®</sup> Index	20.54%	7.51%	10.73%	10.73%	13.99%	9.81%
Hodges Small Intrinsic Value Fund (12/26/13)	40.20%	-13.74%	-5.80%	-2.64%	n/a	1.31%
Russell 2000 <sup>®</sup> Value Index	18.91%	-17.48%	-4.35%	1.26%	n/a	1.74%
Russell 2000 <sup>®</sup> Index	25.42%	-6.63%	2.01%	4.29%	n/a	4.80%
Hodges Small Mid-Cap Fund (12/26/13)	39.22%	-4.40%	0.80%	1.45%	n/a	3.61%
Russell 2500 <sup>®</sup> Index	26.56%	-4.70%	4.08%	5.41%	n/a	6.05%
Hodges Blue Chip Equity Income Fund (12/26/13)	25.34%	7.54%	9.58%	9.23%	11.84%	10.48%
Russell 1000 <sup>®</sup> Value Return	21.82%	7.48%	10.64%	10.47%	13.97%	12.94%

\*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%	1.50%	1.48%
Net Expense Ratio		1.18%**	1.29%**	1.29%**	1.30%**

\*\*The Advisor has contractually agreed to reduce its fees until at least July 31, 2020. This figure excludes Acquired Fund Fees and Expenses, interest, taxes and extraordinary expenses.

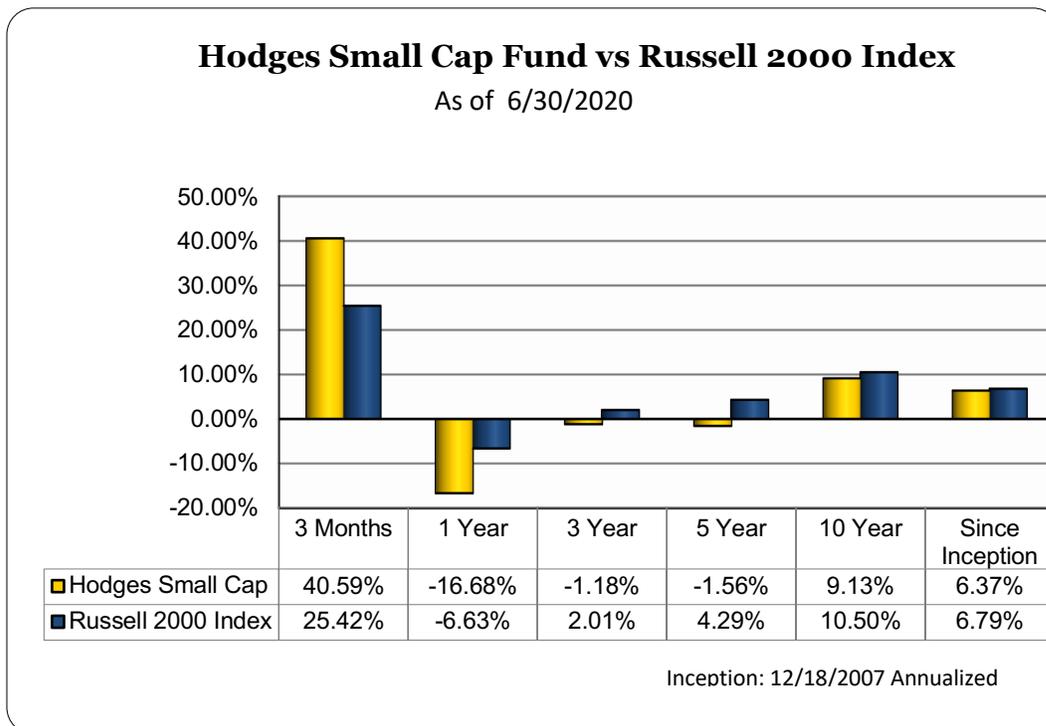
***Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may 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 gain of 40.59% in the June quarter of 2020, which compared to a gain in the Russell 2000 Index of 25.42%. Positive relative performance in the most recent quarter reflected a recovery in many of the Fund's consumer, banks, homebuilding, and energy related names. Although small caps in general are more volatile during periods of economic uncertainty, we continue to 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 provided us the opportunity to reposition the Small Cap Fund to take advantage of dislocations between prudent asset valuations and distressed selling across small caps with less trading liquidity during the second quarter. 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 expect to contribute to the Fund's long-term performance. The total number of stocks held in the Fund at the end of the quarter was 50. The top

