Value Equity Fund

3Q 2017 Commentary

Markets Review

U.S. equities delivered strong, broad-based gains during the third quarter. Stocks continued their ascent toward all-time highs despite increasing geopolitical tensions, divisive rhetoric in Washington and three major hurricanes that caused devastation across several states, U.S. territories and Caribbean islands. Investors, however, seemed focused on better-than-expected economic news, including U.S. gross domestic product growth of 3.1%—the strongest in two years—and generally positive corporate earnings announcements.

The major Russell U.S. equity indices ended the quarter in positive territory, with small cap companies leading the gains, followed by large caps and mid caps trailing for the quarter. With respect to style, the growth indices outperformed their value counterparts across the capitalization spectrum. Within the Russell 1000 Value Index, of the 11 sectors, only Consumer Staples (-0.42%) and Real Estate (-0.10%) declined. Materials (+8.35%), Energy (+6.88%) and Information Technology (+5.21%) were the biggest winners.

The Federal Reserve (Fed) announced that, this October, it will begin to unwind the "quantitative easing" process that was put in place to stabilize the economy from the financial crisis—now 10 years ago. That is, as fixed income securities currently on the Fed's balance sheet mature, they will no longer be replaced and the size of the Fed's portfolio (currently around $4.5 trillion) will naturally shrink. Meanwhile, the Fed Fund target short-term interest rate remained unchanged during the quarter, after being raised one-quarter of a percent in each of the prior two quarters. But the target rate (currently 1.00% - 1.25%) is still expected to gradually rise to close to 3.00% over the coming two years.

In other news, commodity prices advanced during the quarter, with gold hitting this year's high after North Korea tested a ballistic missile over Japanese airspace. WTI crude rose more than 10% during the period and, while the U.S. dollar posted gains in September, it remains weak relative to a basket of foreign currencies.

Performance Review

For the third quarter of 2017, the Aristotle Value Equity Fund (ARSQX) posted a total return of 4.06% at NAV, outperforming the Russell 1000 Value Index, which increased 3.12%, but underperforming the S&P 500 Index, which rose 4.48%.

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, the Fund's outperformance relative to the Russell 1000 Value Index for the quarter was almost entirely the result of security selection. Security selection was strongest in Information Technology, Industrials and Health Care. By contrast, relative performance was hurt by security selection in Materials and Consumer Staples and an underweight in the Energy sector.

Relative Contributors	Relative Detractors
AbbVie	Medtronic
Oshkosh	Kroger
Microchip Technology	Martin Marietta Materials
Ameriprise Financial	M&T Bank
PayPal Holdings	Pioneer Natural Resources

AbbVie in Health Care, Oshkosh in Industrials and Microchip Technology in Information Technology were main contributors to relative return during the quarter. AbbVie and rival Amgen reached a patent-dispute settlement delaying Amgen's launch of a biosimilar version of HUMIRA in the United States until 2023, although Amgen will be able to launch its biosimilar in Europe in 2018. The settlement was structured as a license of AbbVie's HUMIRA patents and requires Amgen to pay AbbVie a royalty on sales of its biosimilar. Approved to treat rheumatoid arthritis, psoriasis and Crohn's disease, among other conditions, HUMIRA represents more than 60% of AbbVie's total revenue and generates strong cash flow that helps fund the firm's next generation of drugs.

The maker of specialty vehicles delivered steady progress toward the long-term catalysts that we have identified, including gaining market share and enhancing operating efficiency. During the quarter, Oshkosh also reported strong revenue in all segments. Access Equipment saw higher volumes and benefited from a more favorable product mix. The company's Defense segment ramped up sales to the U.S. government of its Joint Light Tactical Vehicle. Oshkosh's Fire & Emergency segment benefited from improved pricing and higher sales volume, and its Commercial segment saw higher sales of refuse collection vehicle units.

In the case of Microchip Technology, the microcontroller (MCU) and analog semiconductor maker's shares advanced after reporting strong demand for its products and growth in all of its end markets and geographies, as well as improved pricing and higher long-term targets for its operating margins. MCUs are semiconductors that act as the brain of a wide range of electronic devices, from rice makers to remote controls to medical devices and many other products in between. The company enjoys pricing power due to a fairly consolidated industry, high switching costs and the product's low relative cost yet critical nature. Going forward, we continue to see the potential for Microchip to further enhance its market share of 16- and 32-bit MCUs while maintaining its leadership in 8-bit MCUs.

