Value Equity Fund

2Q 2017 Commentary

Markets Review

In the face of continued Federal Reserve tightening, falling oil prices, a major global cyber-attack and a dysfunctional political environment, U.S. markets continued to march happily upward. During the second quarter of 2017, the Russell 1000 Value and the S&P 500 indices posted total returns of 1.34% and 3.09%, respectively. Recent earnings reported by many U.S. businesses in the quarter also exceeded expectations and continue to be the focal point of investors.

All of the major Russell U.S. equity indices ended the quarter in positive territory, with the growth indices outperforming the value indices across the capitalization spectrum. Similar to the first quarter, among the Russell value indices, mid-cap companies had the best performance, with large caps a few basis points behind; however, this quarter, the small cap segment posted a modestly positive total return. Within the Russell 1000 Value Index, performance again varied widely, with the Health Care sector (+6.21%) advancing the most, followed by Financials (+3.79%). Energy (-7.09%) and Telecommunication Services (-7.09%) were the weakest sectors.

Overall, macroeconomic data reported during the quarter was a mixed bag. On June 14, the Federal Open Market Committee (FOMC) announced the much anticipated, and for some investors, rather worrying decision to begin reducing the size of its balance sheet. The Policy Normalization Principles and Plans outlines a process that is intended to be gradual and, the Fed hopes, easily digestible by financial markets.

In Europe, financial markets witnessed elections in two major countries. In France, where pro-European Union Emmanuel Macron became the next president, the MSCI France Index (net) gained 2.32% in local currency (9.11% in U.S. dollars) for the quarter. In the United Kingdom, Prime Minister Theresa May survived what many view as a political miscalculation to hold a snap election on June 8 with the intention of strengthening her conservative majority. Nonetheless, the MSCI United Kingdom Index (net) finished in positive territory, up 0.81% in local currency (4.72% in U.S. dollars). Overall, European stock markets finished strong, with the MSCI Europe Index (net) reporting a total return of 1.79% in local currency terms (7.37% in U.S. dollars).

Major commodities and the dollar declined over the quarter. Oil and natural gas prices fell close to 10% each amid rising production. The dollar index continued its slide, ending down almost 5%, and gold also fell, losing approximately 1%.

Performance Review

For the second quarter of 2017, the Aristotle Value Equity Fund (ARSQX) posted a total return of 3.77% at NAV, outperforming the Russell 1000 Value Index, which increased 1.34%, and the S&P 500 Index, which rose 3.09%.

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.

At the aggregate level, security selection accounted for approximately three-fourths of the Fund's outperformance relative to the Russell 1000 Value Index. On a relative basis, security selection was strongest in the Information Technology sector, followed by Health Care. An underweight in the Energy sector and an overweight in the Health Care sector also contributed to the outperformance.

Within Information Technology, digital payments company PayPal Holdings, Inc. was the main contributor. The company continues its strategy to grow payment volume by adding customers and capabilities to its network. During the quarter, it added 6 million active customers, ending the period with over 200 million active account holders and 16 million merchants. In addition, the company's peer-to-peer payment subsidiary, Venmo, continues to grow by double digits, as PayPal has encouraged customers to pay merchants via this app. Lastly, the company announced its agreement to acquire TIO Networks Corp., a leading multi-channel bill payment processor in North America, adding another key service to PayPal's global payment platform.

Security selection in the Consumer Staples and Utilities sectors diminished relative performance. To a lesser extent, the underweight allocation in the Industrials and Utilities sectors also detracted from performance. Within Consumer Staples, newly added food retailer The Kroger Co. was a main detractor from relative return. The company's stock price declined, following the news that Whole Foods Market was being acquired by Amazon in an all-cash, $14-billion deal. Kroger's natural and organic offering is a $16-billion-a-year business, larger than Whole Foods' total annual sales. So, while Whole Foods only competes with Kroger in a fraction of Kroger's markets and products, investors seem concerned with what may be a tougher competitive environment going forward. Nevertheless, the ultimate impact of Amazon's entry into brick-and-mortar retailing is very difficult to assess at this point. As described in the next Fund Activity section, Kroger has a long track record of operating successfully in an increasingly competitive environment and has thrived in an industry that is barely growing. Just as Kroger took market share from failing competitors when Walmart expanded into groceries in the 1990s, we see the company well positioned to execute a similar playbook in today's ever-changing food retail environment as a variety of companies continue to enter the grocery business.

Recent Fund Activity

During the quarter, we completed the sales of Coty, Inc. and Deere & Co; and the purchases of The Kroger Co. and ANSYS, Inc.

Sales

Coty, Inc.

We originally invested in Coty during the second quarter of 2013. While catalysts seem to be larger than we had previously anticipated, we are now less certain about their realization. In particular, new leadership has yet to "gel," and, so far, market share losses in some businesses, such as Cover Girl, may not be transitory (occurring under the leadership of Procter & Gamble). As such, we decided to sell the stock and invest in what we believe is a more compelling opportunity.

Deere & Co.

We initially invested in Deere over a decade ago. Catalysts that have been realized over our time horizon include: success in Latin America; significant cost cutting resulting in higher normalized margins and profitability; consistently high market share in the United States and parts of Europe; and the use of free cash flow in a shareholder-friendly manner. Additional catalysts, such as higher market share in Construction & Forestry have not taken place, as the company has continued to struggle in that division.

Purchases

The Kroger Co.

