HODGES CAPITAL

Manager's Commentary

Second Quarter 2021

"The worst companies sell at the best multiples and the best at the worst multiples"

-Julian Robertson

The second quarter of 2021 marked another positive quarter for U.S. equity markets, driven mainly by a continuation in the recovery of corporate earnings and an improving backdrop for the remainder of the year. As for the June quarter, we are pleased to report that the returns for all four of the Hodges Mutual Funds exceed their respective benchmarks. Much of the funds' relative performance in the most recent quarter reflected the continued shift in market leadership that favored fundamental investing and rewarded individual stock selection.

We believe the market's continued upswing in the June quarter has been a function of both a V-shaped recovery for earnings and higher P/E multiples (price/earnings). According to data published by FactSet, the S&P 500 ended the second quarter at 21.4X forward earnings estimates compared to a five-year average of 18.1X. Although it is relevant to point out that much of the P/E multiple expansion has occurred among the most prominent growth stocks within the S&P 500, the inverse of the current P/E multiple is earnings yield of 4.67%, which is still well above the 10-year Treasury yield of 1.44% at June 30, 2021. Although we expect to see further earnings strength in the remainder of 2021, we see little room for further multiple expansion. Headwinds that could at least keep a lid on P/E multiples from here include the prospects for a higher U.S. corporate tax rate, an increase in the capital gains tax, and the possible increase in long-term interest rates brought about by a pickup in inflation. Given this assumption, the investment team at Hodges Capital remains laser-focused on the trajectory of earnings improvement among the individual stocks we hold in our portfolios. At this moment in the cycle, it is also critical to evaluate unique productivity and growth factors that could offset cyclical headwinds to multiples in the future.

As earnings recover, we expect industries hardest hit by the pandemic to experience the lion's share of the recovery this year. Still, we acknowledge that some business dislocations that occurred in response to the pandemic could be permanent. Furthermore, we have been surprised to see a muted market reaction to signs of inflation, which the Fed has called "transitory." Although we are starting to see some anecdotal signs that supply chains are recovering and labor shortages are beginning to diminish, we would not be surprised to see inflation stick around as consumption returns and liquidity remains abundant. With this in mind, we are paying close attention to input costs and, more importantly, the pricing power that our portfolio companies exhibit within the goods and services they offer. Generally speaking, businesses with high barriers to entry and a low threat from substitute products can often pass on inflationary costs and see profit margins benefit from an inflationary environment.

Our investment team remains laser-focused on identifying developing trends and hunting down new ideas for our portfolios. During the first half of this year, our investment team completed more than 1,000 meetings and calls with the management of publicly traded companies. A few observations include increased confidence in capital investment and optimism across most economically sensitive sectors. Furthermore, balance sheets are generally carrying more debt than a couple of years ago but seem manageable. Inventories appear lean, and we do not see the signs of overbuilding capacity that would signal a slowdown in 2022. However, we do see some inflationary pressures and believe some businesses are better positioned than others to absorb the impact of higher prices.

Although we are encouraged with the opportunities in the second half of 2021, 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 investment discipline, designed to seek out quality companies running great businesses with excellent management teams trading at reasonable prices. Furthermore, we see this 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 6/30/2021:	3 Months	YTD	1 Year*	3 Year*	5 Year*	10 Year*	Since Inception*
Hodges Small Cap Fund (12/18/07)	8.43%	40.06%	93.03%	14.70%	15.49%	12.57%	11.16%
Russell 2000® Return Index	4.29%	17.54%	62.03%	13.52%	16.47%	12.34%	10.13%
Hodges Fund (10/9/92)	9.11%	32.22%	99.24%	12.01%	14.72%	12.34%	10.50%
S&P 500® Index	8.55%	15.25%	40.79%	18.67%	17.65%	14.84%	10.77%
Hodges Small Intrinsic Value Fund (12/26/13)	5.19%	34.51%	90.20%	11.55%	13.79%	n/a	10.18%
Russell 2000® Value Return Index	4.56%	26.69%	73.28%	10.27%	13.62%	n/a	9.22%
Russell 2000® Index	4.29%	17.54%	62.03%	13.52%	16.47%	n/a	11.06%
Hodges Blue Chip Equity Income Fund (12/26/13)	9.28%	14.17%	36.49%	16.32%	15.56%	13.08%	12.48%
Russell 1000® Index	8.54%	14.95%	43.07%	19.16%	17.99%	14.90%	15.23%

*Average Annualized

	HDPSX	HDPMX	HDSVX	HDSMX	HDPBX
Gross Expense Ratio	1.29%	1.34%	1.50%	1.92%	1.48%
Net Expense Ratio		1.18%**	1.29%**	1.40%**	1.30%**