Primary detractors from relative performance included medical device maker Medtronic and recently purchased grocer Kroger. Shares of Medtronic declined after the company announced lower revenue in its Diabetes segment, mainly the result of short-term supply constraints on sensors for its blood glucose monitors. Such short-term concerns do not influence our long-term thesis for this company, which includes what we believe to be an outstanding management team driving product innovation, operational efficiencies and margin improvements.

Kroger's shares continued their decline as a result of the uncertainty surrounding Amazon's entry into the grocery world via its acquisition of Whole Foods. As we mentioned last quarter, 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.

Martin Marietta Materials was also a meaningful detractor. The second-largest producer of construction aggregates suffered unfavorable weather conditions in Florida, Georgia, North Carolina and South Carolina that affected the company's volumes during the quarter. Such short-term events play absolutely no role in our long-term view of this company. Over the years, Martin Marietta has been able to increase pricing and margins and make accretive acquisitions as it capitalizes on the ongoing recovery in construction activity.

Recent Fund Activity

During the quarter, we sold our investment in M&T Bank and Time Warner. While we continue to hold the company in high regard, M&T Bank reached its target price and we do not see any further catalysts unrecognized by the market. Late in 2016, AT&T announced it had agreed to acquire Time Warner in a stock and cash transaction. The acquisition is expected to close this year. With the proceeds of the sales, we initiated positions in Acadia Healthcare and Capital One Financial.

Acadia Healthcare Company, Inc.

Headquartered in Franklin, Tennessee, Acadia Healthcare operates a network of 576 behavioral health care facilities with approximately 17,000 beds (about half in the United States and half in the United Kingdom). The company provides psychiatric and chemical dependency services to its patients in a variety of settings, including psychiatric hospitals, specialty treatment facilities, residential treatment centers, outpatient clinics and therapeutic school-based programs. Management added the U.K. business in 2014 with the acquisition of Partnerships in Care and expanded it in 2016 with the acquisition of Priory. Currently, Acadia is the second-largest U.S. behavioral health care provider behind Universal Health Services and the largest private provider in the United Kingdom.

High-Quality Business

Rather than starting our process by running screens, we begin by identifying businesses we believe are of high quality. In our view, Acadia exhibits several high-quality characteristics, including:

- The industry is very fragmented, and Acadia is one of the only behavioral health companies that can offer payers a variety of behavioral health services on more than a very discrete local basis;
- We believe Acadia is one of a limited number of companies able to credibly offer the capital, managerial and clinical expertise required to establish profitable stand-alone behavioral health joint ventures with medical-surgical hospitals;
- Capable management team, with a history of successfully acquiring, integrating and operating behavioral health businesses;
- High and increasing margins given low capital requirements (less surgery equipment; less litigation compared to acute hospitals); and
- Business mix is well diversified by geography, service and payer.

Attractive Valuation

Once the necessary, though not sufficient, criterion of quality is met, we analyze the company's valuation. In our view, Acadia's valuation is attractive based on our estimates of the company's intrinsic value using normalized EBITDA and normalized EPS.

Compelling Catalysts

Catalysts we have identified for Acadia that we believe will materialize in the next three to five years and that may close the company's valuation gap include:

- One of a limited number of companies with the ability and expertise to significantly expand capacity to treat behavioral health patients. The population of behavioral health patients treated is increasing because of historical undertreatment, improving access to insurance coverage in the United States, and continuing improvements in awareness and destigmatization of behavioral health conditions;
- Further expansion of new beds in existing facilities in the United States and United Kingdom;
- One of a limited number of companies able to build larger behavioral health facilities in partnership with medical-surgical hospitals wishing to better serve behavioral health patients;
- Management's ability to acquire undermanaged businesses and operate them better, turning them around and increasing margins;
- Compelling consolidation opportunity due to the high fragmentation of the industry; and
- Continued, gradual privatization of the U.K. behavioral health system.

Capital One Financial Corporation

Founded in 1988 by current Chairman and CEO, Richard Fairbank, Capital One Financial (COF) is headquartered in McLean, Virginia. In 1995, the company was spun off from its parent, Signet Financial (now part of Wells Fargo). Under Mr. Fairbank's leadership, COF has become one of the largest U.S. credit card issuers.

The company has long been a leader in credit cards, being among the first to offer a differentiated pricing model within a very competitive space, in turn allowing it to gain significant share. While COF has greatly diversified its loan portfolio from a pure card lender to now offering an expanse of traditional banking products, including auto and commercial loans, credit cards continue to be a very important driver of profitability.