ten holdings at the end of the quarter represented 38.16% of the Fund's holdings and included Commercial Metals Co. (CMC), Eagle Materials Inc. (EXP), Hilltop Holdings Inc. (HTH), Brunswick Corp. (BC), Americas Car Mart Inc. (CRMT), Texas Pacific Land Trust (TPL), Five9, Inc. (FIVN), U.S. Concrete, Inc. (USCR) Restoration Hardware (RH) and Matador Resources Co. (MTDR).



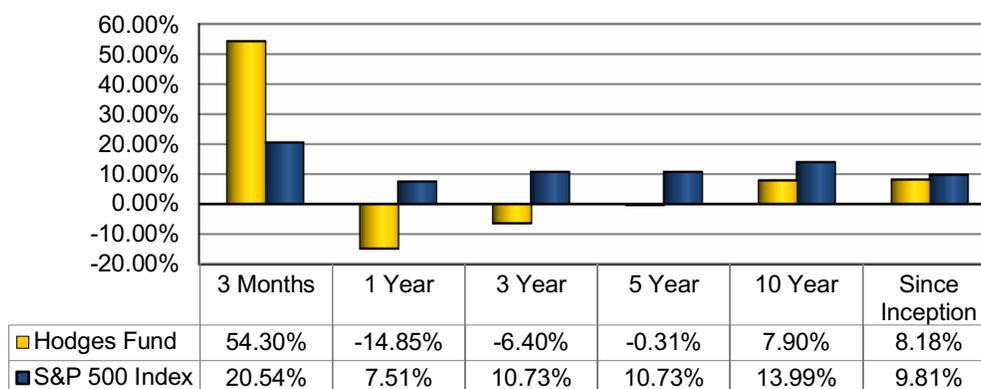
**Hodges Fund (HDPMX)**

The Hodges Fund's second quarter 2020 return amounted to a gain of 54.30% compared to a gain of 20.54% for the S&P 500 Index. Strong relative performance compared to the S&P 500 Index was largely attributed to a recovery in many of the Fund's holdings that were disproportionately oversold in comparison to the broader market during the market's March meltdown. Furthermore, the Hodges Fund experienced above average turnover in the recent quarter as we repositioned to take advantage of the markets decline. As a result, we upgraded many of the holdings in the portfolio into companies that we expect to endure the current economic uncertainty and generate above average returns over the next twelve to eighteen months. The outcome of these actions was evident in Fund's relative performance in the recent quarter.

While we are encouraged with the Fund's performance in the recent quarter, the Hodges Fund's portfolio managers remain laser focused on investments where we have the highest conviction based on fundamentals and valuation. The number of positions held in the Fund at the end of the recent quarter was 43. Top ten holdings at the end of the quarter represented 39.95% of the Fund's holdings and included Commercial Metals Co. (CMC), Cree, Inc. (CREE), Texas Pacific Land Trust (TPL), Matador Resources Co. (MTDR), Schrodinger Inc. (SDGR), Southwest Airlines (LUV), Snap Inc. (SNAP), Taylor Morrison Home Corp. (TMHC), Nautilus Inc. (NLS), and Redfin Corp. (RDFN).

