HODGES CAPITAL

Manager's Commentary

Fourth Quarter 2020

"Everything is in a constant state of change, and the wise investor recognizes that success is a process of continually seeking answers to new generations."

-Sir John Templeton

U.S. stocks finished the year on an impressive uptick in the fourth quarter, posting a remarkable gain in 2020 of more than 18% for the S&P 500 Index. We are pleased to report that all four of the Hodges Funds experienced positive returns in 2020. Although every year has its unique challenges, navigating the market uncertainty created by the global pandemic was especially challenging in 2020. As governments mandated shutdowns related to the pandemic, unforeseen uncertainty among investors sent the S&P 500 tumbling by more than 31% from late-February to its low on March 23, 2020, only to stage one of the fastest bear market recoveries in history. Surprising some of the most optimistic market pundits, the S&P 500 rallied by more than 61% from the March low. As we look back on 2020, there were ample learning opportunities provided by the pandemic and stock market mayhem. Two crucial lessons from 2020 that stand out for even the most seasoned investment veterans are to expect the unexpected, and effectively timing the market is easier said than done.

We believe the market's upswing from the March bottom reflects the anticipation of an economic recovery in 2021as the pandemic's impact on the global economy recedes. As the market has begun pricing in an earnings recovery in the year ahead, equity multiples are up considerably from a year ago. According to data published by FactSet, the S&P 500 ended the year at 22.6X forward earnings estimates compared to a five-year average of 17.5X. Although it is essential to point out that much of the P.E. (price/earnings) multiple expansion has occurred among the largest growth stocks within the S&P 500, the inverse of the current P.E. multiple is an earnings yield of 4.42%, which is still well above the 10-year treasury yield of 0.87% at year-end. Assuming an earnings recovery materializes in the year ahead, we expect industries hardest hit by the pandemic to experience the lion's share of the recovery. Still, we acknowledge that some business dislocations that occurred in response to the pandemic could be permanent. For example, new methods of e-commerce and virtual meeting venues are likely to become a permanent part of our economic landscape, resulting in more efficient businesses and creating new investment opportunities. With this in mind, the Hodges Capital Management investment team has attempted to position our portfolios to benefit from broader economic growth and earnings improvement across a vast number of sectors.

Furthermore, an unprecedented increase in liquidity appears to have also influenced the trajectory of the market's recovery. Greater liquidity has resulted from an 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 specific sectors of the economy. This increase in the money supply drove mortgage rates to record lows in 2020 and increased the price/earnings multiples investors were willing to pay for growth stocks. Basic economic principles would suggest that these actions' long-term consequences could result in higher inflation somewhere down the road. As we have mentioned in the past, we spend little time trying to predict interest rates, foreign currency fluctuations, or future commodity prices. However, we pay close attention to prices and, more importantly, the pricing power that our portfolio companies exhibit within the goods and services they provide and consume. We see some antidotal signs of higher prices and would not be surprised to see inflation pick up in conjunction with improved economic activity. Long-term rates have recently perked up, which is evidenced by the increase in the 10-year Treasury yield from 0.69% to 0.87% during the recent quarter.

