HODGES ★ CAPITAL

Manager's Commentary

Third Quarter 2021

"The market is always making mountains out of molehills and exaggerating ordinary vicissitudes into major setbacks." -Benjamin Graham

The third quarter of 2021 proved to be a choppy quarter for U.S. equity markets as stocks consolidated gains from the first half of 2021. The continued recovery of corporate earnings was partly shadowed by concerns over what new COVID variants might mean for the near-term economic trajectory. Uncertainty regarding fiscal policy in Washington, supply chain disruptions, and the likelihood of higher taxes also dampened market sentiment in the recent quarter. Despite a challenging third quarter, most of our mutual fund strategies maintained meaningful outperformance relative to their respective benchmarks on a year-to-date basis. We believe positive relative performance in the first nine months of 2021 reflects a shift in market leadership that has favored fundamental investing and rewarded individual stock selection.

We view the market's sideways trading on low volumes during the September quarter as a healthy function of earnings and profit margins moving back to a normalized trend. According to data published by FactSet, the S&P 500 ended the third quarter at 20.1X forward earnings estimates compared to a five-year average of 18.3X. The inverse of the current P/E multiple is an earnings yield of 4.98%, which is well above the 10-year Treasury yield of 1.52% on September 30, 2021. Although we expect to see further earnings strength well into 2022, we see limitations for multiple expansion in the months ahead. It is also relevant to point out that P/E multiples are highly bifurcated, with the most prominent growth stocks trading at historically high multiples relative to their long-term growth rates and industrial and cyclical stocks trading at low multiples consistent with the latter stages of an economic cycle. Headwinds for P/E multiples 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. While many industrial and economically sensitive stocks trade as if we are in the late stages of an economic cycle, we do not see the typical signs that would suggest that the economic cycle is nearing maturity. Such signs would include a build-up in inventories of consumer goods or excess capacity in manufacturing. As a result, 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, we believe it is also critical to evaluate unique productivity and growth factors that could offset headwinds to multiples in the future.

As we enter the final quarter of 2021, we are paying close attention to the impact that supply chain dislocations, a tight labor market, and rising material costs could have on profit margins. For many businesses, inflation and logistical challenges will adversely impact profit margins and revenues in the months ahead. Companies that exhibit pricing power and a low threat from substitute products can often pass on higher costs and see profit margins benefit from an inflationary environment. We believe this environment will also create opportunities for companies that are low-cost producers or have structural advantages in providing goods and services that can take market share and fortify their competitive position. Furthermore, we have been surprised to see a muted market reaction to signs of inflation, which the Fed has called "transitory." Although supply chain dislocations and labor shortages will eventually improve, we would not be surprised to see inflation stick around as consumption and liquidity remain abundant.

Although we are encouraged with the current positioning in our portfolios, we would not be surprised to see volatility in the months ahead resulting from a dubious earnings season and political rhetoric over the debt ceiling. 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 09/30/2021:

	3 Mo.	YTD	1 Yr*	3 Yrs*	5 Yrs*	10 Yrs*	Since Incept*
Hodges Small Cap Fund **(12/18/2007)**	-6.42%	31.07%	71.23%	10.39%	12.77%	13.87%	10.41%
Russell 2000® Return Index	-4.36%	12.41%	47.68%	10.54%	13.45%	14.63%	9.58%
Hodges Fund **(10/09/1992)**	-5.73%	24.64%	61.59%	10.40%	10.42%	14.63%	10.18%
S&P 500® Index	0.58%	15.92%	30.00%	15.99%	16.90%	16.63%	10.69%
Hodges Small Intrinsic Value Fund (12/26/2013)	-3.29%	30.09%	66.42%	10.11%	11.32%	-	9.36%
Russell 2000® Value Return Index	-2.98%	22.92%	63.92%	8.58%	11.03%	-	8.48%
Russell 2000® Index	-4.36%	12.41%	47.68%	10.54%	13.45%	-	10.05%
Hodges Blue Chip Equity Income Fund (09/10/2009)	-3.05%	10.69%	19.76%	12.48%	14.85%	14.24%	11.92%
Russell 1000® Index	0.21%	15.19%	30.96%	16.43%	17.11%	16.76%	14.91%

Average Annualized

	HDPSX	HDPMX	HDSVX	HDPBX
Gross Expense Ratio	1.40%	1.41%	2.48%	1.64%
Net Expense Ratio	1.35%*	1.17%*	1.29%*	1.30%*

