HODGES CAPITAL

Hodges Funds Commentary

Second Quarter 2022

"Everyone has the brain power to make money in stocks. Not everyone has the stomach." -Peter Lynch

U.S. stocks entered bear market territory in the Second Quarter of 2022, as global economic uncertainty arose from inflationary pressures. PE multiples in the recent quarter contracted to adjust to the reality of higher interest rates and slower earnings growth. The S&P 500 Index posted a loss of 16.10% in the second quarter, resulting in the worst first half of a year since 1970. While the recent turbulence in financial markets has been unsettling, three of the four Hodges Mutual Funds have maintained positive year-to-date returns relative to their respective benchmarks as of June 30, 2022. Before June, market leadership seemed to favor fundamental investing and rewarded individual stock selection. However, by the end of the quarter, there were few places to hide as energy, industrials, semiconductors, and financial stocks experienced an abrupt and broad sell-off in the last few weeks of the quarter.

Today, we face an entirely different market environment than six months ago. Based on more than a hundred discussions our investment team has had with public company management teams over the past month, we expect corporate earnings to hold up well through the June quarter, with visibility in the second half of the year being constructive but less certain. However, what investors are willing to pay for future earnings in response to higher interest rates have contracted PE multiples. As a result, growth stocks whose earnings are the furthest out into the future have been among the stocks hardest hit during the recent correction. In addition, economically cyclical stocks sensitive to higher borrowing costs and consumer discretionary stocks have also seen a significant contraction in PE multiples. According to the most recent data published by FactSet, the S&P 500 is trading at approximately 15.8X forward earnings estimates compared to 21.2X at the beginning of the year and the five-year average of 18.6X. Although PE multiples have contracted, the inverse of the S&P 500 quarter-end PE multiple is an earnings yield of 6.33%, which was still well above the 10-year Treasury yield of 2.98% at quarter-end. In this environment, we believe active portfolio management becomes essential to navigate quickly changing business conditions across many sectors.

Furthermore, prevailing inflation, a slowdown in the economy, and higher interest rates favored stocks with solid balance sheets and whose underlying assets can produce stable cash flow and earnings. Although the market is pricing in a more challenging macro environment for earnings in the balance of the year, we still see a favorable risk/reward in stocks that have the staying power to deal with volatile commodity prices and curtailed discretionary spending. Challenging macro conditions and the recent sell-off in stock prices will likely result in new sector leadership in the months ahead. With this in mind, the Hodges Capital Management investment team has positioned our portfolios to benefit from shifting economic trends and secular and structural changes across different industries.

The Federal Reserve has signaled plans to further reduce liquidity through fewer asset purchases and additional increases in the Fed funds rate. Capital markets have started to price in this reality, resulting in lower multiples for stocks and lower bond prices. As previously mentioned, we spend little time predicting 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 produce. For many businesses, inflation and a slowdown in demand could 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. As a result, we are overweighting our portfolios with growth and value stocks that we believe can create shareholder value under these conditions.

As we enter the second half of the year, we are reminded of one of Don Hodges' sayings, "You make your best investments in bear markets. You just don't realize it at the time." As we attempt to capitalize on the recent sell-off, what we know for sure is what we do not know. We do not know the day that the bear market will bottom, the peak level of interest rates, or the severity of an economic slowdown. We do know that investor sentiment is now far less bullish, and most stocks are trading at lower valuations than six months ago. Specific sectors of U.S. stocks such as housing, transportation, retail, semiconductors, and other cyclicals have priced in a meaningful slowdown in the months ahead. The lack of capital flows into equities, and overall cash levels indicate that investors are defensively positioning portfolios, which is part of the bottoming process for any bear market. The big question in the coming months is: What will investors be willing to pay for future earnings in a rising interest rate environment, and what earnings expectations are priced into individual stock prices? We believe the PE multiple for the broader market has no room to expand if interest rates continue their ascent. However, this is not true for every stock, as we see the potential to unlock value for many under-the-radar companies in our portfolios.