## Hodges Fund vs S&P 500

As of 6/30/2020



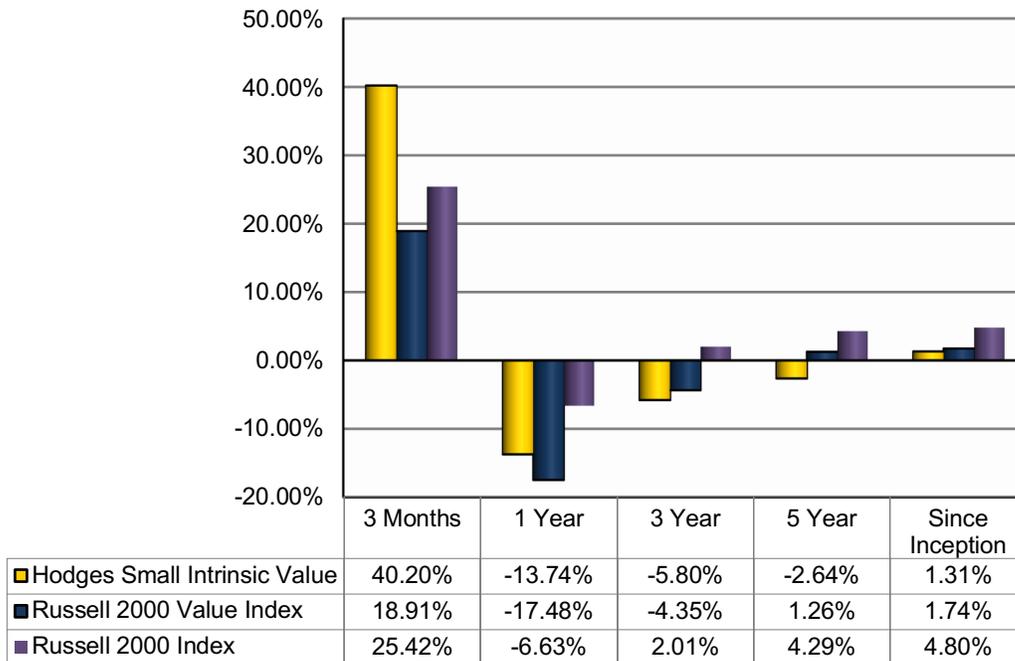
Inception: 10/09/1992 Annualized

### **Hodges Small Intrinsic Value Fund (HDSVX)**

The Hodges Small Intrinsic Value Fund experienced a gain of 40.20% in the June quarter of 2020 compared to a gain of 18.91% for its benchmark, the Russell 2000 Value Index. The Fund's positive relative performance in the recent quarter reflected a sharp rebound in many of the Fund's consumer discretionary, energy, and industrial stocks, which were disproportionately impacted during the market's recent sell-off in the previous quarter. The top ten holdings at the end of the quarter represented 28.79% of the Fund's holdings and included Commercial Metals Company (CMC), Eagle Materials (EXP), Hilltop Holdings Inc. (HTH), Taylor Morrison Home Corp. (TMHC), Americas Car Mart Inc. (CRMT), NMI Holdings Inc. (NMIH), Ichor Holdings (ICHR), Covenant Trans Inc. (CVTI), Ryman Hospitality Properties Inc. (RHP), and Northwest Pipe Co. (NWPX).