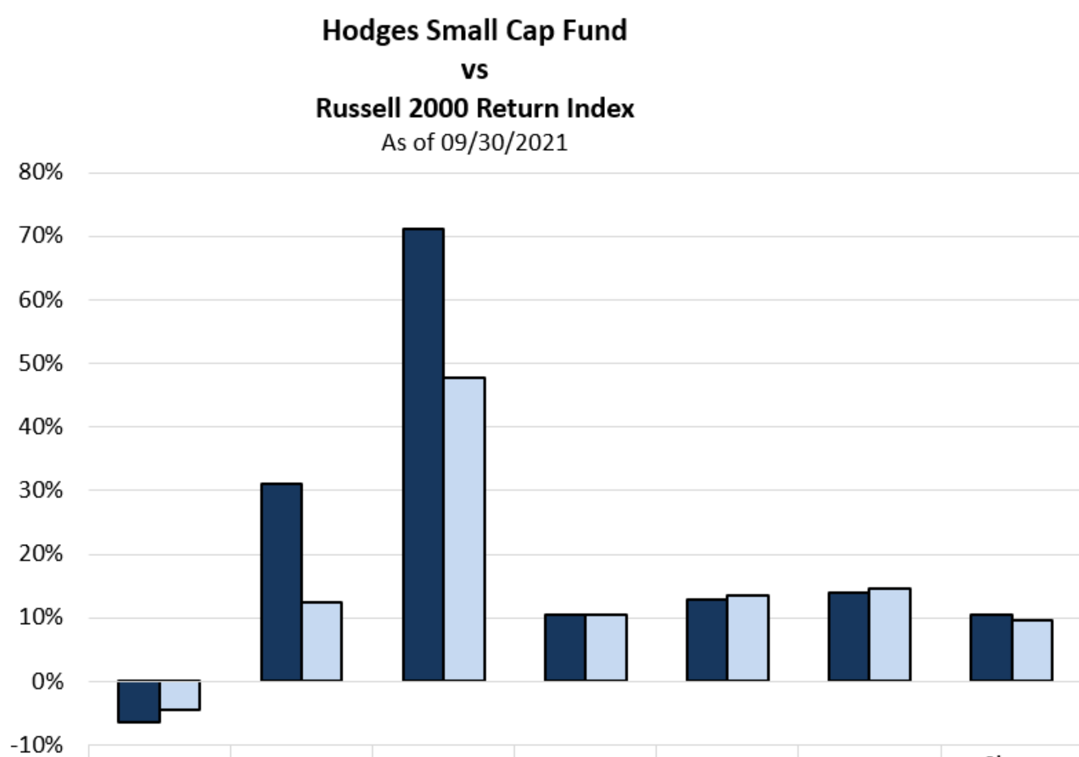
*The Advisor has contractually agreed to reduce its fees at least until July 31, 2023. This figure excludes Acquired Fund Fees and Expenses, interest, taxes, and extraordinary expenses. The Advisor is permitted, with Board approval, to be reimbursed for fee reduction and/or expense payments made in the 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 decline of 6.42% in the third quarter of 2021 compared to a loss of 4.36% for the Russell 2000 Index. On September 30, 2021, the Fund's year-to-date return amounted to 31.07% compared to 12.41% for the Russell 2000 Index. In the most recent quarter, the fund gave back some relative performance as several of the Fund's consumer discretionary names sold off in the final week of the quarter. 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 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 recently took 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 was 51 compared to 54 at the previous quarter. The top ten holdings amounted to 32.71% of the Fund's holdings and included Texas Pacific Land Corporation (TPL), Commercial Metals Company (CMC), Boyd Gaming Corporation (BYD), American Eagle Outfitters, Inc. (AEO), Eagle Materials Inc. (EXP), InMode Ltd. (INMD), SM Energy Company (SM), Silicon Motion Technology Corporation (SIMO), RH (RH) and Matador Resources Company (MTDR).