During this dramatic sell-off, the investment team at Hodges Capital is rigorously looking for bargains in businesses that we believe are well run and control their destiny by relying on ingenuity and well-calculated business decisions rather than day-to-day momentum in the stock market. 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 06/30/2022:

	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept
Hodges Small Cap Fund							
(HDPSX) *12/18/2007*	-17.19%	-20.50%	-22.77%	7.49%	7.54%	9.26%	8.41%
Russell 2000® Return Index	-17.20%	-23.43%	-25.20%	4.21%	5.17%	9.35%	7.24%
Hodges Fund							
(HDPMX) *10/09/1992*	-28.16%	-30.96%	-32.39%	4.68%	2.01%	9.33%	8.69%
S&P 500® Index	-16.10%	-19.96%	-10.62%	10.60%	11.31%	12.96%	9.97%
Small Intrinsic Value Fund							
(HDSVX) *12/26/2013*	-11.17%	-11.26%	-4.94%	15.97%	8.61%	-	8.28%
Russell 2000® Value Return Index	-15.28%	-17.31%	-16.28%	6.18%	4.89%	-	5.86%
Russell 2000® Index	-17.20%	-23.43%	-25.20%	4.21%	5.17%	-	6.02%
Blue Chip Equity Income Fund							
(HDPBX) *09/10/2009*	-16.18%	-16.71%	-9.81%	9.80%	10.12%	11.48%	10.56%
Russell 1000® Index	-16.67%	-20.94%	-13.04%	10.17%	11.00%	12.82%	12.72%

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%*

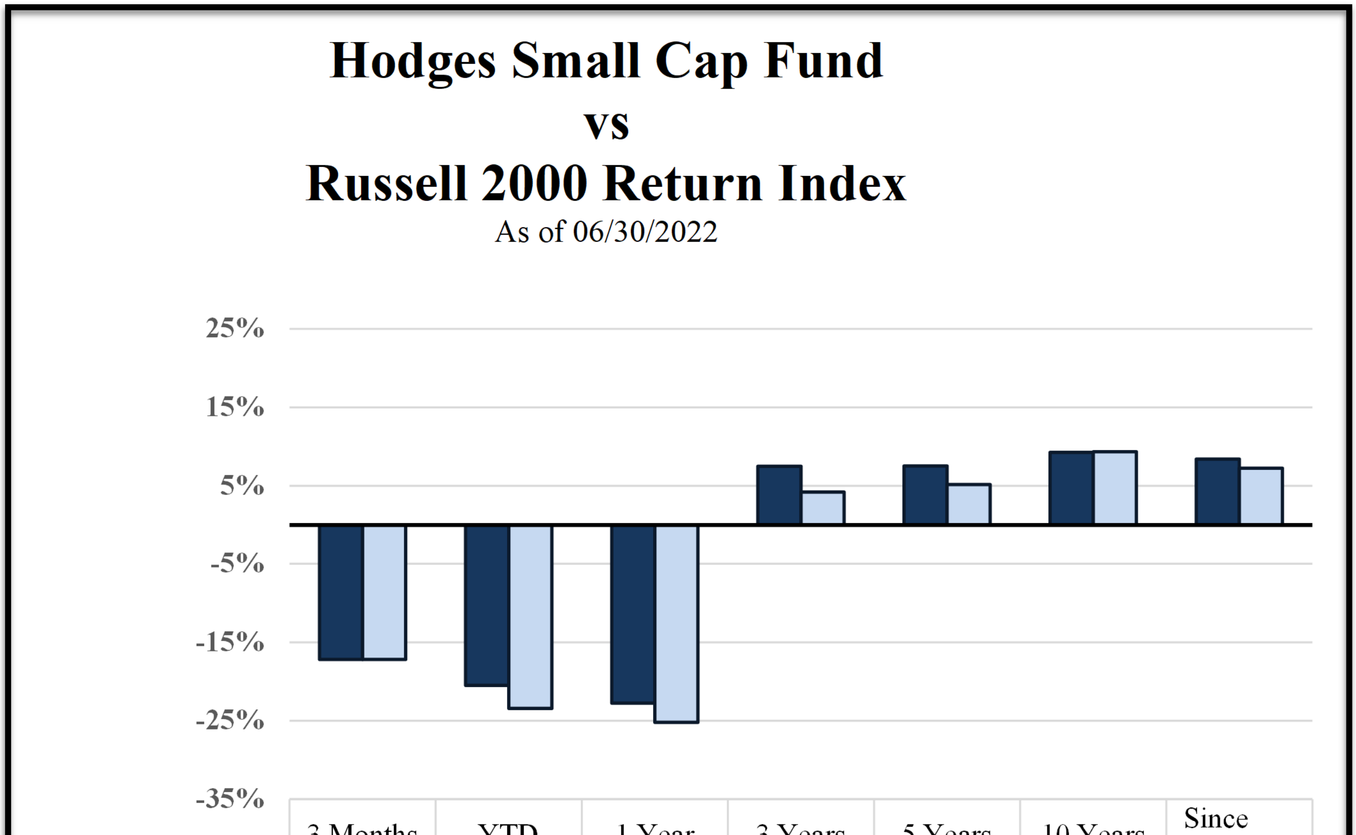
*The Advisor has contractually agreed to reduce its fees at least until July 31, 2023. This figure excludes Acquired Fund Fees and Expenses, interest, taxes, and extraordinary expenses. The Advisor is permitted, with Board approval, to be reimbursed for fee reduction and/or expense payments made in the 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 return for the Hodges Small Cap Fund amounted to a loss of 17.19% in the second quarter of 2Q22 compared to a loss of 17.20% for the Russell 2000 Index. As of June 30, 2022, the Fund's year-to-date return amounted to a loss of 20.50% compared to a loss of 23.43% for the Russell 2000 Index during the same period. Although small-caps underperformed large-cap stocks this year, we view the current risk-reward for holding quality small-cap stocks as attractive. While small-cap stocks tend to experience greater volatility during a period of market turmoil, we expect this segment to generate above-average relative risk-adjusted returns over the long term.