As we consider what is lurking around the corner in 2021, we would acknowledge that investor sentiment is extremely bullish, and many U.S. stocks now appear overbought. As a result, we would not be surprised to see a normal correction (5-10%) sometime in the first half of 2021. We would also point out that while investor sentiment suggests a little too much near-term optimism, recent fund flows into U.S. equities and overall cash levels do not indicate that investors are at a point of euphoria that would be consistent with the end of most bull markets. Only four out of 58 Wall Street economists recently surveyed by Bloomberg forecast the 10-year Treasury yield to exceed 1.5% by the end of 2021. When we consider what surprises could be in store for investors in the year ahead, higher interest rates and lower bond prices are certainly worth our attention. After speaking with senior management of roughly two hundred publicly traded companies over the past couple of months, we believe the fundamental backdrop for consumption and inventory levels suggest that an earnings recovery is well underway for many economically sensitive businesses. We acknowledge that many facets of our economy have structurally changed as a result of the pandemic. However, we believe that a reopening of our economy in 2021 to support a good deal of pent up discretionary spending on areas such as travel and entertainment. The big question heading into 2021 is: What expectations for earnings growth are already priced into individual stock prices? We believe the higher P.E. multiples in many mega-cap growth stocks today compared to a year ago reflect the expectation for significant earnings growth over the next several years. However, this is not true for every company as we see the potential for substantial earnings improvement underappreciated in many of the companies' valuations in our portfolios. As the possibility of improving fundamentals materializes in the year ahead, we are optimistic about further upside potential as earnings improve and multiples stabilize for most of the market's economically sensitive sectors.

While we are encouraged with the opportunities in the year ahead, we know 2021 will not be without its unique challenges, and we would not be surprised to see volatility arise throughout the year. Historically we have found bargains during periods of increased volatility as we rigorously look for investments in well-run businesses that control their own destiny by relying on ingenuity and well-calculated business decisions. Investors in the Hodges Funds can be assured that we are not changing our core investing discipline, which is to seek out quality companies running great businesses with excellent management teams trading at reasonable prices. Furthermore, we see 2021 as an ideal environment for active portfolio managers to carefully select individual stocks that we believe can generate long-term value for shareholders.

Returns (Retail Class) as of 12/31/2020:	4Q 2020	1 Year*	3 Year*	5 Year*	10 Year*	Since Inception*
Hodges Small Cap Fund (12/18/07)	30.64%	16.98%	4.57%	7.72%	9.92%	8.76%
Russell 2000® Index	31.37%	19.96%	10.25%	13.26%	11.20%	9.18%
Hodges Fund (10/9/92)	29.65%	29.58%	1.62%	10.79%	9.62%	9.60%
S&P 500® Index	12.15%	18.40%	14.18%	15.22%	13.88%	10.41%
Hodges Small Intrinsic Value Fund (12/26/13)	27.92%	6.60%	2.18%	6.80%	n/a	6.34%
Russell 2000® Value Total Return Index	33.36%	4.63%	3.72%	9.65%	n/a	6.26%
Russell 2000® Index	31.37%	19.96%	10.25%	13.26%	n/a	9.34%
Hodges Blue Chip Equity Income Fund (12/26/13)	8.20%	15.86%	11.10%	12.59%	12.08%	11.74%
Russell 1000® Index	13.69%	20.96%	14.82%	15.60%	14.01%	14.52%

*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 August 31, 2021. This figure excludes Acquired Fund Fees and Expenses, interest, taxes, and extraordinary expenses. The Advisor is permitted, with Board approval, to be reimbursed for fee reductions and/or expense payments made in the prior three years from the date the fees were waived and/or expenses were paid. Please see prospectus for details.

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

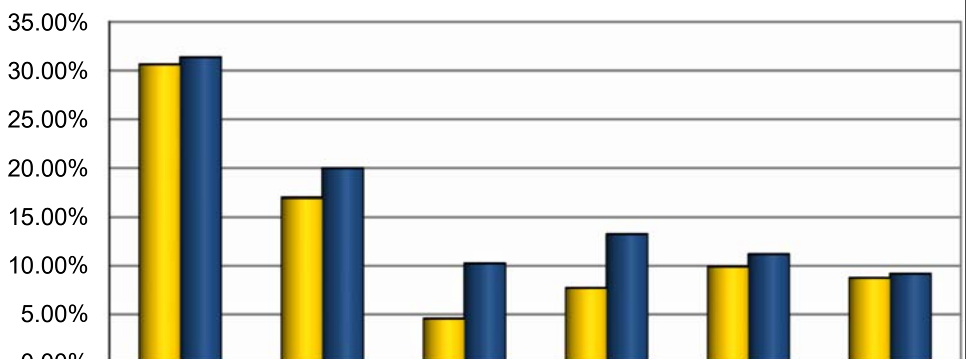
Hodges Small Cap Fund (HDPSX)

