Core Equity Fund

Aristotle Funds

2Q 2018 Commentary

Markets Review

While an escalation in trade tensions unsettled markets, the positive momentum set by earnings and U.S. economic data proved strong enough to offset such concerns for now, as the S&P 500 Index posted a return of 3.43% during the quarter. According to FactSet, first quarter S&P 500 earnings per share grew 24% year over year, the highest growth since 2010. Strong quarterly profits were boosted in roughly equal parts by improving business fundamentals and the newly lowered corporate tax rate. Meanwhile, economic indicators pointed to continued growth in the second quarter. The June composite PMI (Purchasing Managers' Index), which covers both manufacturing and services, while down slightly from its 37-month peak in May, remains firmly in expansion territory. In addition, U.S. retail and new home sales, two major drivers of economic activity, increased 5.9% and 6.7% year over year, respectively, in May.

Though the S&P 500 Index advanced during the quarter, performance varied widely by sector. Of the seven sectors that gained, Energy, which improved more than 13% and recorded its best quarter since 2011, was the best performer, boosted by a rise in oil prices amid lower output. Consumer Discretionary and Information Technology, which are both up over 10% for the year, also rose significantly. Conversely, mounting trade fears hit the Industrials sector hardest. Financials also dropped more than 2%. With respect to style, growth stocks generally outpaced their value counterparts.

The Russell 1000 Growth Index gained 5.76%, putting growth out front by more than 450 basis points for the quarter and nearly 900 basis points year to date. The performance gap was more muted for the Russell Midcap style indices, while value outperformed growth among small caps. In terms of capitalization, small caps, which when compared to larger cap companies have less international exposure and therefore are viewed as less vulnerable to trade tensions, outperformed, with the Russell 2000 Index beating both the Russell Midcap and Russell 1000 indexes.

As expected, on June 13, the Federal Open Market Committee raised its target rate by 25 basis points from a range of 1.75% to 2.00%, its seventh increase since it began raising rates at the end of 2015. Federal Reserve Chairman Jerome Powell reiterated that the pace of hikes will continue to be gradual. Officials also expect to increase rates at a slightly steeper path in 2019, having increased in June the median federal funds rate projection to 3.10% from 2.90%. Job growth was a key consideration for the rate hike and updated forecast. Continuing its downward trend, unemployment fell below 4% to 3.8%, equaling its lowest level since 2000. The economy has added over 200,000 jobs a month on average in 2018. A separate report from the Labor Department showed filings for first-time unemployment benefits fell to 218,000, also pointing to a tight job market. In addition, continuing claims, the number of those receiving ongoing unemployment benefits, dropped to 1.7 million, the lowest level since December 1973. Further proof of just how strong the labor market is: For the first time since the government began tracking job openings in 2000, there are more job openings than unemployed workers to fill them. Job openings now stand at 6.7 million, with only 6.4 million workers available to fill those jobs, according to the Bureau of Labor Statistics.

Despite the increase in the benchmark borrowing rate, the yield on the 10-year Treasury note edged only modestly higher to 2.85%, while yields on the 2-year note rose more sharply, closing at 2.52%. As a result, the yield curve continued to flatten, with the spread between 2-year and 10-year notes at their narrowest since 2007, below 35 basis points, or 0.35%. Meanwhile, the U.S. Dollar Index (DXY), which reflects the strength of the U.S. dollar against a half-dozen foreign currencies, gained 5.8%, breaking a five quarter stretch of declines, and is now up approximately 3.6% for the year after falling nearly 2% during the first quarter. Major commodities were mixed. Gold prices fell, while oil and gas prices rose. WTI crude oil reached its highest level since November 2014, settling above $74 by the end of the quarter.

Performance Review

For the second quarter of 2018, Aristotle Core Equity Fund (ARSLX) posted a total return of 3.51% at NAV, outperforming the S&P 500 Index, which recorded a total return of 3.43%.

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 second quarter, security selection accounted for the entirety of the Fund's outperformance relative to the S&P 500 Index. Security selection in Consumer Staples, Industrials and Health Care added the most to relative performance. Within each of these sectors, Pinnacle Foods, Norfolk Southern and Align Technology were the main contributors to relative return, respectively. Security selection in Energy, Consumer Discretionary and Financials detracted from relative performance. Within each of these sectors, Concho Resources, Marriott and JPMorgan Chase were the main detractors from relative return, respectively.

Top Five Securities*	Bottom Five Securities*
Pinnacle Foods	Concho Resources
Norfolk Southern	Marriott International
Align Technology	JPMorgan Chase
Zayo Group Holdings	Avery Dennison
Visa	Prologis

**Securities listed had the best or worst relative performance within the best- or worst-performing sectors relative to the benchmark.*

Top Securities

Pinnacle Foods, Inc.

During the quarter, Conagra Brands announced that, if approved by shareholders, it would acquire Pinnacle in a cash-and-stock deal valued at $10.9 billion, including Pinnacle's outstanding net debt. The deal, targeted to close by the end of 2018, is the culmination of years of on-again, off-again talks between the two and comes at a time when scale and negotiating power are critical to packaged goods companies, which are being affected by higher commodity prices and freight costs. The combined company would create the second-largest U.S. frozen food company by sales behind only Nestlé.