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 with an attractive risk/reward profile. The total number of stocks held in the Fund increased from 47 to 48 during the recent quarter. The top ten holdings amounted to 38.53% of the Fund's holdings and included Texas Pacific Land Corporation (TPL), SM Energy Company (SM), Matador Resources Company (MTDR), Silicon Motion Technology Corporation (SIMO), Eagle Materials Inc (EXP), Commercial Metals Company (CMC), Hilltop Holdings Inc. (HTH), Vista Outdoor Inc. (VSTO), Distribution Solutions Group Inc (DSGR), and Cleveland-Cliffs Inc. (CLF)



	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Hodges Small Cap Fund	-17.19%	-20.50%	-22.77%	7.49%	7.54%	9.26%	8.41%
Russell 2000 Return Index	-17.20%	-23.43%	-25.20%	4.21%	5.17%	9.35%	7.24%

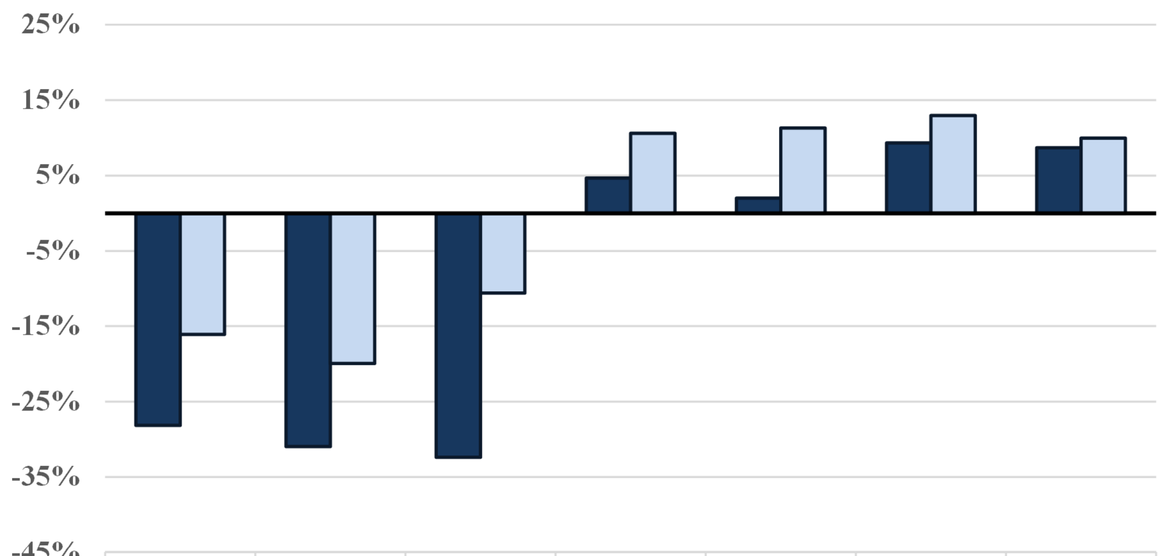
Inception: 12/18/2007 Annualized

Hodges Fund (HDPMX)