The Hodges Small Cap Fund experienced a gain of 30.64% in the final quarter of 2020 to end the year up 16.98%, compared to gains in the Russell 2000 Index of 31.37% and 19.96%, respectively. Relative performance in the most recent quarter reflected weakness in many of the Fund's energy-related names and lack of healthcare exposure. Although small caps vastly outperformed large-cap stocks in the second half of 2020, we view the current risk-reward for holding small-cap stocks as attractive. We expect this segment of the market to generate above-average relative risk-adjusted returns that could be supported by a substantial earnings recovery for small-cap stocks, attractive relative valuations, and an anticipated pickup in Merger and Acquisition activity.

The Hodges 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 Fund has recently taken profits in several stocks that appeared valued relative to their underlying fundamentals and established several new positions that we view as having an attractive risk/reward profile. The total number of stocks held in the Fund at the end of the year was 51 compared to 47 at the beginning of this year. Although the Fund ended the year with four more positions, the top ten holdings increased from 32.22% to 35.76% of the Fund's holdings and included Commercial Metals Co. (CMC), Eagle Materials Inc. (EXP), Hilltop Holdings Inc. (HTH), Texas Pacific Land Trust (TPL), Five9 Inc. (FIVN), Vista Outdoor Inc. (VSTO), RH (RH), Boyd Gaming Corp. (BYD), Synaptics Inc. (SYNA) and The Azek Co. Inc. (AZEK).

Hodges Small Cap Fund vs Russell 2000 Index

As of 12/31/2020



	3 Months	1 Year	3 Year	5 Year	10 Year	Since Inception
Hodges Small Cap	30.64%	16.98%	4.57%	7.72%	9.92%	8.76%
Russell 2000 Index	31.37%	19.96%	10.25%	13.26%	11.20%	9.18%

Inception: 12/18/2007 Annualized

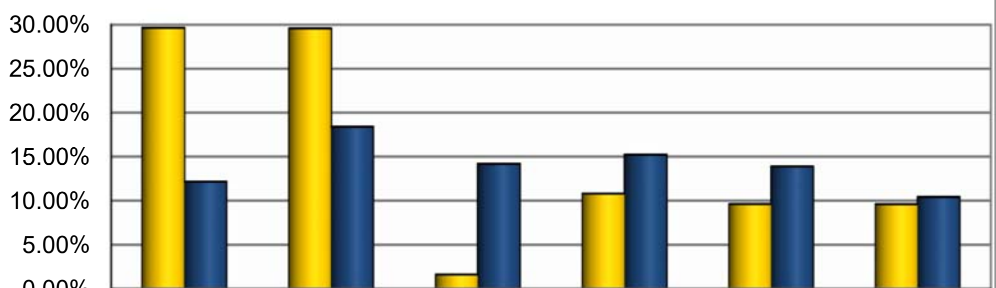
Hodges Fund (HDPMX)

The Hodges Fund's fourth quarter 2020 return amounted to a gain of 29.65% compared to an increase of 12.15% for the S&P 500 Index. As a result, the Fund's total return amounted to 29.58% in 2020, compared to 18.40% 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 2020 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 ongoing 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 2020.

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 amounted to 44 versus 43 a year ago. Top ten holdings at the end of the quarter represented 33.48% of the Fund's holdings and included Texas Pacific Land Trust (TPL), Luby’s Inc. (LUB), DraftKings (DKNG), The Azek Co. (AZEK), Norwegian Cruise Lines Holdings (NCLH), Taylor Morrison Home Corp. (TMHC), Callaway Golf Co. (ELY), Nautilus Inc. (NLS), Revolve Group (RVLV), and Roku Inc. (ROKU).

