

INTERNATIONAL EQUITY FUND

2Q 2018 Commentary

(All index returns are shown net and in U.S. dollars.)

Markets Review

An impressive rally in the U.S. dollar during the second quarter reversed the nearly 2% loss the greenback registered during the first three months of the year, while creating a headwind for U.S.-based international investors. The U.S. Dollar Index, which measures the dollar's performance against a half-dozen other major currencies, is up nearly 3% for the year after gaining more than 5% for the quarter. The effect of the dollar's strength on market returns was considerable. **Global equity markets**, as represented by the MSCI All Country World Index (ACWI), finished up 2.71% in local terms, but dollar strength offset most of these gains, resulting in an increase of just 0.53% in dollar terms. Exchange rate movements were even more impactful in developed international equity markets. The MSCI EAFE Index returned 3.47% in local terms, yet once foreign currency effects were accounted for, the Index fell 1.24%.

While escalating trade tensions are favoring the dollar, relative strength is also being driven by diverging monetary policies among major central banks, as the U.S. economy has been stronger than those of Europe and Japan. The U.S. Federal Reserve (Fed) remains committed to tightening, signaling in June that rates will likely increase more this year than previously expected, while also projecting an increase in the median federal funds rate for 2019 to 3.10% from 2.90%. As the Fed begins to normalize monetary policy, the European Central Bank continues to remain more accommodative. Meanwhile, the Bank of Japan (BoJ) cut its inflation assessment, and its governor stressed that Japan is in no hurry to roll back crisis-era policies. As discussed in more depth below, the Bank of England also remains in an accommodative stance.

Stock prices in most **developed European markets** advanced in local terms, but those gains were canceled by the dollar's rebound. The MSCI Europe Index added 4.08% in local currencies, but returned a much lower -1.27% in dollar terms. Economic data from the eurozone pointed to modest growth, albeit at a slower pace than last year. GDP (Gross Domestic Product) growth for the first quarter of the year was estimated at 0.4%, down from 0.7% in the last quarter of 2017. On a year-over-year basis, the eurozone's GDP growth slowed from a rate of 2.8% to 2.5%. Within the eurozone, investors focused on political events in Italy and Germany during the quarter. Italian shares were among the developed world's worst performers, as the MSCI Italy Index fell 7.34%. Equity markets moved lower after it appeared that

the new populist government would consider exiting the euro currency union, but rallied after Italy's two populist parties reached a deal to form a government and promised to drop some of their most controversial campaign promises. In Germany, European Union leaders reached an immigration deal that had threatened Germany's fragile governing coalition. German equities pulled back, with the MSCI Germany Index falling 3.95%. Citing weaker-than-expected domestic growth for the first quarter, the Bank of England's Monetary Policy Committee voted 6-3 in May to maintain the base rate at 0.5%. While the absence of a May hike supported equity markets, it contributed to a decline in the value of the pound. Quarterly performance in the pound was the second worst since the 2008 financial crisis and the worst since the Brexit vote. Reflecting this weakness, the MSCI United Kingdom Index gained 9.38% in local terms yet just 2.95% in dollar terms.

Developed Asian markets finished up in local terms but less so than developed Europe. The MSCI Pacific Index gained 2.26%. Japanese stocks were relative laggards, as the MSCI Japan Index improved 1.19% in yen. Concerns over the U.S.-China trade dispute and slower-than-expected growth in China, Japan's second-largest trading partner, undermined returns. As the BoJ struggles to generate 2% inflation, it did receive some welcome news. The unemployment rate fell to its lowest level since 1992, pointing to what could be stronger upward pressure on wages and potentially faster inflation. With the core gauge of inflation at 0.7% year over year in May, however, the Bank of Japan is still a long way from hitting its target.

A resurgent U.S. dollar, rising interest rates in the United States and fears of protectionism all conspired to weaken performance in **emerging markets**. The MSCI EM Index fell 7.96%. Growing tensions between the United States and its major trading partners also led to selloffs in emerging market currencies. Brazil recorded the largest losses, as the MSCI Brazil Index fell 26.39%. A truckers' strike over rising fuel prices in Brazil, South America's largest economy, nearly crippled its economy and forced calls for military intervention.