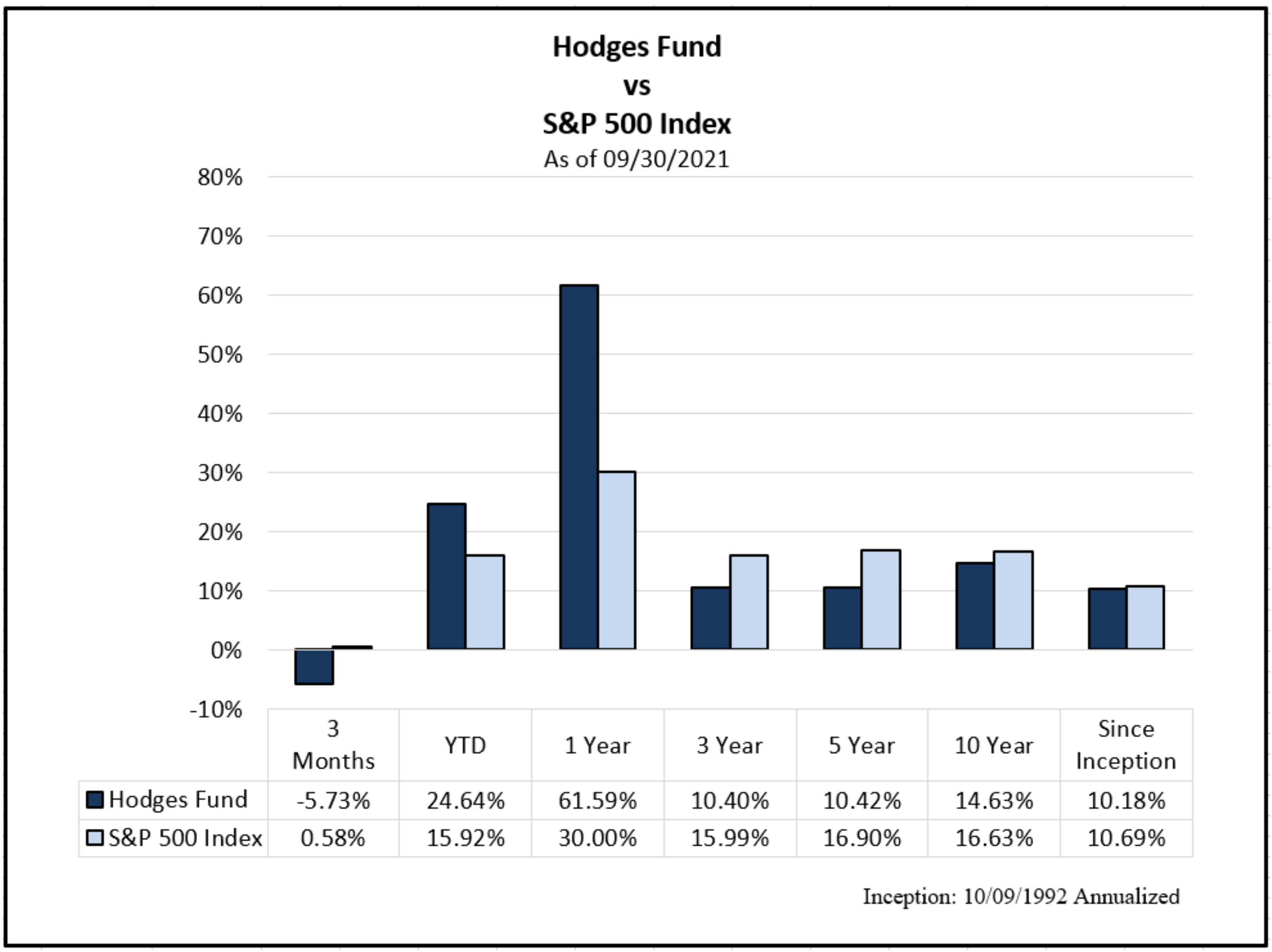
	3 Months	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Hodges Small Cap Fund	-6.42%	31.07%	71.23%	10.39%	12.77%	13.87%	10.41%
Russell 2000 Return Index	-4.36%	12.41%	47.68%	10.54%	13.45%	14.63%	9.58%

Inception: 12/18/2007 Annualized

Hodges Fund (HDPMX)