Hodges Fund vs S&P 500

As of 12/31/2020

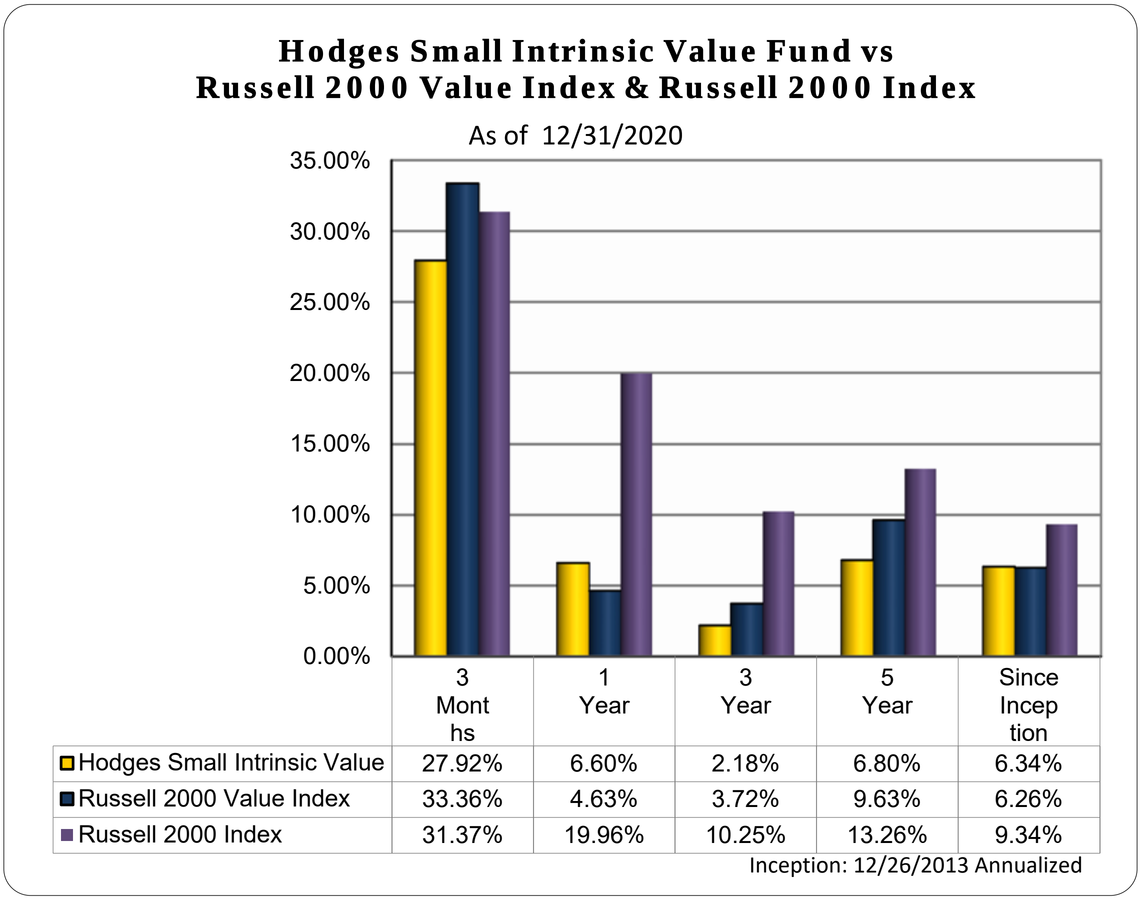


	3 Months	1 Year	3 Year	5 Year	10 Year	Since Inception
Hodges Fund	29.65%	29.58%	1.62%	10.79%	9.62%	9.60%
S&P 500 Index	12.15%	18.40%	14.18%	15.22%	13.88%	10.41%

Inception: 10/09/1992 Annualized

Hodges Small Intrinsic Value Fund (HDSVX)