Results were mixed for major commodities. Oil prices advanced amid planned sanctions against Iran that would remove a significant volume of oil from world markets. Brent crude settled above \$79, just shy of three-and-a-half year highs. Despite elevated geopolitical tensions and stock market volatility, gold prices were pressured by the strengthening U.S. dollar.

Performance and Attribution Summary

For the second quarter of 2018, Aristotle Capital's International Equity Fund (ARSFX) posted a return of -0.64% at NAV, outperforming the MSCI EAFE Index at -1.24% and the MSCI ACWI ex USA Index at -2.61%.

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.

During the quarter, the majority of the Fund's outperformance relative to the MSCI EAFE Index was the result of security selection, as opposed to sector allocation. Security selection was particularly strong in the Industrials, Consumer Discretionary and Information Technology sectors. Conversely, the Materials, Consumer Staples and Health Care sectors detracted. Regionally, we added value in developed Europe and developed Asia, while our lone investment in the emerging markets detracted from performance.

Contributors and Detractors for 2Q 2018

Largest Contributors	Largest Detractors
Experian	Erste Group Bank
Safran	Samsonite
Hoshizaki	Toray
AES Corporation	UBS
LVMH Moët Hennessy Louis Vuitton	ORIX

At the individual security level, two of the largest contributors during the quarter were Ireland-based Experian, a leader in credit and consumer data monitoring, and AES Corporation, a global power company.

Experian is one of the largest credit bureau companies in the world and maintains credit history and repayment data on over 1 billion people and 145 million businesses. The company, led by CEO Brian Cassin, continues to show its strength, as evidenced by recent product launches in its business-to-business franchise and stabilization of its consumer business. Shares rose during the quarter following a strong earnings report and an enhanced capital return policy, including a large buyback program and an increase in the dividend. We believe Experian's unique industry structure and business model offer an exciting pathway to sustained intrinsic value creation, as its massive data library can act not only as a barrier to entry, but also provides a network effect as each customer sees increased benefits from incremental use.

Shares of **AES Corporation** also advanced during the quarter following a positive earnings report and continued progress in shifting the business mix. The company is reducing its carbon footprint and continues to exit non-core businesses. As part of this

shift, AES completed the sale of its investment in a Brazilian utility and will reduce debt with the proceeds. The steps taken this quarter bring AES closer to achieving an investment grade credit rating and increase its renewable energy exposure, two important catalysts, in our view.

Two bottom detractors during the quarter were Erste Group Bank, an Austria-based banking group, and Samsonite International, the world's largest travel luggage company.

Erste is one of the largest financial services providers in Central and Eastern Europe, with over 16 million customers and 2,500 branches across seven countries. The company was a top contributor in the first quarter of 2018 and continues to execute on several catalysts, including asset-quality improvements and sustained increases in capital. However, what we believe to be a transient increase in expenses, revised capital rules and short-term concerns around geopolitical events and interest rates resulted in underperformance this quarter. We remain focused on, and encouraged by, Erste's long-term prospects.

Shares of **Samsonite** came under pressure following the release of a provocative, if not speculative, report from a short seller. While nearly all points raised in the report were refuted by the company with overwhelming evidence, the now-former CEO resigned in the wake of an internal review. As discussed below, we decided to exit our position in Samsonite in June.

Recent Fund Activity

The International Equity Fund completed two purchases and two sales during the quarter. We sold our investments in Samsonite and Siemens, and with the proceeds from these sales, we established positions in AIA Group and Sony.

We initially invested in Samsonite during the second quarter of 2015. During our holding period, Samsonite successfully executed on many of the catalysts that we had identified. Perhaps most notable was its acquisition and subsequent integration of Tumi, the company's largest transaction to date. As with all high-quality companies, we hold management to the highest standards, particularly in the "C-suite." Recent emerging concerns in the marketplace regarding the credibility of Samsonite's now-former CEO, as well as the identification of a more optimal investment, led us to sell our investment in this company. We continue to admire the company's market position and powerful brands, and will now continue to monitor Samsonite from the sidelines.

