Value Equity Fund

1Q 2017 Commentary

Markets Review

U.S. equities delivered a strong performance in the first quarter, driven by optimism about the state of the economy and expectations regarding the new administration's policies, particularly tax and regulatory reform. The stock market slipped near the end of the quarter after the Republican replacement health care bill failed to pass the House, despite the party holding a majority, but then rebounded. For the first quarter of 2017, the Russell 1000 Value Index and the S&P 500 Index posted total returns of 3.27% and 6.07%, respectively. Within the Russell U.S. equity indices, growth stocks considerably outperformed their value counterparts across the capitalization spectrum. For the Russell value indices, mid cap companies had the best performance, with large caps not far behind. The small cap segment posted a modestly negative total return. Although performance varied widely, nine of the eleven sectors in the Russell 1000 Value Index advanced, led by Information Technology and Health Care. The Energy and Telecommunication Services sectors declined.

At its Federal Open Market Committee meeting on March 15, the Federal Reserve (Fed) raised the fed funds rate 25 basis points, the third time in over a decade and the second time in four months, bringing the rate to between 0.75% and 1%. The rate increase and the Fed's forward guidance, which signals cautious but steady increases in its target rate, were viewed as affirming market participants' positive view of the economy and its trajectory. However, debate and speculation have been swirling around the shrinking of the Fed's balance sheet, which, during normal times, is under $800 billion but grew to over $4 trillion as the Fed engaged in unconventional monetary policies to stimulate the economy. Almost half of the Fed's assets are Agency MBS, which represent a large share of the approximately $9 trillion market for U.S. mortgage-backed bonds.[1] Any efforts by the Fed to unwind its balance sheet, together with further rises in interest rates, may turn what had been monetary "tailwinds" into "headwinds."

Bank stocks have generally benefited from relatively higher interest rates, and their performance has been very strong since the election, despite giving back some of those gains during the first quarter of the year. The recent solid bank performance may be attributable to the anticipation of further Fed tightening, the marked increase in the 10-year Treasury note and the potential for a wave of deregulation, reduced corporate taxes and economic stimulus under Trump's administration. However, one cannot ignore how bank lending growth has fallen to its slowest pace since 2014.[2] Portions of bank fundamentals may not necessarily be following recent stock price movements, something we need to continue to understand one company at a time.

On the other side of the Atlantic, another historic change is underway. The United Kingdom invoked Article 50 on March 29, marking the official start of its exit from the European Union. Although this action respects the outcome of the Brexit vote held in June 2016, the regional variations among the electorate, in particular England, which voted to leave, versus Scotland, which voted to remain, could lead to another referendum for Scottish independence. Leaders on both sides are battling over the timing of this referendum, specifically, whether it will precede or follow the two-year-long process. Nonetheless, European stock markets benefited from the bullishness in the United States and some positive economic news out of Europe. Within developed foreign equity markets, the MSCI EAFE Index (net) reported a total return of 4.71% in local currency terms (7.25% in U.S. dollars).

In other developments, global oil prices fell nearly 8% over increased concerns about OPEC's commitment to its production cuts, and natural gas prices declined about 17%. Toward the end of the quarter, the dollar tumbled due to worries about the Trump administration's ability to deliver on its pro-growth agenda, with the dollar index ending down almost 2%, while gold rose about 8%.

Performance Review

The **Aristotle Value Equity Fund** (ARSQX) posted a total quarterly return of 6.70% at NAV, ahead of the Russell 1000 Value Index and the S&P 500 Index, which rose 3.27% and 6.07%, respectively.

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 current performance information to the most recent month-end, please call (844) 274-7868.

For the quarter ended March 31, 2017, at the aggregate level, more than half of the Fund's outperformance was the result of security selection decisions. Stock selection was strongest in Information Technology and Financials, and within each sector, Adobe Systems Inc. and Ameriprise Financial, Inc. were the top contributors to relative return. Relative performance was hurt mostly with our stock selection in Consumer Staples and Utilities, and within each sector, Mondelēz International, Inc. and AES Corporation were the main detractors.

Contributors to Relative Return

Adobe Systems Inc.

The company achieved record revenue, profit and cash flow in the quarter thanks to strong Creative Cloud/Document Cloud adoption and retention, as well as record revenues in Adobe Marketing Cloud. In addition, at its annual marketing conference summit, Adobe unveiled several new offerings, including Adobe Experience Cloud, which unifies the firm's analytics, advertising and marketing efforts creating an end-to-end solution for firms to build marketing campaigns, analyze data and share that data across the organization.

Ameriprise Financial, Inc.

The company reported better-than-expected quarterly results, amidst declining expenses, strong net inflows into investment advisory accounts and improved advisor productivity. Spun off from American Express in 2005, Ameriprise continues to transform itself from what was originally an insurance company into what is now a major player in the asset management industry.

Detractors to Relative Return

Mondelēz International, Inc.

