Manager's Commentary

Third Quarter 2020

"The more difficult it is to take action in the market, the more likely it is to be successful."

-Dick Davis

Over the past few months, the COVID-19 pandemic has disrupted most aspects of our daily lives. We also continued to experience unprecedented conditions across most major financial markets around the world. Although business conditions have not played out the way we had expected at the beginning of this year, U.S. stocks, as measured by the S&P 500 Index, experienced a substantial recovery in the September quarter. Furthermore, we are glad to report that this represented the second consecutive quarter that all four of the Hodges Mutual Funds outperformed their respective benchmarks. One common question that we have received from our fund shareholders over the past couple of months is; How can the economic data reflect one environment and the stock market suggest another? Without question, this has been a source of anxiety among many investors. We believe the market's upswing from the March bottom partly reflects the anticipation of an economic recovery sometime in the next twelve to eighteen months as the pandemic's impact on the world's economy recedes. Another factor that has likely influenced the stock market's trajectory is the recent increase in liquidity. Greater liquidity has been due to the aggressive monetary response by the Federal Reserve designed to support credit markets and significant fiscal stimulus to lessen the immediate financial blow from the shutdown of much of the economy. The consequences of these actions have driven interest rates to the lowest level in a generation. For example, the 2-year and 10-year Treasury yields are now at 0.13% and 0.69%, respectively. Such low-interest rates have made stock dividends more attractive and increased the price/earnings multiples investors are willing to pay for growth stocks.

The recent rise in the broader market was led by a narrow group of large-cap technology stocks that experienced significant appreciation since March as their businesses have, in some cases, benefited from the "stay at home" economy. As a result, most growth portfolios outperformed portfolios weighted in value stocks. During the recent quarter, the stocks with the largest market capitalizations continued to outperform small-cap stocks significantly. We believe there are two reasons for this divergence. The first is small-cap stocks tend to be linked to industry groups that are more economically sensitive. The second relates to the investing trends in passive products that favor market weight, which has sustained momentum in a handful of stocks with the most significant weight in the index. As a result, the top five stocks in the S&P 500 Index represented a weighting of nearly 25% of the Index on September 30, 2020. This phenomenon has recently made it difficult for portfolios without a large concentration in five mega-cap technology stocks to outperform the S&P 500 Index.

Although every market cycle holds unique circumstances that bear uncertainty, current visibility remains extremely difficult. We expect uncertainties surrounding the upcoming U.S. elections and the culmination of COVID-19 to increase short-term market volatility in the months ahead. While short-term market volatility can seem overwhelming at times, we expect the next few months to create opportunities for active portfolio managers pursuing mispriced stocks. Also, the investment team at Hodges Capital is rigorously looking for bargains in businesses that we believe are well run and can control their destiny by relying on ingenuity and adaptive business models. Given the sudden disruptions that have occurred across many businesses, we are also fixated on analyzing balance sheets and are taking an extra measure of caution when it comes to investing in companies with high debt burdens.

As we prepare for turbulence in the months ahead, we subscribe to the idea that successful investors do not confuse short-term volatility with long-term investment risk. We also fall back to the notion that stock prices' long-term performance is determined by each underlying business's future earnings and cash flows. Areas that we expect to see above-average earnings power include companies with disruptive technologies benefiting from an acceleration in digitalization and several industrial companies that operate in industries with high barriers to entry. In most cases, we are underweight financial stocks given the headwinds from low-interest rates that face many banks and insurance Companies. However, we believe low mortgage rates combined with favorable demographics and a recent trend toward deurbanization has created secular growth opportunities in many housing-related stocks. The current pandemic has also shifted consumer behavior, which has devastated the travel and hospitality industries but has been a positive for consumer spending in areas such as outdoor and home fitness products. While the prevailing economic conditions that can affect corporate earnings seem to change daily, we are still finding attractive opportunities in companies that offer a favorable risk/reward over the next two to three years. With this in mind, we see the next few months as an ideal environment for active portfolio managers to carefully select individual stocks that can generate long-term value for shareholders.