When we first invested in Siemens in the third quarter of 2013, the company was undergoing a large restructuring. Since then, the management team has done an admirable job improving profitability and shifting the business mix. Although we are encouraged by the prospects for Siemens, many of the catalysts we identified have been realized, and our confidence in the "Fleet of Ships" strategy has diminished somewhat. Accordingly, we feel that an investment in Sony will better position the Fund going forward. Similar to Samsonite, we continue to monitor Siemens' progress with great interest.

AIA Group Limited

Founded nearly 100 years ago in Shanghai, China and formerly known as American International Assurance, AIA is the largest independent, publicly listed, pan-Asian life insurance company. With a presence in 18 countries across the Asia-Pacific region, AIA provides long-term savings and protection plans for over 30 million individual policies, as well as over 16 million participating members of group insurance plans of its corporate clients. Though insurance products and services are typically homogenous, AIA has, and we believe will continue to, differentiate itself via its leading distribution network, financial strength and strong brand recognition. Now headquartered in Hong Kong, AIA is the market leader in the non-Japan Asia region, with over \$215 billion in assets and a total sum assured of over \$1 trillion.

High-Quality Business

AIA possesses numerous characteristics we deem to be high quality, including:

- Leading position in key markets, including over 20% market share in its largest market, Hong Kong;
- Significant recurring revenue due to long-term policies and high renewal rates (typically above 90%) provides predictability and stability;
- Highly valuable brand and reputation, key drivers of the purchase decision, built up over nearly a century of experience catering to the distinct cultures and demographics of the Asia-Pacific region;
- Agency sales force is one of the largest and most productive, providing a barrier to entry in the critical area of distribution;
- Long-term partnerships with over 70 banks, representing 14,000 branches across AIA's markets provide additional distribution outlets, which are difficult to replicate; and
- Strong balance sheet with significant excess capital in addition to enviable track record of prudent underwriting.

Attractive Valuation

We believe AIA's current stock price is offered at a material discount to the company's intrinsic value given our estimates for higher normalized earnings.

Compelling Catalysts

Among the many catalysts we have identified for AIA, 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:

- Accretive deployment of excess capital, including returns to shareholders, expansion of existing markets and entry to adjacent markets;
- Benefit of most productive agency sales force results in above-market sales growth in target product areas;

- Partnerships with growing roster of major banks can enhance market share;
- Technology investments, particularly in digital arena, can drive continued improvements in cost structure; and
- Deregulation of Chinese insurance market can significantly increase AIA's addressable market.

Sony Corporation

Sony is a global conglomerate with over \$70 billion in annual sales. The company's operations span electronics, image sensors, gaming, music, film, television, banking and insurance. By region, nearly 70% of Sony's revenues are generated outside of Japan, with North America being the largest international market.

The company began in 1946 as an electronics store in Tokyo and surged to popularity in the 1950s with the release of the TR-63 transistor radio. The Sony brand has retained its household name with additional innovations, such as the Walkman, Handycam and the PlayStation line of gaming consoles, to name just a few. After pruning business lines and refocusing various segments, Sony's main earnings drivers today are the Game & Network Services, Financial Services, Semiconductors and Music segments.

Led by CEO Kenichiro Yoshida, Sony is undergoing a transformation from a slow-moving, and at times, loss-making entity to a product-focused, cost-conscious and, in our view, more consistently profitable global enterprise.

High-Quality Business

Sony possesses numerous characteristics we deem to be high quality, including:

- Globally recognized and highly valuable Sony brand;
- Large (>75 million) and growing installed base of loyal gaming customers in a consolidated industry;
- Significant recurring revenue within the Financials segment (the company's second largest division);
- Leading market share and technology in image sensors (used in smartphones, cameras, cars and other 3D sensing applications);
- World's largest music publisher and second-largest record label operating in an advantageous portion of the industry's value chain; and
- Experienced management team with improving capital allocation track record.

Attractive Valuation

We believe Sony's current stock price is offered at a material discount to the company's intrinsic value given our estimates for higher and more stable normalized earnings.