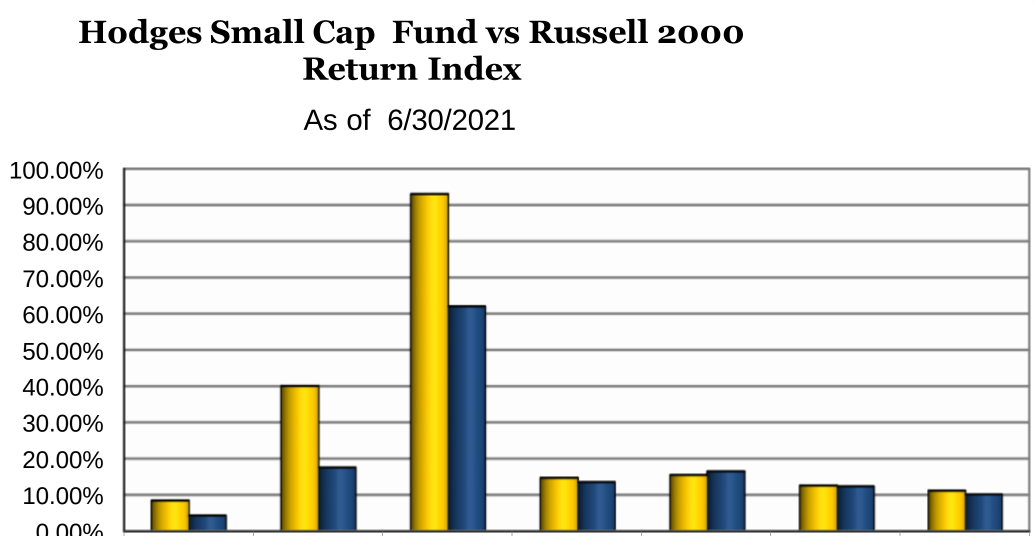
**The Advisor has contractually agreed to reduce its fees from 0.85% to 0.82% until at least August 31, 2021. This figure excludes Acquired Fund Fees and Expenses, interest, taxes, and extraordinary expenses. The Advisor is permitted, with Board approval, to be reimbursed for fee reduction and/or expense 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 8.43% in the second quarter of 2021 compared to gains in the Russell 2000 Index of 4.29%. The Fund's year-to-date return on June 30, 2021, amounted to 40.06% compared to 17.54% for the Russell 2000 Index. In the most recent quarter, relative performance again reflected strength in many of the Fund's industrial, materials, financial, and consumer discretionary names. Although small-caps underperformed large-cap stocks in the recent quarter, we view the current risk-reward for holding small-cap stocks as attractive. We expect this market segment to generate above-average relative risk-adjusted returns that could be supported by a continued earnings recovery for small-cap stocks and a pickup in M&A 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 overvalued 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 quarter remained at 54. The top ten holdings amounted to 30.48% of the Fund's holdings and included Commercial Metals Co. (CMC), Eagle Materials Inc. (EXP), Hilltop Holdings Inc. (HTH), Texas Pacific Land Trust (TPL), Vista Outdoor Inc. (VSTO), RH (RH), Boyd Gaming Corp. (BYD), Cricut, Inc. (CRCT), Matador Resources (MTDR), and Cleveland-Cliffs, Inc. (CLF).



	3 Months	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Hodges Small Cap Fund	8.43%	40.06%	93.03%	14.70%	15.49%	12.57%	11.16%
Russell 2000 Return Index	4.29%	17.54%	62.03%	13.52%	16.47%	12.34%	10.13%

Inception: 12/18/2007 Annualized

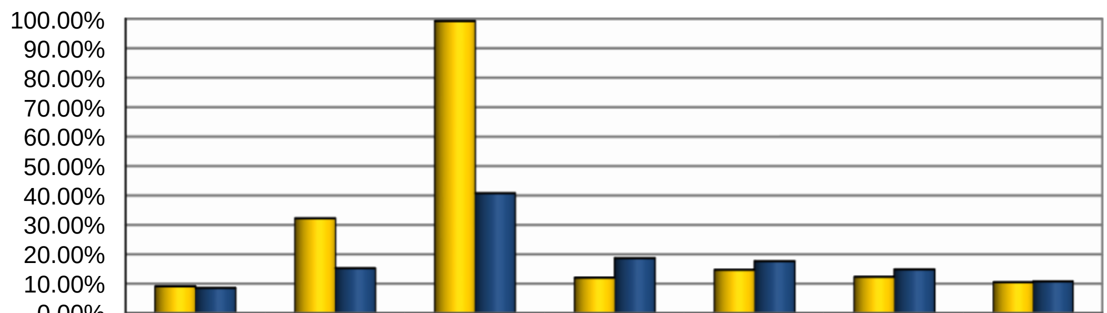
Hodges Fund (HDPMX)

The Hodges Fund's second-quarter 2021 return amounted to a gain of 9.11% compared to an increase of 8.55% for the S&P 500 Index. Furthermore, the Fund's total return year to date as of June 30, 2021, amounted to 32.22%, compared to 15.25% for the S&P 500 Index. Strong relative performance in the recent quarter was primarily attributed to individual stock selection. Furthermore, the Hodges Fund's turnover during the past quarter returned to normal after being unusually elevated to take advantage of volatile market conditions. We have upgraded many portfolio holdings into companies that we expect to emerge from the pandemic stronger and generate above-average returns over the next twelve to eighteen months. The outcome of these actions was evident in the Fund's recent relative performance.