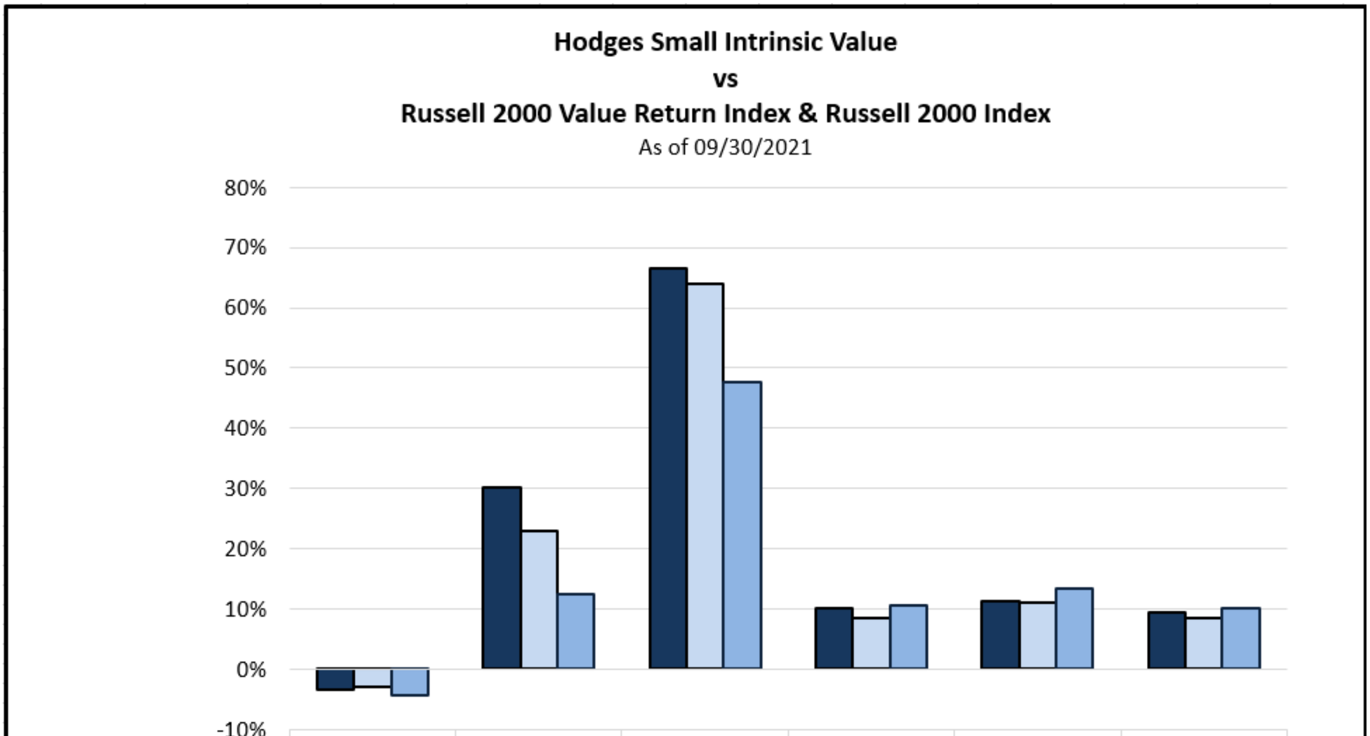
The Hodges Fund's third-quarter 2021 return amounted to a loss of 5.73% compared to an increase of 0.58% for the S&P 500 Index. Furthermore, the Fund's total return year to date as of September 30, 2021, amounted to 24.64%, compared to 15.92% for the S&P 500 Index. Although the portfolio underperformed in the recent quarter due to a selloff in several cyclical stocks that occurred late in the quarter, strong relative performance year-to-date has mainly been attributed to individual stock selection. Furthermore, the Hodges Fund's turnover during the past couple of quarters has returned to normal after being unusually elevated a year ago 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.

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 relative valuations. The number of positions held in the Fund at the end of the recent quarter totaled 46. The top ten holdings at the end of the quarter represented 37.51% of the Fund's holdings. They included Moderna, Inc. (MRNA), Texas Pacific Land Corporation (TPL), Luby's, Inc. (LUB), Airbnb, Inc. (ABNB), General Motors Company (GM), Revolve Group, Inc. (RVLV), Matador Resources Company (MTDR), Callaway Golf Company (ELY), Cleveland-Cliffs Inc. (CLF), and Builders FirstSource, Inc. (BLDR).



Hodges Small Intrinsic Value Fund (HDSVX)

The Hodges Small Intrinsic Value Fund experienced a decline of 3.29% in the September quarter of 2021 compared to a loss of 2.98% for its benchmark, the Russell 2000 Value Index. The year-to-date return amounted to 30.09% compared to a 22.92% return for the Russell 2000 Value Index. The Fund's lackluster relative performance over the quarter was attributed to the Fund's consumer discretionary and industrial stocks, which sold off in the final weeks of the quarter over macro-related fears of a slowing economy. The top ten holdings at year-end represented 32.74% of the Fund's holdings and included Fossil Group, Inc. (FOSL), Eagle Materials Inc. (EXP), Builders FirstSource, Inc. (BLDR), Stratus Properties Inc. (STRS), Kimball Electronics, Inc. (KE), Cleveland-Cliffs Inc. (CLF), Vista Outdoor Inc. (VSTO), Horace Mann Educators Corporation (HMN), and Tiptree Inc. (TIPT).