Returns (Retail Class) as of 9/30/2020:	3 Months	1 Year*	3 Year*	5 Year*	10 Year*	Since Inception*
Hodges Small Cap Fund (12/18/07)	5.49%	-6.49%	-1.02%	2.05%	8.52%	6.69%
Russell 2000® Index	4.93%	0.39%	1.77%	8.00%	9.85%	7.06%
Hodges Fund (10/9/92)	16.23%	4.10%	-3.28%	4.81%	8.33%	8.68%
S&P 500® Index	8.93%	15.15%	12.28%	14.15%	13.74%	10.06%
Hodges Small Intrinsic Value Fund (12/26/13)	10.53%	-9.69%	-4.86%	1.70%	n/a	2.77%
Russell 2000® Value Index	2.56%	-14.88%	-5.13%	4.11%	n/a	2.06%
Russell 2000® Index	4.93%	0.39%	1.77%	8.00%	n/a	5.37%
Hodges Blue Chip Equity Income Fund (12/26/13)	10.49%	14.71%	11.12%	12.16%	12.00%	11.23%
Russell 1000® Value Return	9.47%	16.01%	12.38%	14.09%	13.76%	13.55%

*Average Annualized

	HDPSX	HDPMX	HDSVX	HDPBX
Gross Expense Ratio	1.31%	1.34%	2.43%	1.47%
Net Expense Ratio		1.15%**	1.29%**	1.30%**

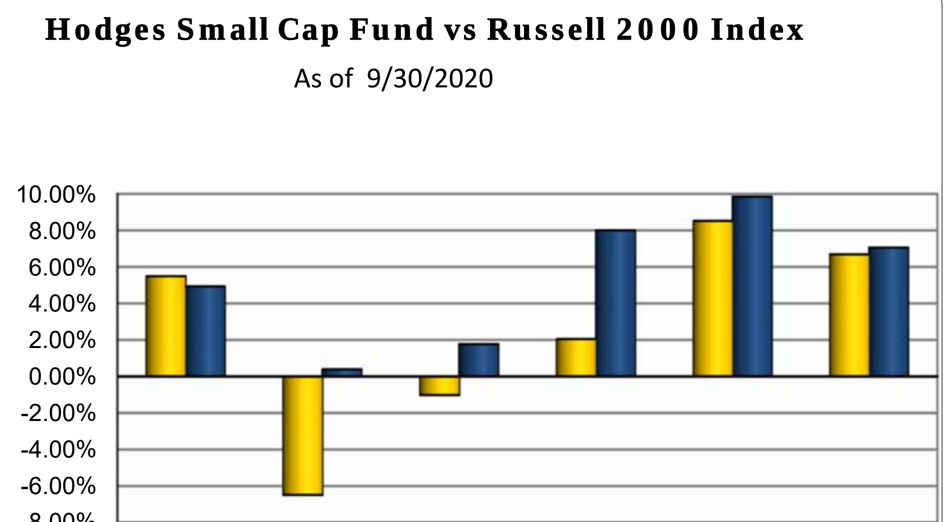
**The Advisor has contractually agreed to reduce its fees until at least July 31, 2021. This figure excludes Acquired Fund Fees and Expenses, interest, taxes and extraordinary expenses.

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. The 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). The performance data quoted does not reflect the redemption fee. If reflected, total returns would be reduced.

Hodges Small Cap Fund (HDPSX)

The Hodges Small Cap Fund experienced a gain of 5.49% in the September quarter of 2020, compared to a gain in the Russell 2000 Index of 4.93%. Positive relative performance in the most recent quarter reflected a recovery in many of the Fund's consumer, banks, homebuilding-related names. Although small caps, in general, are more volatile during periods of uncertainty, we continue to view the current risk-reward for holding small-cap stocks as attractive and note that small caps have historically led the market in the early stages of a new economic cycle.

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 past six months. As a result, we have overweighed 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 38.19% of the Fund's holdings and included Hilltop Holdings Inc. (HTH), Commercial Metals Co. (CMC), Texas Pacific Land Trust (TPL), Eagle Materials Inc. (EXP), Restoration Hardware (RH), NCR Corp. (NCR), Five9, Inc. (FIVN), Hawaiian Holdings (HA), Americas Car-Mart Inc. (CRMT), and Texas Roadhouse (TXRH).