During the quarter, we made a new investment in Kroger, one of America's largest and most successful grocery store chains. For the past 134 years, the company has been operating successfully in the very competitive field of food retailing. Although new challenges seem to present almost daily, Kroger continues to thrive while many of its peers struggle. The Great Atlantic & Pacific Tea Company (A&P), once the country's largest food retail chain with more than 15,000 locations at its peak, ceased operations in 2015—a year of record profitability for Kroger. Today, Kroger owns 2,800 supermarket, convenience and combination stores in the United States with almost two-dozen local banners and 2,250 pharmacies. Its average distance to customers is less than one mile.

Kroger is focused on differentiating the customer experience through technology and consumer insight initiatives that increase loyalty and market share. The company has a unique data analytics venture called "84.51°" that currently analyzes 19 billion annual transactions across 62 million households. Nearly one-third of Kroger's sales are from its highly regarded private-label brands, which include Simple Truth, Simple Truth Organic and Private Selection.

We believe, the predictability of Kroger's business has allowed it to generate significant free cash flow and to retire about half of its shares outstanding since 1998, or about 3.5% annually. This is in addition to paying dividends (the current yield is approximately 2.2%) and making accretive acquisitions. Particularly after the recent stock price weakness, we believe the company's valuation is attractive with meaningful long-term upside.

Available catalysts, in our opinion, are many, beginning with the company's data analytics venture, 84.51°. Next is Kroger's unique ability to gain market share, over time, from both conventional and new competitors. While the discounters attempt to offer the "best price;" the natural/organic stores, a high-quality product; and the online grocers, a convenient experience, we believe Kroger is uniquely situated to continue to offer all three: low price, a quality product and a great customer experience.

ANSYS, Inc.

During the quarter, we also made a new investment in the Information Technology sector. Based in Pennsylvania, ANSYS provides engineering simulation software that enables customers to test products before the manufacturing or design process is complete. The company's software makes it easier for companies to save money developing their products better and faster. Its solutions study all aspects of a product, such as structural mechanics, fluid dynamics, electromagnetics and more. ANSYS serves over 45,000 customers, and its software can be found in a wide range of industries, including automotive, aerospace, consumer goods, energy and health care. In addition, over 70% of the company's revenues are recurring, and switching costs are high, providing it with sustainable competitive advantages. Catalysts we have identified over our three- to five-year investment horizon include: opportunity to increase market share, as penetration is low; margin improvements, as synergies of recently acquired companies are realized; and increased simulation demand, driven by the importance of cost-effective design of smart products.

Outlook

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.

Aristotle Value Equity Fund (Class I)

Performance Update June 30, 2017

Total Return	2Q17	Since Inception (8/31/16)	Gross/Net Expense Ratio
ARSQX Class I	3.77%	16.00%	10.12%/0.78%
Russell 1000 Value Index	1.34%	11.41%	N/A
S&P 500 Index	3.09%	13.54%	N/A

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The Fund's advisor has contractually agreed to waive certain fees and/or absorb expenses, through April 30, 2019, 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. Holdings 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 MSCI Europe Index captures large and mid cap representation across 15 developed market countries in Europe. With 445 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization across the European developed markets equity universe.
- The MSCI France Index is designed to measure the performance of the large and mid cap segments of the French market. With 76 constituents, the Index covers about 85% of the equity universe in France.
- The MSCI United Kingdom Index is designed to measure the performance of the large and mid cap segments of the U.K. market. With 109 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization in the United Kingdom.

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 June 30, 2017, the Fund's holdings and their weights as a percent of total net assets were: Abbvie Inc., 2.71%; Acadia Healthcare Co. Inc., 2.25%; Adobe Systems Inc., 3.52%; AES Corp., 1.42%; Ameriprise Financial Inc., 2.74%; Amgen Inc., 2.22%; ANSYS Inc., 2.28%; Archer Daniels Midland Co., 1.78%; Banco Bilbao Vizcaya Argentaria SA, 2.66%; Bank of America Corp., 3.34%; Baxter International Inc., 3.21%; BOK Financial Corp., 1.51%; Chubb Ltd, 2.34%; Coca-Cola Co, 1.94%; Coty Inc., 0.00%; Cullen/Frost Bankers Inc., 1.47%; Danaher Corp., 2.14%; Deere & Co., 0.00%; Dow Chemical Co., 2.37%; EQT Corp., 1.90%; First Republic Bank, 1.86%; General Dynamics Corp., 2.72%; Halliburton Co, 1.71%; The Home Depot Inc., 3.20%; JPMorgan Chase & Co., 2.01%; The Kroger Co., 1.82%; Lennar Corp., 2.67%; M&T Bank Corp., 2.13%; Martin Marietta Materials, Inc., 2.90%; Medtronic plc, 2.88%; Microchip Technology Inc., 2.81%; Microsoft Corp., 3.02%; Mitsubishi UFJ Financial Group, 1.74%; Mondelēz International Inc., 2.06%; National Fuel Gas Co., 2.11%; Novartis AG, 2.21%; Oshkosh Corp., 2.63%; PayPal Holdings Inc., 1.97%; Phillips 66, 2.51%; Pioneer Natural Resources Co., 1.96%; PPG Industries Inc., 2.17%; Time Warner Inc., 1.42%; Unilever NV, 2.35%; Walgreens Boots Alliance Inc., 2.56%.

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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