The Hodges Small Intrinsic Value Fund experienced a gain of 27.92% in the December quarter of 2020 compared to an increase of 33.36% for its benchmark, the Russell 2000 Value Index. The full-year return amounted to 6.60% compared to a 4.63% return of the Russell 2000 Value. The Fund's strong relative performance in 2020 was positively impacted by the Fund's consumer discretionary, energy, and industrial stocks, which reflected the benefits of individual stock selection. The top ten holdings at year-end represented 32.49% of the Fund's holdings and included Eagle Materials Inc. (EXP), Delta Apparel Inc. (DLA), Hilltop Holdings Inc. (HTH), NCR Corp. (NCR), Independent Bank Group Inc. (IBTX), Taylor Morrison Homes Corp. (TMHC), US Xpress Enterprises Inc. (USX), Whiting Pete Corp. (WLL), Cleveland-Cliffs Inc. (CLF) and Vista Outdoor Inc. (VSTO).



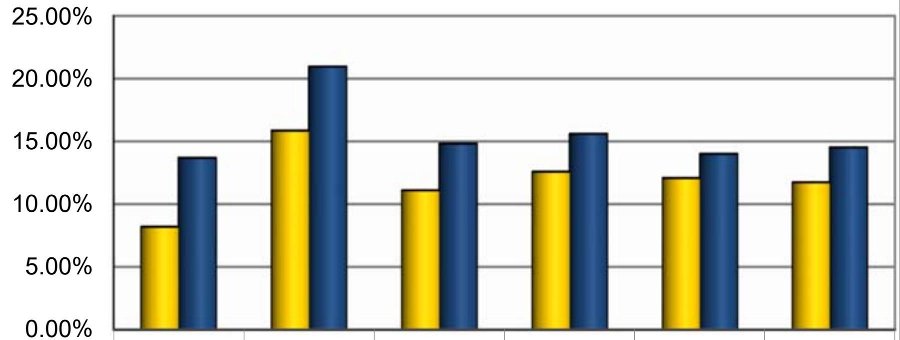
	3 Months	1 Year	3 Year	5 Year	Since Inception
Hodges Small Intrinsic Value	27.92%	6.60%	2.18%	6.80%	6.34%
Russell 2000 Value Index	33.36%	4.63%	3.72%	9.63%	6.26%
Russell 2000 Index	31.37%	19.96%	10.25%	13.26%	9.34%

Hodges Blue Chip Equity Income Fund (HDPBX)

The Hodges Blue Chip Equity Income Fund was up 8.2% in the fourth quarter of 2020 compared to a gain of 13.69% for the Russell 1000 Index. The Fund experienced a total return of 15.86% for the year compared to a 20.96% return for the Russell 1000 Index. Underperformance relative to the Fund's benchmark was attributed to stock selection among a handful of the energy, industrial, and financial names. Although large-cap growth stocks have made an impressive move in recent years, we still see the current investing landscape as offering plenty of attractive, high-quality dividend-paying stocks with solid upside potential, as well as dividend income as a result of stable corporate profits supporting the ability of companies to pay out dividends. 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 56.62% of the Fund's holdings and included ABBVIE Inc. (ABBV), Amazon.com Inc. (AMZN), Apple Inc. (AAPL), Microsoft Corp. (MSFT), Facebook Inc. (FB), FedEx Corp. (FDX), Exxon Mobil Corp. (XOM), United Parcel Service (UPS), Walmart (WMT) and Union Pacific Corp. (UNP).

Hodges Blue Chip Equity Income Fund vs Russell 1000 Index

As of 12/31/2020



	3 Months	1 Year	3 Year	5 Year	10 Year	Since Inception
Hodges Blue Chip Equity Income Fund	8.20%	15.86%	11.10%	12.59%	12.08%	11.74%
Russell 1000 Index	13.69%	20.96%	14.82%	15.60%	14.01%	14.52%

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 the most significant domestic equity market segments, 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.