While we are encouraged with the Fund's performance over the past few 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 totaled 49. The top ten holdings at the end of the quarter represented 33.13% of the Fund's holdings. They included Texas Pacific Land Trust (TPL), Luby's Inc. (LUB), The Azek Co. (AZEK), Cleveland-Cliffs, Inc. (CLF), General Motors Company (GM), The Charles Schwab Corp. (SCHW), Moderna (MRNA), Cricut, Inc. (CRCT), Matador Resources (MTDR), and Revolve Group, Inc. (RVLV).

Hodges Fund vs S&P 500 Index

As of 6/30/2021

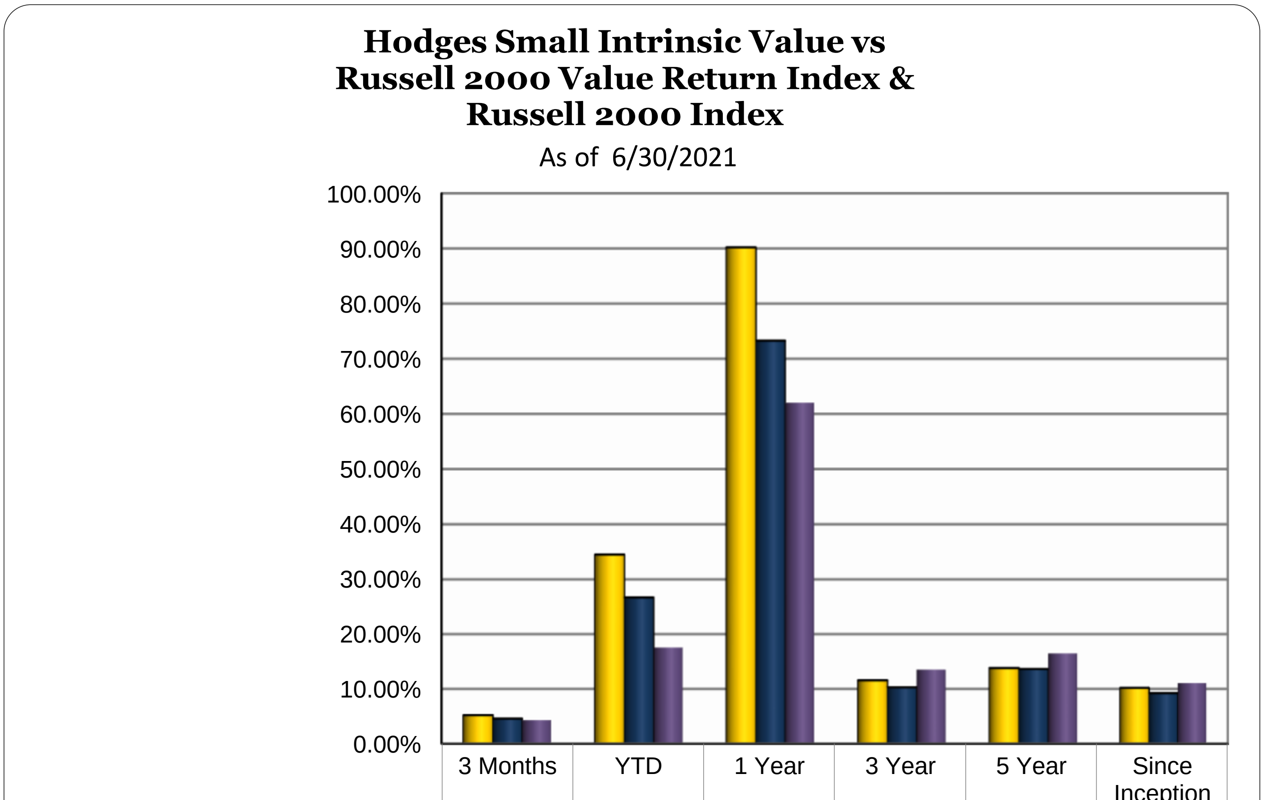


	3 Months	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Hodges Fund	9.11%	32.22%	99.24%	12.01%	14.72%	12.34%	10.50%
S&P 500 Index	8.55%	15.25%	40.79%	18.67%	17.65%	14.84%	10.77%