The Hodges Fund's second-quarter 2022 return amounted to a loss of 28.16% compared to a loss of 16.10% for the S&P 500 Index. Furthermore, the Fund's total return for the trailing twelve months ending June 30, 2022, amounted to a loss of 30.96%, compared to 19.96% for the S&P 500 Index. In the recent quarter, lagging relative performance was attributed to a hand full of consumer discretionary, semiconductor, and energy stocks that saw dramatic declines in the final month of the quarter. The Hodges Fund’s turnover has recently picked up to take advantage of volatile market conditions. We have upgraded many portfolio holdings into stocks that we believe offer above-average returns relative to their downside risks over the next twelve to eighteen months.

While we are disappointed with the Fund's most recent performance, 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 decreased from 38 to 36 positions at the beginning of the quarter. On June 30, 2022, the top ten holdings represented 48.09% of the Fund's holdings. They included Texas Pacific Land Corporation (TPL), Matador Resources Company (MTDR), Chesapeake Energy Corporation (CHK), ON Semiconductor Corporation (ON), Callaway Golf Company (ELY), Cleveland-Cliffs Inc. (CLF), Frontier Group Holdings Inc. (ULCC), Uber Technologies Inc. (UBER), Builders FirstSource Inc. (BLDR), CyberArk Software Ltd. (CYBR).

Hodges Fund
vs
S&P 500 Index
As of 06/30/2022



	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Hodges Fund	-28.16%	-30.96%	-32.39%	4.68%	2.01%	9.33%	8.69%
S&P 500 Index	-16.10%	-19.96%	-10.62%	10.60%	11.31%	12.96%	9.97%

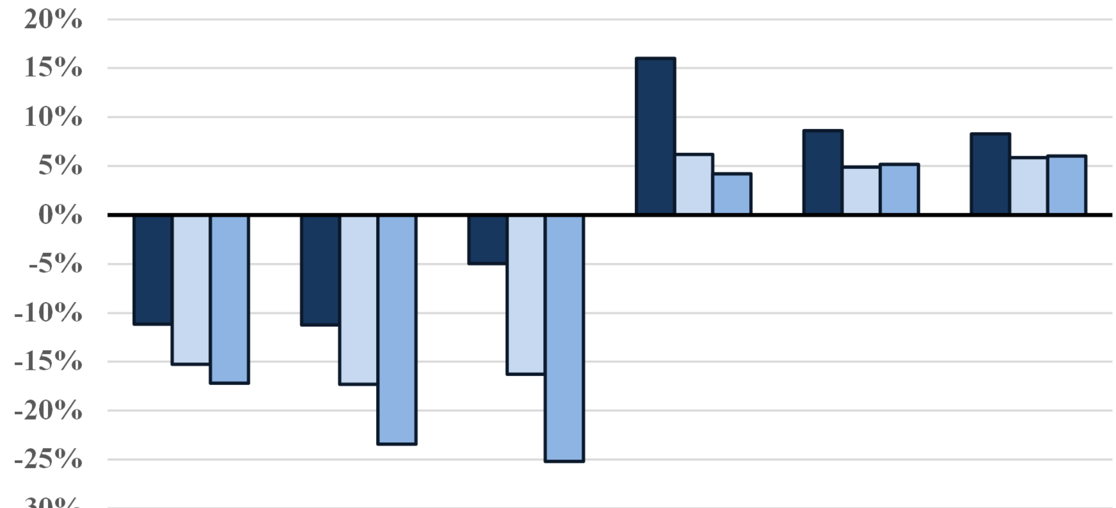
Inception: 10/09/1992 Annualized

Hodges Small Intrinsic Value Fund (HDSVX)

The Hodges Small Intrinsic Value Fund experienced a loss of 11.17% in the second quarter of 2022 compared to a loss of 15.28% for its benchmark, the Russell 2000 Value Index. The return for the first six months of 2022 amounted to a loss of 11.26% compared to a loss of 17.31% return for the Russell 2000 Value Index. The Fund's solid relative performance over the quarter was attributed to several of the Fund's energy and industrial stocks. The Fund had a total of 45 positions at June 30, 2022. The top ten holdings represented 32.91% of the Fund's holdings and included Stratus Properties Inc.(STRS), Silicon Motion Technology Corporation (SIMO), HighPeak Energy Inc. (HPK), Legato Merger Corp. (LGTO), Horace Mann Educators Corporation (HMN), Chord Energy Corp. (CHRD), Kimball Electronics (KE), Cleveland-Cliffs Inc. (CLF), Eagle Materials Inc (EXP), and Commercial Metals Company (CMC).