Compelling Catalysts

Among the many catalysts we have identified for Sony, 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:

- Improvements in profitability, including operating margins and return on equity as management continues to focus its efforts on product development, cost controls and strengthening the Sony brand;
- A shift from physical to digital formats, coupled with conversion of the PlayStation installed base to subscription services, can result in increased stability and profitability for the Gaming business;
- Expanding addressable market for image sensors, particularly higher megapixel sensors, as dual-camera smartphone penetration increases and demand for automobile advanced driver-assistance systems (ADAS) can create higher earnings power for the Semiconductors segment;

- Higher margins for the Music segment as the business mix shifts toward more profitable distribution channels, including streaming services; and
- Improvements in profitability for the Pictures segment as new leadership reels in expenses and shines a spotlight on execution.

Outlook

Despite bouts of unpredictability and volatility during the first half of the year due to, among other things, intensifying trade concerns and political bantering, our view of the international equity markets remains constructive. While headlines may have short-term price impacts on some of our investments, we believe quality companies with competitive advantages and pricing power will likely continue to thrive. Said differently, we believe it is best for active managers like us to spend our time studying the drivers of long-term intrinsic values for the companies we follow and in which we invest. Instead of worrying about events that are outside of our control and have indeterminate outcomes, we will continue to focus our time on gaining a deeper understanding of businesses and industries and identifying what we believe to be attractive investment opportunities.

Aristotle International Equity Fund (Class I)

Performance Update

June 30, 2018

Total Return	2Q18	1 Year	Annualized 3 Years	Annualized Since Inception (3/31/14)	Gross/Net Expense Ratio
ARSFX Class I	-0.64%	10.11%	5.58%	3.08%	2.38%/0.93%
MSCI EAFE Index (Net)	-1.24%	6.84%	4.90%	3.36%	N/A
MSCI ACWI ex USA Index (Net)	-2.61%	7.28%	5.06%	3.43%	N/A

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The Fund's advisor has contractually agreed to waive certain fees and/or absorb expenses, through April 30, 2020, to the extent that the total annual operating expenses do not exceed 0.93% 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 are available within the last 12 months.

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, emerging markets, small-capitalization and mid-capitalization companies.

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. 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.

Definitions:

- 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 ACWI ex USA Index captures large and mid cap representation across 22 of 23 developed market countries (excluding the United States) and 23 emerging market countries. With over 1,800 constituents, the Index covers approximately 85% of the global equity opportunity set outside the United States.

- The MSCI ACWI Index captures large and mid cap representation across 23 developed markets and 24 emerging markets countries. With 2,501 constituents, the Index covers approximately 85% of the global investable equity opportunity set.
- 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 MSCI Europe Index captures large and mid cap representation across 15 developed markets countries in Europe. With over 440 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization across the European developed markets equity universe.
- The MSCI Pacific Index captures large and mid cap representation across five developed markets countries in the Pacific region. With over 470 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization in each country.
- 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 Italy Index is designed to measure the performance of the large and mid cap segments of the Italian market. With nearly 25 constituents, the index covers about 85% of the equity universe in Italy.
- The MSCI Germany Index is designed to measure the performance of the large and mid cap segments of the German market. With 59 constituents, the index covers about 85% of the equity universe in Germany.
- The MSCI United Kingdom Index is designed to measure the performance of the large and mid cap segments of the U.K. market. With approximately 100 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization in the U.K.
- The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With over 300 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization in Japan.
- The MSCI Brazil Index is designed to measure the performance of the large and mid cap segments of the Brazilian market. With over 50 constituents, the Index covers about 85% of the Brazilian equity universe.
- The U.S. Dollar Index (DXY) is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the United States' most significant trading partners.

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, 2018, the ten largest holdings in the Fund and their weights as a percent of total net assets were: Accenture plc, 3.99%; LVMH Moët Hennessy Louis Vuitton S.A., 3.97%; Nidec Corp., 3.71%; Dassault Systemes SE, 3.63%; Heineken N.V., 3.29%; Experian PLC, 3.28%; Hoshizaki Corp., 3.04%; Compass Group PLC, 3.00%; Unilever NV, 2.95%; Brookfield Asset Management Inc., 2.89%.

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 aristotlefunds.com, and should be read carefully prior to investing.

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