Inception: 10/09/1992 Annualized

Hodges Small Intrinsic Value Fund (HDSVX)

The Hodges Small Intrinsic Value Fund experienced a gain of 5.19% in the June quarter of 2021 compared to an increase of 4.56% for its benchmark, the Russell 2000 Value Index. The year-to-date return amounted to 34.51% compared to a 26.69% return for the Russell 2000 Value Index. The Fund's strong relative performance over the quarter has been attributed to 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 30.89% of the Fund's holdings and included Eagle Materials Inc. (EXP), Delta Apparel Inc. (DLA), Hilltop Holdings Inc. (HTH), Cleveland-Cliffs Inc. (CLF), Ichor Holdings, Ltd. (ICHR), Fossil Group, Inc. (FOSL), Duluth Holdings, Inc. (DLTH), Westwood Holdings Group, Inc. (WHG), and Vista Outdoor Inc. (VSTO).



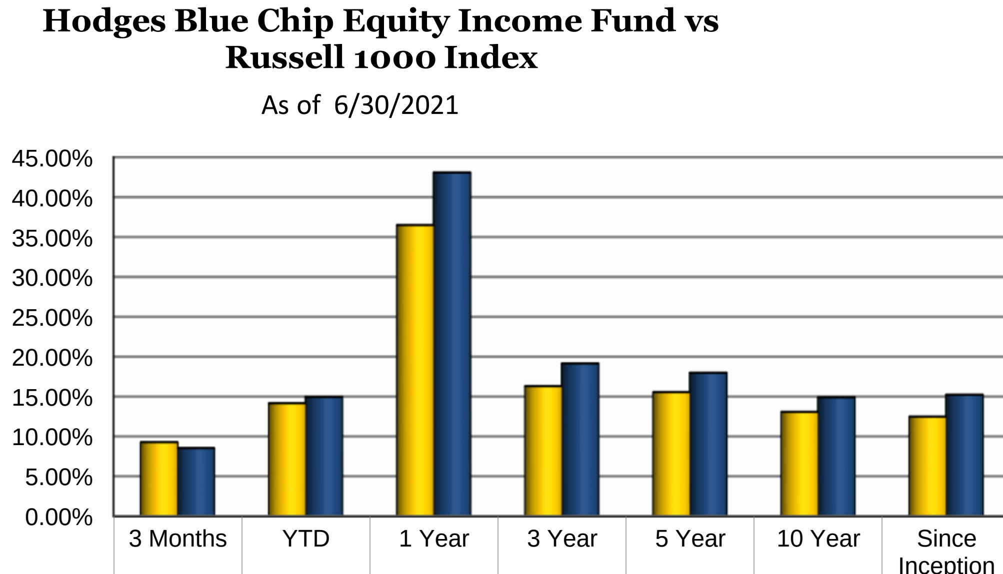
	3 Months	YTD	1 Year	3 Year	5 Year	Since Inception
Hodges Small Intrinsic Value Fund	5.19%	34.51%	90.20%	11.55%	13.79%	10.18%
Russell 2000 Value Return Index	4.56%	26.69%	73.28%	10.27%	13.62%	9.22%
Russell 2000 Index	4.29%	17.54%	62.03%	13.52%	16.47%	11.06%

Inception: 12/26/2013 Annualized

Hodges Blue Chip Equity Income Fund (HDPBX)

The Hodges Blue Chip Equity Income Fund was up 9.28% in the June quarter of 2021 compared to a gain of 8.54% for the Russell 1000 Index. The Fund experienced a total return of 14.17% compared to a 14.95% return for the Russell 1000 Index on a year-to-date basis. Positive relative performance in the recent quarter was attributed to stock selection among a handful of the consumer, 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. The top ten holdings at the end of the quarter represented 53.89% of the Fund's holdings and included

Amazon.com Inc. (AMZN), Apple Inc. (AAPL), Microsoft Corp. (MSFT), Facebook Inc. (FB), FedEx Corp. (FDX), Exxon Mobil Corp. (XOM), Chevron Corp. (CVX), PayPal Holdings, Inc. (PYPL), Texas Instruments, Inc. (TXN), and ONEOK, Inc. (OKE).



	3 Months	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Hodges Blue Chip Equity Income Fund	9.28%	14.17%	36.49%	16.32%	15.56%	13.08%	12.48%
Russell 1000 Index	8.54%	14.95%	43.07%	19.16%	17.99%	14.90%	15.23%

Inception: 9/10/2009 Annualized

In conclusion, we remain optimistic regarding the long-term investment opportunities surrounding the Hodges Mutual Funds. By offering four distinct mutual fund strategies covering most segments of the domestic equity market, we can serve most financial advisors and individual investors' diverse needs. Our entire investment team is rigorously studying companies, meeting with management teams, observing trends, and attempting to navigate today's ever-changing 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.