Value Equity Fund

4Q 2016 Commentary

Markets Review

The outcome of the U.S. election in November propelled domestic equity markets higher, thanks to investors' expectations of lower corporate tax rates, less-cumbersome regulations and a more "business-friendly" environment. In addition, for the second time in a decade, the Federal Reserve (the Fed) raised interest rates, pointing to a strengthening labor market, which is nearing full employment, and inflation, which is moving closer to its targeted level of 2%. Fed officials' forward guidance indicated additional increases in 2017.

In the Russell U.S. equity indices, small cap companies posted the best performance, followed by large caps, with mid caps trailing the pack, and by style, growth stocks lagged their value counterparts in all capitalization segments. Performance in the S&P 500 Index varied widely by sector, underscoring the importance of our commitment to broad diversification to manage risk. Within the S&P 500 Index, Financials was the leader by far, gaining 21.10% in the quarter and reflecting expectations that a Donald Trump presidency will bring less regulation and higher interest rates. Energy and Industrials also posted strong returns of 7.28% and 7.12%, respectively, due to a rebound in oil prices and prospects for increased fiscal spending. Meanwhile, three of the eleven S&P 500 sectors generated losses. Real Estate, Health Care and Consumer Staples posted total returns of -4.40%, -4.00% and -2.01%, respectively.

Most developed equity markets rallied in local currencies during the quarter. The MSCI EAFE Index (net) reported a total return of 7.07% in local currency terms; however, it lost 0.71% in U.S. dollar terms. The difference in global stock markets' performance in local currency versus U.S. dollar terms reflects the rising strength of the greenback, which hit a 14-year high in December versus the euro and a broader basket of currencies. Among countries that advanced in U.S. dollar terms, Italy, whose stock market rose 10.75%, is notable, since the Prime Minister, Matteo Renzi, resigned after the constitutional amendments he supported were rejected by voters and the government approved a €20 billion rescue fund for Italy's ailing banks; Austria also fared well, posting a total return of 6.51%; both as measured by the MSCI countries indices (net).[1] MSCI Belgium and MSCI Israel indices fared the worst, with total returns of -11.80% and -11.32%, respectively, in U.S. dollar terms.

Overall, emerging markets were weaker for the quarter. The MSCI Emerging Markets Index (net) posted a -4.16% total return in U.S. dollars (-1.44% in local currency terms). Among emerging market currencies, the depreciation of the Indian rupee was notable, as the Indian government announced a drastic currency reform to crack down on the shadow economy (estimated as at least 20% of GDP); the reform, announced in November, declared the demonetization of all 500- and 1,000-rupee notes in circulation (which make up 86% of the bills).[2] This has created cash shortages and other negative short-term consequences. Among MSCI emerging markets indices (net), Egypt, followed by Turkey, reported the biggest declines: 23.34% and 13.72%, respectively, in U.S. dollar terms. Based on the MSCI emerging markets indices (net), and in U.S. dollar terms, the best-performing emerging markets were Russia and Greece, up 18.56% and 15.34%, respectively.

In line with the anticipated increase in the target fed funds rate, the quarter ended with higher U.S. bond yields and a stronger dollar. The benchmark 10-year U.S. Treasury started the quarter at 1.60% but finished at 2.45%. In addition, many major international bond markets corrected, with even Japanese 10-year government bond yields ending the period in positive territory. Yields on many emerging countries' government debt increased even more significantly, with several having long-term government bond yields above 5.0% at quarter-end.

In commodity markets, oil prices rose more than 10% for the quarter. Similarly, natural gas prices increased 28%. However, gold fell 13% for the quarter to its lowest level since February, driven down by the dollar's strength.

Performance Review

The **Aristotle Value Equity Fund** posted a total quarterly return of 5.30% at NAV, underperforming the Russell 1000 Value Index, which rose 6.68%, but ahead of the S&P 500 Index, which gained 3.82%.

Performance data quoted here represents past performance. Past performance is no guarantee of future results. Investment return and principal value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain performance information current to the most recent month-end please call 1-844-274-7868.