	3 Months	1 Year	3 Year	5 Year	10 Year	Since Inception
Hodges Small Cap	5.49%	-6.49%	-1.02%	2.05%	8.52%	6.69%
Russell 2000 Index	4.93%	0.39%	1.77%	8.00%	9.85%	7.06%

Inception: 12/18/2007 Annualized

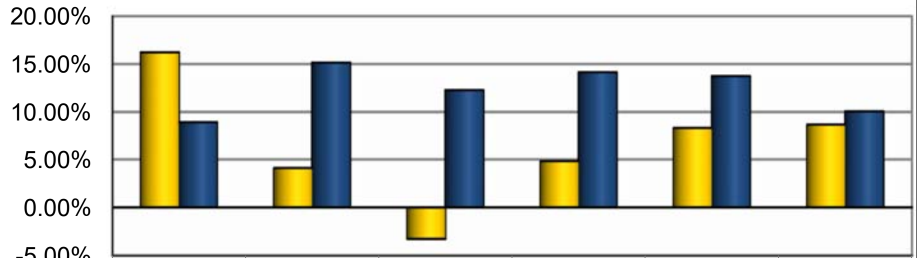
Hodges Fund (HDPMX)

The Hodges Fund's second-quarter 2020 return amounted to a 16.23% gain compared to 8.93% for the S&P 500 Index. Strong relative performance compared to the S&P 500 Index was primarily attributed to a recovery in many of the Fund's holdings that were disproportionately oversold compared 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 volatile market conditions. As a result, we upgraded many portfolio holdings 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 the Fund's relative performance in the recent quarter.

While we are encouraged with the Fund's performance over the past two quarters, 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 declined to 39 from 43 positions at the quarter's beginning. Top ten holdings at the end of the quarter represented 37.55% of the Fund's holdings and included Luby's Inc. (LUB), Nautilus Inc. (NLS), Snap Inc. (SNAP), Texas Pacific Land Trust (TPL), DraftKings (DKNG), Azek Co. (AZEK), Norwegian Cruise Lines Holdings (NCLH), Duluth Holdings (DLTH), Taylor Morrison Home Corp. (TMHC), and NMI Holdings (NMIH).

Hodges Fund vs S&P 500

As of 9/30/2020



	3 Months	1 Year	3 Year	5 Year	10 Year	Since Inception
Hodges Fund	16.23%	4.10%	-3.28%	4.81%	8.33%	8.68%
S&P 500 Index	8.93%	15.15%	12.28%	14.15%	13.74%	10.06%