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

As of 06/30/2022



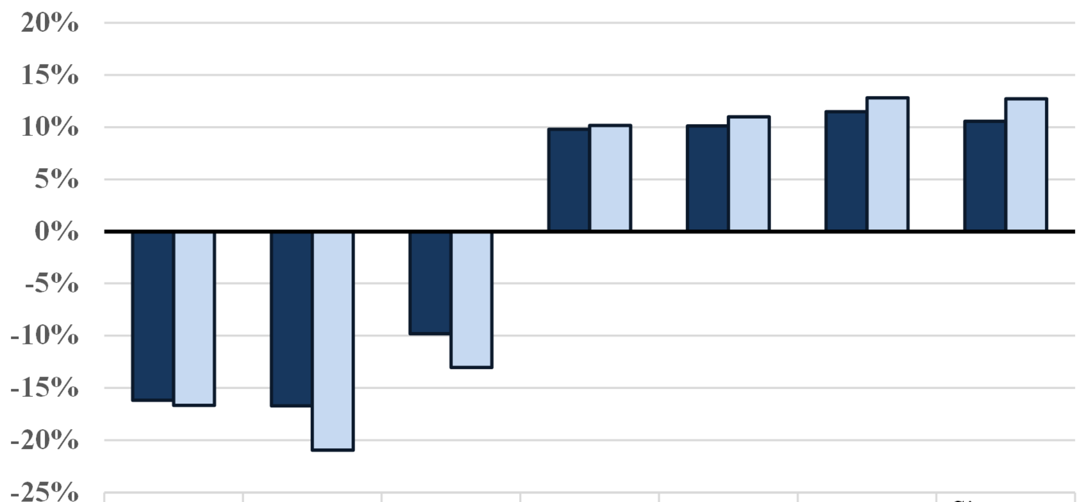
	3 Months	YTD	1 Year	3 Years	5 Years	Since Inception
Hodges Small Intrinsic Value Fund	-11.17%	-11.26%	-4.94%	15.97%	8.61%	8.28%
Russell 2000 Value Return Index	-15.28%	-17.31%	-16.28%	6.18%	4.89%	5.86%
Russell 2000 Index	-17.20%	-23.43%	-25.20%	4.21%	5.17%	6.02%

Inception: 12/26/2013 Annualized

Hodges Blue Chip Equity Income Fund (HDPBX)

The Hodges Blue Chip Equity Income Fund was down 16.18% in the June quarter of 2022 compared to a loss of 16.67% for the Russell 1000 Index. The Fund experienced a negative return of 16.71% compared to a loss of 20.94% for the Russell 1000 Index for the six months ending June 30, 2022. Positive relative performance in the recent quarter was attributed to stock selection among a handful of the energy and technology names. Although large-cap stocks have held up better than small and mid-cap stocks during the recent sell-off, we see the current investing landscape as offering plenty of attractive, high-quality dividend-paying stocks with solid upside potential. We expect underleveraged balance sheets and corporate profits across most blue-chip stocks to support stable dividends over the next several years. 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 47.28% of the Fund's holdings and included Microsoft Corporation (MSFT), Apple Inc. (AAPL), Exxon Mobil Corporation (XOM), Amazon.com, Inc. (AMZN), PepsiCo Inc. (PEP), Johnson & Johnson (JNJ), Union Pacific Corporation (UNP), Costco Wholesale Corporation (COST), Texas Instruments Incorporated (TXN), and FedEx Corporation (FDX).

Hodges Blue Chip Equity Income Fund
vs
Russell 1000 Index
As of 06/30/2022



	3 Months	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Hodges Blue Chip Equity Income Fund	-16.18%	-16.71%	-9.81%	9.80%	10.12%	11.48%	10.56%
Russell 1000 Index	-16.67%	-20.94%	-13.04%	10.17%	11.00%	12.82%	12.72%

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 navigating 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.

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