High-Quality Business

COF possesses several characteristics we deem to be high quality, including:

- Scale advantage has allowed COF to continuously invest in IT, data capabilities and marketing, fueling growth into adjacent lending categories;
- Well-diversified cardholder base across multiple geographies and credit scores, providing, in our opinion, greater stability and predictability;
- Leadership in credit underwriting as evidenced by strong performance during the financial crisis; and
- Ability to execute value-enhancing acquisitions in a disciplined and opportunistic fashion.

Attractive Valuation

We believe COF's current stock price is offered at a material discount to the company's intrinsic value given our estimates for higher normalized earnings and value-enhancing deployment of FREE cash flow.*

Compelling Catalysts

Among the many catalysts we have identified for COF, which we believe will cause its stock price to appreciate toward our estimate of intrinsic value within our three- to five-year investment horizon, are:

- Continued strong presence in credit cards with potential to gain market share;
- A continued robust profitability profile with improvements as the credit card industry normalizes its share relative to other payment methods; and
- Deployment of FREE cash flow for shareholder-beneficial strategies.*

Outlook

Our work at Aristotle Capital is focused on individual companies. Where broader issues are relevant, we take a long-term view, attempting to minimize the distractions of what may be on others' minds. While the headlines focus on short-term news, in our view, the fundamentals of a business are the most important determinants of its long-term stock price performance. Consequently, we believe the best way for an investment manager to consistently add value is to maintain a long-term perspective and focus on understanding a company's key attributes and value drivers, or catalysts. We will persist in our quest to add value through in-depth company research, focusing on what we perceive to be high-quality businesses with an attractive valuation and catalysts we believe will materialize in a three- to five-year time horizon.

*Free cash flow (FCF) is a measure of a company's financial performance, calculated as operating cash flow minus capital expenditures. FCF represents the cash that a company is able to generate after spending the money required to maintain or expand its asset base.

Aristotle Value Equity Fund (Class I)

Performance Update September 30, 2017

Total Return	3Q17	1 Year	Annualized Since Inception (8/31/16)	Gross/Net Expense Ratio
ARSQX Class I	4.06%	21.32%	19.00%	10.12%/0.78%
Russell 1000 Value Index	3.12%	15.12%	13.68%	N/A
S&P 500 Index	4.48%	18.61%	17.10%	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:

- Free cash flow (FCF) is a measure of a company's financial performance, calculated as operating cash flow minus capital expenditures. FCF represents the cash that a company is able to generate after spending the money required to maintain or expand its asset base.
- Gross domestic product is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.
- 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 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 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 September 30, 2017, the Fund's holdings and their weights as a percent of total net assets were: Abbvie Inc., 3.07%; Acadia Healthcare Co. Inc., 2.33%; Adobe Systems Inc., 3.81%; AES Corp., 1.39%; Ameriprise Financial Inc., 2.87%; Amgen Inc., 2.22%; ANSYS Inc., 2.31%; Archer Daniels Midland Co., 1.69%; Banco Bilbao Vizcaya Argentaria SA, 2.65%; Bank of America Corp., 3.24%; Baxter International Inc., 3.51%; BOK Financial Corp., 1.46%; Capital One Financial Corp., 2.30%; Chubb Ltd., 2.41%; Coca-Cola Co., 1.99%; Cullen/Frost Bankers Inc., 1.49%; Danaher Corp., 2.79%; DowDuPont Inc., 2.42%; East West Bancorp Inc., 0.46%; EQT Corp., 1.74%; First Republic Bank, 1.03%; General Dynamics Corp., 2.81%; Halliburton Co., 1.68%; The Home Depot Inc., 3.14%; JPMorgan Chase & Co., 1.87%; The Kroger Co., 1.68%; Lennar Corp., 2.64%; M&T Bank Corp., 0.00%; Martin Marietta Materials, Inc., 2.54%; Medtronic plc, 2.63%; Microchip Technology Inc., 3.10%; Microsoft Corp., 3.20%; Mitsubishi UFJ Financial Group, 1.58%; Mondelēz International Inc., 1.96%; National Fuel Gas Co., 2.19%; Novartis AG, 2.20%; Oshkosh Corp., 2.81%; PayPal Holdings Inc., 2.30%; Phillips 66, 2.45%; Pioneer Natural Resources Co., 1.66%; PPG Industries Inc., 2.65%; Time Warner Inc., 0.00%; Unilever NV, 2.49%; Walgreens Boots Alliance Inc., 2.50%.

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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ACML-17-1441

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