The Fund's underperformance in the fourth quarter relative to the Russell 1000 Value Index resulted from sector allocation, while security selection added value in the aggregate. An overweight in Health Care and an underweight in Financials detracted the most during the period. In addition, stock selection in Health Care was also a main detractor from relative return. (All sector under- and overweights relative to the benchmark result from bottom-up security selection rather than tactical allocation decisions.)

Meanwhile, the primary contributors to relative return were stock selection in the Industrials and Consumer Discretionary sectors. An underweight in Real Estate, where the Fund had no exposure, also added relative value. (As a reminder, last quarter, Real Estate became its own sector—the eleventh—according to the Global Industry Classification Standard, or GICS.)

The primary detractor from fourth quarter performance was Health Care company Medtronic. Medical device maker Medtronic plc reported lower-than-expected revenue growth as weakening product cycles in some divisions were not offset by improved product cycles in others. For instance, the FDA approved an insulin pump during the third quarter with features that we believe are years ahead of competing products' features—an approval that came months earlier than expected timelines and Medtronic's ability to ramp up manufacturing. Sales of insulin pumps have declined, possibly as a result of customers' anticipation of the availability of the new device in 2017. Such short-term events have little effect on our long-term investment thesis for the company.

Biopharmaceutical company Amgen was also a meaningful detractor from relative return. Shares of Amgen Inc. declined even though the company reported strong results and boosted its outlook for the remainder of the year. Having finalized contracts with most customers for 2017, management believes Enbrel's price will be flat next year, a significant change from the average 16% price increase realized during the first three quarters of 2016. Enbrel, one of Amgen's flagship drugs, is approved to treat rheumatoid arthritis, psoriasis and other disorders. Catalysts we have identified for Amgen include the growth of recently launched oncology and cardiovascular drugs, growth and market share gains from the biosimilars portfolio, and shareholder-friendly use of the company's ample free cash flow.

The top two contributors to relative return in the fourth quarter were Martin Marietta in the Materials sector and Time Warner in the Consumer Discretionary sector. Martin Marietta Materials, Inc. reported strong results, as the company continues to take advantage of a "slow and steady economic expansion" across its markets. The company's gross margins expanded as a result of higher pricing, something Martin Marietta has been able to implement successfully over longer periods of time. Going forward, we believe the company is well positioned to benefit from a stronger construction market, a new highway bill and the possibility of increased infrastructure spending.

In the case of Time Warner, Inc., the company's shares appreciated after announcing that it had agreed to be acquired by AT&T Corp. Such a deal would unite AT&T's wireless, broadband and satellite TV brands with Time Warner's cable networks, HBO and the Warner Bros. film and TV studio. However, the transaction may encounter a series of obstacles, including possible opposition from U.S. antitrust authorities. We are watching this situation closely.

Investment Activity

During the fourth quarter, we sold our investment in **Diageo plc**, a global leader in alcoholic beverages with iconic brands in spirits, beer and wine. We originally invested in Diageo over a decade ago. During our holding period, different catalysts have been realized and the company has performed well. Our investment team conducted a recent sale review of the company, which resulted in a number of new questions on topics we want to better understand. For instance, thanks to social media, it is now easier for smaller competitors to launch new brands that, over time, can take share from larger established players like Diageo. To better understand the ramifications of these new trends, we sold our position in the company to invest in what we consider to be a more compelling investment opportunity: global beverage producer **The Coca-Cola Company**.

Coca-Cola

Founded in 1886, The Coca-Cola Company is the world's largest non-alcoholic beverage producer, owning and licensing more than 500 non-alcoholic ready-to-drink brands in more than 200 countries. Coca-Cola operates primarily as a franchisor and brand owner, while most manufacturing and distribution operations are carried out by bottling partners and distributors (franchisees). However, Coca-Cola will occasionally take control of bottling operations in certain regions for strategic reasons.

As described below, Coca-Cola satisfies all three criteria requisite for inclusion in Aristotle Value Equity client portfolios:

High-Quality Business

Despite our classification as a "value" manager, our process neither begins nor ends with valuation. Rather, we begin by identifying businesses we believe are of high or improving quality. In our view, Coca-Cola exhibits several high-quality characteristics, including:

- One of the oldest, most predictable, best-known brands of any type the world over;
- Demonstrated ability to launch and accelerate new brands;
- Low capital intensity results in high Return On Invested Capital (ROIC), which has averaged 25% over the last 15 years; and
- Track record of returning ample Free Cash Flow (FCF) to shareholders.