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

As of 6/30/2020



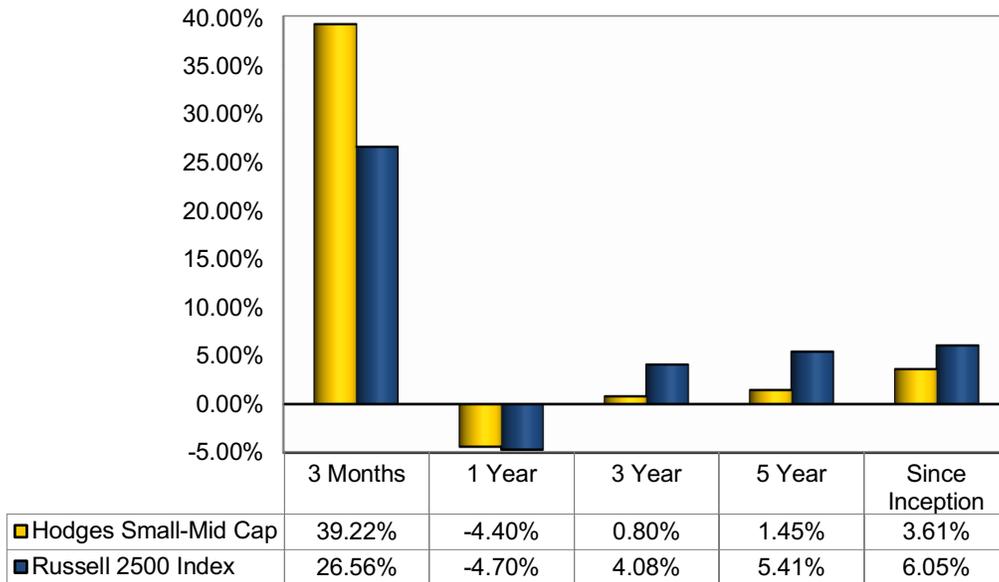
Inception: 12/26/2013 Annualized

### **Hodges Small-Mid Cap Fund (HDSMX)**

For the second quarter of 2020, the Hodges Small-Mid Cap Fund experienced a gain of 39.22% compared to a gain of 26.56% for the Russell 2500. The Fund's relative performance in the second quarter of the year was attributed to a substantial recovery in several consumer and energy related names during the market's recent selloff. During the recent quarter, Hodges Capital Management recommended, and the Board of Trustees of Professionally Managed Portfolios approved, the liquidation and termination of this fund. After more than six years since the inception of the Small-Mid Cap, the decision to close this fund was not easy, however, the size and scale of the fund dictated that this was the best course of action for both the advisor and the remaining shareholders of the Fund. The liquidation occurred after the close of business on June 30, 2020. In connection with the liquidation, the redemption fee of 1.00% imposed on shares redeemed within 30 days of purchase were fully waived.

## Hodges Small-Mid Fund vs Russell 2500 Index

As of 6/30/2020



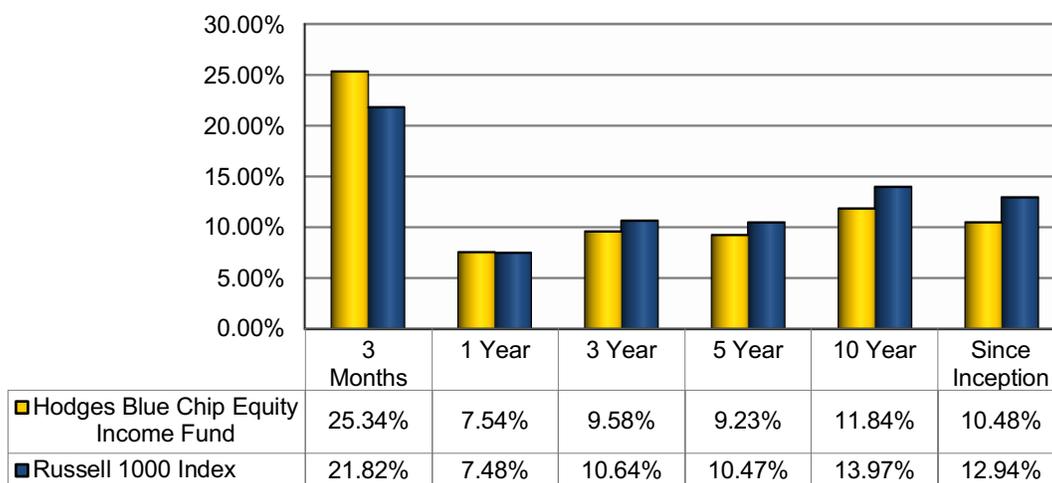
Inception: 12/26/2013 Annualized

### **Hodges Blue Chip Equity Income Fund (HDPBX)**

The Hodges Blue Chip Equity Income Fund experienced a gain of 25.34% in the second quarter of 2020 compared to a gain of 21.82% for the Russell 1000 Index. Large cap growth stocks have again outperformed the broader market in the first half of 2020. However, we continue to find new opportunities in high-quality dividend-paying stocks with further upside potential, as well as stable 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 53.17% 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), Microsoft Corp. (MSFT), Visa Inc. (V), Bristol-Myers Squibb Co. (BMY), and PayPal Holdings Inc. (PYPL).

## Hodges Blue Chip Equity Income Fund vs Russell 1000 Index

As of 6/30/2020



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 four 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](http://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.

Price/earnings (P/E): The most common measure of how expensive a stock is.

**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.

HODGES CAPITAL 2905 Maple Avenue • Dallas, Texas 75201 • 888-878-4426 • [www.hodgescapital.com](http://www.hodgescapital.com)

---

Copyright © 2018 Hodges Capital Management. All rights reserved. 6/30/2020