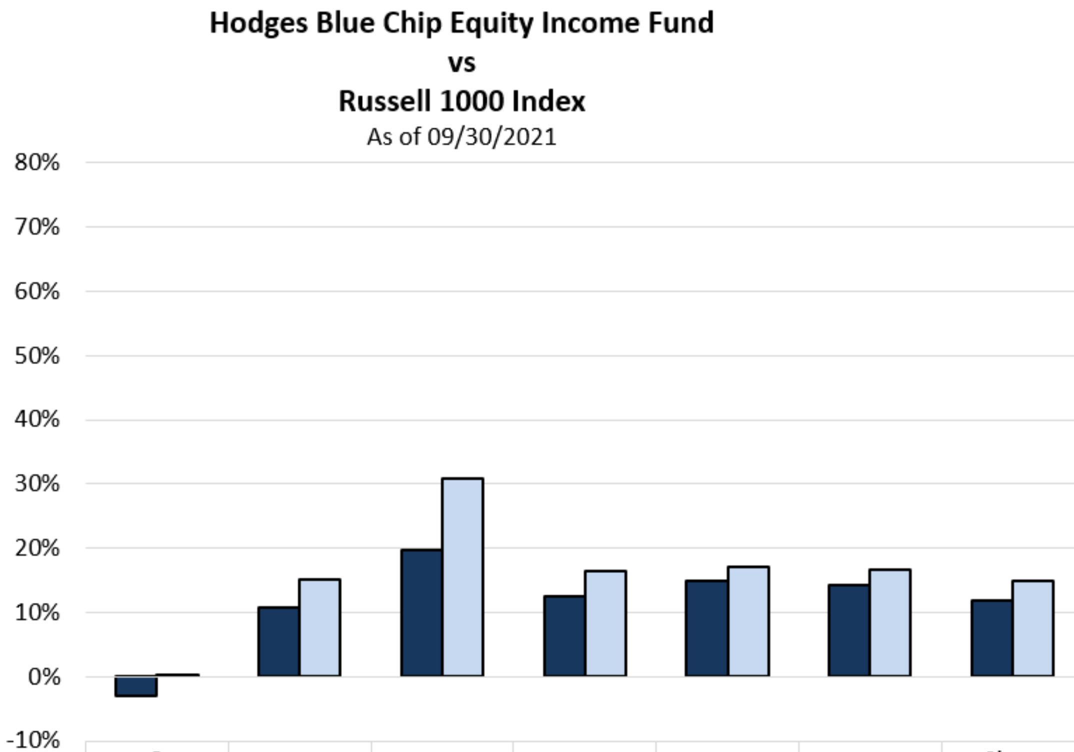


	3 Months	YTD	1 Year	3 Year	5 Year	Since Inception
Hodges Small Intrinsic Value Fund	-3.29%	30.09%	66.42%	10.11%	11.32%	9.36%
Russell 2000 Value Return Index	-2.98%	22.92%	63.92%	8.58%	11.03%	8.48%
Russell 2000 Index	-4.36%	12.41%	47.68%	10.54%	13.45%	10.05%

Inception: 12/26/2013 Annualized

Hodges Blue Chip Equity Income Fund (HDPBX)

The Hodges Blue Chip Equity Income Fund was down 3.05% in the September quarter of 2021 compared to a gain of 0.21% for the Russell 1000 Index. The Fund experienced a total return of 10.69% compared to a 15.19% return for the Russell 1000 Index on a year-to-date basis. Negative relative performance in the recent quarter was attributed to stock selection among a handful of the industrial and healthcare names. Although large-cap 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. We also expect stable corporate profits to support potential dividend increases in the months ahead. 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 53.46% of the Fund's holdings and included Microsoft Corporation (MSFT), Apple Inc. (AAPL), Amazon.com, Inc. (AMZN), Facebook, Inc. (FB), Exxon Mobil Corporation (XOM), ONEOK, Inc. (OKE), Texas Instruments Incorporated (TXN), The Home Depot, Inc. (HD), PayPal Holdings, Inc. (PYPL), and Chevron Corporation (CVX).



	3 Months	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Hodges Blue Chip Equity Income Fund	-3.05%	10.69%	19.76%	12.48%	14.85%	14.24%	11.92%
Russell 1000 Index	0.21%	15.19%	30.96%	16.43%	17.11%	16.76%	14.91%

Inception: 09/10/2009 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.