Attractive Valuation

Once the necessary, though not sufficient, criterion of quality is met, we analyze the company's valuation. Utilizing Cash Flow Return on Economic Value (CFRoEV) and normalized Earnings Per Share (EPS) calculations result in approximately 30% appreciation potential at time of original purchase.

Compelling Catalysts

We believe attractive investments are often found in companies continually striving to become better. We refer to these company-specific drivers—which we must identify before the market sees them to capture potential hidden value—as catalysts. Among the numerous catalysts we have identified for Coca-Cola, which we believe will cause its stock price to appreciate toward our value target within our three- to five-year investment horizon, are:

- Refranchising of its global bottling operations which should result in a less asset-intensive business;
- Potential for continued success at gaining market share in still (and also sparkling) beverages;
- Cost initiatives potentially resulting in higher margins and higher (even from a high base) returns on capital employed; and
- "Volume to value" strategy likely resulting in higher profitability per case.

This information is for illustrative purposes only and is not a recommendation to buy or sell a particular security. A complete list of holdings and recommendations since the Fund's inception date is available upon request. Please see important disclosures at the end of this document.

Outlook

Some of our clients have been asking us how the election results will impact our investment process and/or the way we "position" the Value Equity Fund. The answer is quite simply: It won't. As always, while cognizant of the broad picture of the economy, we spend the majority of our efforts in identifying what we believe to be unique businesses that may have the opportunity to thrive regardless of the economic and political environment. We will persist in our quest to add value through in-depth company research, focusing on what we perceive to be high-quality businesses, trading at discounts to intrinsic value, that possess catalysts for appreciation that are within management's control.

[1]Politi (Dec 19, 2016), The Financial Times: https://www.ft.com/content/3041cd96-c5f9-11e6-8f29-9445cac8966f
[2]The Economist (Dec 3, 2016): http://www.economist.com/news/finance-and-economics/21711035-withdrawing-86-value-cash-circulation-india-was-bad-idea-badly

Aristotle Value Equity Fund (Class I)

Performance Update December 31, 2016

Total Return	4Q16	Since Inception (8/31/16)	Gross/Net Expense Ratio
ARSQX Class I	5.30%	4.77%	2.31%/0.78%
Russell 1000 Value Index	6.68%	6.45%	N/A
S&P 500 Index	3.82%	3.84%	N/A

Performance data quoted here represents past performance. Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain performance information current to the most recent month-end, please call 1-844-274-7868.

The Fund's advisor has contractually agreed to waive certain fees and/or absorb expenses, through April 30, 2018, to the extent that the total annual operating expenses do not exceed 0.78% of average daily net assets of the Fund. The Fund's advisor may seek reimbursement from the Fund for waived fees and/or expenses paid for three years from the date of the waiver or payment. Without these reductions, the Fund's performance would have been lower. A redemption fee of 1.00% will be imposed on redemptions of shares within 30 days of purchase.

Important Information:

There can be no guarantee that any strategy (risk management or otherwise) will be successful. All investing involves risk, including potential loss of principal.

The views in this letter were as of the date stated and may not necessarily reflect the same views on the date this letter is first published or any time thereafter. These views are intended to help shareholders in understanding the Fund's investment methodology and do not constitute investment advice.

Past performance is not indicative of future results. You should not assume that any of the securities transactions, sectors or holdings discussed in this report are or will be profitable, or that recommendations Aristotle Capital makes in the future will be profitable or equal the performance of the securities listed in this report. There is no assurance that any securities, sectors or industries discussed herein will be included in or excluded from the Fund. The opinions expressed are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Aristotle Capital reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. This is not a recommendation to buy or sell a particular security. Recommendations since the Fund's inception date are available upon request.

An investment in the Fund is subject to risks, and you could lose money on your investment in the Fund. The principal risks of investing in the Fund include, but are not limited to, investing in foreign securities, ETFs, small-capitalization, mid-capitalization and large-capitalization companies and value stocks.