Mondelēz, the maker of multiple billion dollar snack brands including Oreo, Cadbury and Trident, was the main detractor within the Consumer Staples sector during the quarter. The recent pullback in its share price likely reflects Kraft Heinz's unsolicited offer for Unilever which was rebuffed. Since 2012, Mondelēz has operated independently, following the split from the former Kraft Food's North American grocery business. Since then, we believe, company management has demonstrated an ability to execute on its strategic initiatives, which include increasing efficiencies in its supply chain, eliminating unnecessary spending and continued reinvestment in its core brands.

AES Corporation

Global electric utility AES underperformed the sector during the quarter. The company reported full year 2016 earnings which achieved guidance in all metrics, with cash flow coming in at the high end. However, the market seemed disappointed as earnings reached the lower end of the company's previously given guidance, reflecting the impact from devaluation in foreign currencies and lower electricity prices. AES continues to implement its strategy of selling non-core assets and further cutting costs. It recently completed 3GW of construction projects and purchased sPower, the largest independent utility-scale solar developer in the U.S, meeting its objective to increase its U.S. renewables portfolio.

Investment Activity

Consistent with our long-term investment perspective, we did not complete any buys and sold one position, **Texas Instruments**, in the Aristotle Value Equity Fund during the first quarter. We first invested in Texas Instruments over a decade ago. During our time horizon, many catalysts have been realized, and the company's stock has reached our target price. We continue to have exposure to the attractive analog industry through our investment in Microchip Technology.

Outlook

Rather than become preoccupied with the vagaries of the markets as they react to various headline news, at Aristotle Capital, we stay focused on company fundamentals and the long term. As a component of our process of understanding businesses, we accumulate economic knowledge one company at a time. We believe that, perhaps, fewer, but more deeply researched, data points could reveal more insightful conclusions. With the caveat that such broad analysis plays only a minor role in our process, we prefer to examine what businesses are doing (sometimes separate from what they are saying) to draw the broader conclusions. Do central bankers' or politicians' actions affect economies or markets? Of course, they do. However, our investment process is not dependent on the realization of proposed fiscal or monetary policies. We aim to find companies with quality characteristics that can allow them to succeed over full market cycles, regardless of macroeconomic and/or political events. We aim to give our clients value through a disciplined, research-oriented approach to finding great companies and a consistent, well executed Fund management process.

[1] Gray and Wigglesworth (Mar 14, 2017), Financial Times: https://www.ft.com/content/21e07ab8-082a-11e7-97d1-5e720a26771b
[2] Parker, Allen and Mance (Mar 14, 2017), Financial Times: https://www.ft.com/content/07961d30-088d-11e7-97d1-5e720a26771b

Aristotle Value Equity Fund (Class I)

Performance Update March 31, 2017

Total Return	1Q17	Since Inception (8/31/16)	Gross/Net Expense Ratio
ARSQX Class I	6.70%	11.79%	2.31%/0.78%
Russell 1000 Value Index	3.27%	9.93%	N/A
S&P 500 Index	6.07%	10.14%	N/A

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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 10-year U.S. Treasury is a debt obligation issued by the United States government that matures in 10 years.
- 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.
- 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.

The volatility (beta) of the Fund may be greater or less than that of the benchmarks. An investor cannot invest directly in these indices.

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 March 31, 2017, the Fund's holdings and their weights as a percent of total net assets were: AbbVie Inc., 2.62%; Acadia Healthcare Co. Inc., 1.36%; Adobe Systems Inc., 3.54%; AES Corp., 1.42%; Ameriprise Financial Inc., 2.85%; Amgen Inc., 2.13%; ANSYS, 1.80%; Archer Daniels Midland Co., 1.92%; Banco Bilbao Vizcaya Argentaria SA, 2.59%; Bank of America Corp., 3.29%; Baxter International Inc., 3.01%; BOK Financial Corp., 1.50%; Chubb Ltd., 2.31%; Coca-Cola Co., 2.03%; Coty Inc., 0.91%; Cullen/Frost Bankers Inc., 1.53%; Danaher Corp., 2.12%; Deere & Co., 0.52%; Dow Chemical Co., 2.38%; EQT Corp., 1.89%; First Republic Bank, 1.88%; General Dynamics Corp., 2.79%; Halliburton Co., 2.02%; The Home Depot Inc., 3.16%; JPMorgan Chase & Co., 1.81%; Lennar Corp., 2.70%; M&T Bank Corp., 2.09%; Martin Marietta Materials, 3.13%; Medtronic plc, 2.72%; Microchip Technology Inc., 2.88%; Microsoft Corp., 3.12%; Mitsubishi UFJ Financial Group, 1.72%; Mondelēz International Inc., 2.18%; National Fuel Gas Co., 1.70%; Novartis AG, 2.14%; Oshkosh Corp., 2.78%; PayPal Holdings Inc., 1.74%; Phillips 66, 2.41%; Pioneer Natural Resources Co., 2.08%; PPG Industries Inc., 2.20%; Texas Instruments Inc., 0.00%; Time Warner Inc., 1.94%; Unilever NV, 2.26%; Walgreens Boots Alliance Inc., 2.63%.

Please consider the Fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus or summary prospectus that contains this and other information about the Fund is available by calling (844) 274-7868, or by visiting www.aristotlefunds.com, and should be read carefully prior to investing.

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