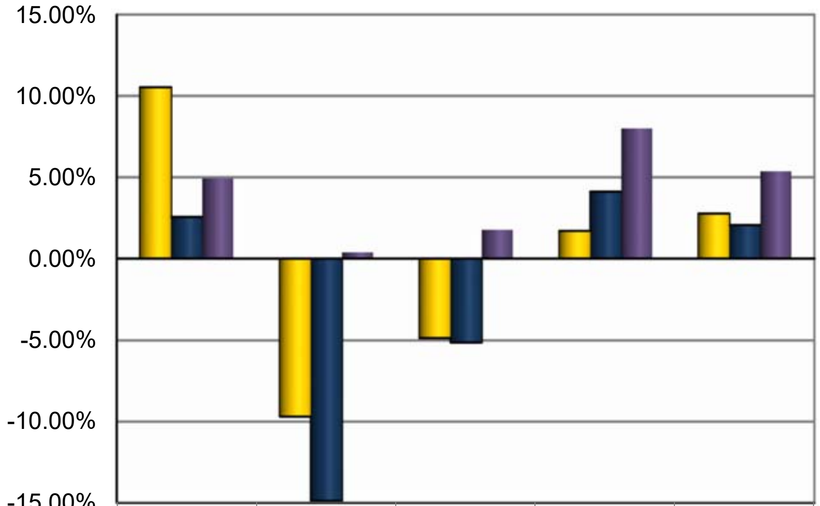
Inception: 10/09/1992 Annualized

<u>Hodges Small Intrinsic Value Fund (HDSVX)</u>

The Hodges Small Intrinsic Value Fund experienced a gain of 10.53% in the September quarter of 2020 compared to a 2.56% gain for its benchmark, the Russell 2000 Value Index. In the recent quarter, the Fund's positive relative performance reflected a sharp rebound in many of the Fund's consumer discretionary, materials, and industrial stocks, which were disproportionately impacted during the market's March sell-off. The top ten holdings at the end of the quarter represented 33.38% of the Fund's holdings and included Taylor Morrison Home Corp. (TMHC), Hilltop Holdings Inc. (HTH), Duluth Holdings (DLTH), U.S. Xpress Enterprises (USX), Covenant Logistics Group (CVLG), Equinox Gold Corp. (EQX), Eagle Materials Inc. (EXP), Americas Car Mart Inc. (CRMT), NCR Holdings (NCR) and Lawson Products Inc. (LAWS).

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

As of 9/30/2020



	3 Months	1 Year	3 Year	5 Year	Since Inception
Hodges Small Intrinsic Value	10.53%	-9.69%	-4.86%	1.70%	2.77%
Russell 2000 Value Index	2.56%	-14.88%	-5.13%	4.11%	2.06%
Russell 2000 Index	4.93%	0.39%	1.77%	8.00%	5.37%

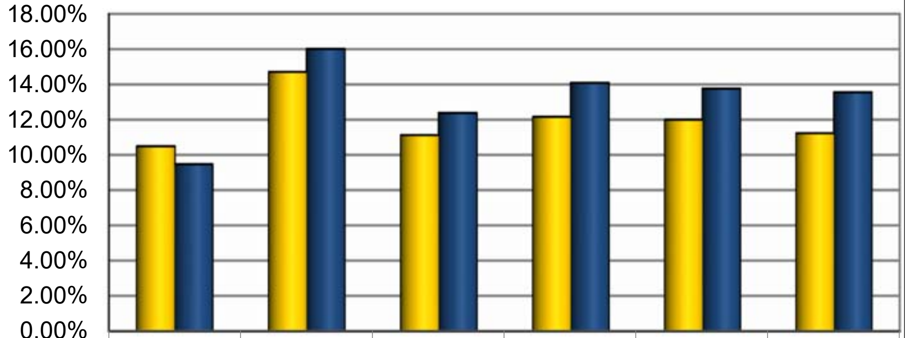
Inception: 12/26/2013 Annualized

<u>Hodges Blue Chip Equity Income Fund (HDPBX)</u>

The Hodges Blue Chip Equity Income Fund experienced a gain of 10.49% in the third quarter of 2020 compared to an increase of 9.47% for the Russell 1000 Index. Large-cap growth stocks again outperformed the broader market in the first nine months 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 52.86% of the Fund's holdings and included Apple Inc. (AAPL), Amazon.com Inc. (AMZN), Microsoft Corp. (MSFT), Facebook Inc. (FB), Abbvie, Inc. (ABBV), FedEx Corp. (FDX), United Parcel Service Inc. (UPS), Target Corp. (TGT), Home Depot Inc. (HD), and Union Pacific Corp. (UNP).

Hodges Blue Chip Equity Income Fund vs Russell 1000 Index

As of 9/30/2020



	3 Months	1 Year	3 Year	5 Year	10 Year	Since Inception
Hodges Blue Chip Equity Income Fund	10.49%	14.71%	11.12%	12.16%	12.00%	11.23%
Russell 1000 Index	9.47%	16.01%	12.38%	14.09%	13.76%	13.55%

Inception: 9/10/2009 Annualized

In conclusion, we remain optimistic regarding the Hodges Mutual Funds' long-term investment opportunities despite all the near-term uncertainty in recent months. By offering four distinct mutual fund strategies covering most major segments of the domestic equity market, we can serve most financial advisors and individual investors' diverse needs. 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.

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.

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