Foreign securities have additional risks, including currency rate changes, political and economic instability, lack of comprehensive company information, less market liquidity, less-efficient trading markets, and differing auditing controls and legal standards. The use of ETFs may cause the Fund to have higher expenses than those of other equity funds. Investments in emerging markets involve even greater risks. The securities of small-capitalization and mid-capitalization companies may be subject to more abrupt or erratic market movements and may have lower trading volumes or more erratic trading than securities of larger, more established companies or market averages in general. On the other hand, larger, more established companies may be unable to attain the high growth rates of successful, smaller companies during periods of economic expansion. Value stocks are those that are believed to be undervalued in comparison to their peers due to adverse business developments or other factors. Value investing is subject to the risk that the market will not recognize a security's inherent value for a long time or at all, or that a stock judged to be undervalued may actually be appropriately priced or overvalued.

Definitions:

- The S&P 500® Index is the Standard & Poor's Composite Index of 500 stocks and is a widely recognized, unmanaged index of common stock prices.
- The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the United States and Canada. The MSCI EAFE Index consists of the following 21 developed market countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.
- The MSCI Emerging Markets Index is a free float-adjusted market capitalization-weighted index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.
- The 10-year U.S. Treasury is a debt obligation issued by the United States government that matures in 10 years.
- The Russell 3000® Index measures the performance of the 3,000 largest publicly held companies incorporated in America and is based on market capitalization.
- The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.
- Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.
- The Organization of Petroleum Exporting Countries (OPEC) is a union of oil producing countries that regulate the amount of oil each country is able to produce. Examples of OPEC members are Saudi Arabia, Iran and Iraq.

Thev olatility (beta) of the Fund may be greater or less than that of the benchmark. An investor cannot invest directly in this index.

Portfolio composition will change due to ongoing management of the Fund. References to specific securities or sectors should not be construed as recommendations by the Fund, its Advisor or Distributor.

As of December 31, 2016, the Fund's holdings and their weights as a percent of total net assets were: AbbVie Inc., 2.76%; Adobe Systems Inc., 3.12%; AES Corp., 1.64%; Ameriprise Financial Inc., 2.61%; Amgen Inc., 2.09%; ANSYS, Inc., 0.79%; Archer Daniels Midland Co., 2.04%; Banco Bilbao Vizcaya Argentaria SA, 2.33%; Bank of America Corp., 3.04%; Baxter International Inc., 2.86%; BOK Financial Corp., 1.43%; Chubb Ltd., 2.53%; Coca-Cola Co., 2.07%; Coty Inc., 0.91%; Cullen/Frost Bankers Inc., 1.50%; Danaher Corp., 2.14%; Deere & Co., 1.67%; Diageo plc, 0.00%; Dow Chemical Co., 2.41%; EQT Corp., 2.14%; First Republic Bank, 2.03%; General Dynamics Corp., 2.67%; Halliburton Co., 2.17%; Th e Home Depot Inc., 3.30%; JPMorgan Chase & Co., 1.96%; Lennar Corp., 2.44%; M&T Bank Corp., 2.25%; Martin Marietta Materials, Inc., 3.21%; Medtronic plc, 2.78%; Microchip Technology Inc., 2.73%; Microsoft Corp., 3.03%; Mitsubishi UFJ Financial Group, Inc., 1.61%; Mondelēz International Inc., 2.34%; National Fuel Gas Co., 1.83%; Novartis AG, 2.40%; Oshkosh Corp., 2.59%; PayPal Holdings Inc., 1.70%; Phillips 66, 2.73%; Pioneer Natural Resources Co., 2.11%; PPG Industries Inc., 2.13%; Texas Instruments Inc., 1.24%; Time Warner Inc., 2.65%; Unilever NV, 2.18%; Walgreens Boots Alliance Inc., 2.84%.

Please consider the Fund's investment objectives, risks, charges and expenses carefully before investing. Th e p rospectus o r s ummary prospectus that contains this and other information about the Fund is available by calling 1-844-274-7868, or by visiting aristotlefunds. com, and should be read carefully prior to investing.

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