Norfolk Southern Corporation

Norfolk Southern, one of the nation's premier transportation companies, operates the most extensive intermodal network in the East and is a major transporter of coal, automotive and industrial products. Continuing on its strong results in 2017, the company announced that first quarter performance was robust, with year-over-year growth in shipment volumes and revenue, and first quarter records in net income, earnings per share and operating ratio. The company benefited from higher volumes and freight rates and a lower effective tax rate, as well as tight capacity in the trucking industry, which is causing shippers to move freight to rail to find capacity and cheaper prices.

Align Technology, Inc.

Align, a recent purchase in the portfolio, designs, manufactures and markets Invisalign®, which provides an alternative to metal braces to realign crooked teeth through a series of clear, removable aligners. Investors have reacted positively to Align's ability to tap into the teen orthodontic segment and increase utilization geographically. Align reaffirmed its financial guidance for the second quarter and full 2018 fiscal year, reflecting the company's view of the opportunity globally for both Invisalign aligners and iTero scanners, devices used for restorative crowns, bridges and custom implant abutments. In addition, the company updated its target revenue growth to between 20% and 30%, compared to its previous target of 15% to 25%. Align also increased its share repurchase program by $600 million.

Bottom Securities

Concho Resources, Inc.

Shares of Concho have been under pressure since the company announced late in the first quarter that it would buy fellow Permian Basin shale oil driller RSP Permian, Inc. While the deal creates the largest driller in the Permian Basin, a rich oil- and natural gas-producing region in Texas and New Mexico, some investors have wondered whether the synergies from combining the two drillers would offset the premium Concho paid.

Marriott International, Inc.

Marriott, the world's largest hotel company, saw its shares decline during the quarter. Hotel operators have been relatively weak in 2018, and Marriott's shares have fallen in line with this weakness. Unfavorable government policies and a strengthening U.S. dollar have led to a decline in inbound international travelers.

JPMorgan Chase & Co.

Shares of JPMorgan Chase fell during the quarter, despite a strong earnings report. A flattening yield curve, slowing global growth and ongoing trade concerns have weighed on major banks. We remain confident in JPMorgan Chase, which reported stronger-than-expected profits, helped in part by a lower tax bill. The board of directors also said it would increase its third quarter dividend by 43%, from $0.56 to $0.80 per share. Furthermore, the company said it plans to increase buybacks to up to $20.7 billion between July 1, 2018 and June 30, 2019, compared to its previous buyback plan for the year-earlier period of $19.4 billion of stock repurchases. In approving the plan, the Federal Reserve said JPMorgan Chase has the capital to keep lending, even after returning more capital to shareholders.

Recent Fund Activity

<u>Buys</u>

Microchip Technology, Inc.

We reinitiated a position in semiconductor company Microchip after exiting the stock in December 2017. While we continued to believe that the company had solid financials and a capable management team, we expected upside for the stock to be limited by the potential for an inventory correction in the semiconductor industry, and from difficulties finding attractive assets to acquire and harvest synergies. Since we sold, market conditions and company commentaries seem to indicate that supply-demand is balanced and inventory levels are unlikely to overshoot to the degree they have in the past. In addition, Microchip announced the acquisition of Microsemi Corporation, a California-based company, expanding Microchip's solutions for the data center, communications, defense and aerospace markets. We believe the acquisition could allow Microchip to continue on its accretion strategy and drive earnings power higher.

Bio-Techne Corporation

Bio-Techne develops, manufactures and sells biotechnology products and clinical diagnostic controls. A biotechnology research specialist, Bio-Techne concentrates on proteins, cytokines, growth factors, immunoassays and small molecules. Through subsidiaries, including R&D Systems, Boston Biochem, BiosPacific and Tocris, the firm makes and distributes biological research supplies used by researchers around the globe to study cellular and immune system responses. One recent acquisition, Advanced Cellular Diagnostics (ACD), has been delivering 40%-plus growth rates. ACD offers cutting-edge RNA expression technology, which is key to understanding cellular function, diagnosing clinical diseases and identifying optimal therapies. The company's lead product, RNA Scope, uses situ hybridization technology to amplify target-specific signals to deliver clear and actionable results. Another subsidiary, R&D Systems, makes hematology controls and calibrators for blood analysis systems and sells them to equipment makers.

Overall, Bio-Techne makes over 40,000 products and distributes another 200,000 antibodies, many with intellectual property moats. Bio-Techne enjoys a consumable-heavy portfolio mix, with about 88% of sales coming from consumables and services, which we believe can be both recurring and predictable. Burgeoning distribution networks in China and the Asia-Pacific region could deliver additional organic growth. With a current effective tax rate around 30%, Bio-Techne should also benefit from U.S. tax reform. In addition, the Life Sciences segment has seen significant consolidation, and Thermo Fisher and Danaher have been open and aggressive with their desire to continue to consolidate the industry. We think that both are looking to increase their consumables offering to achieve greater scale, and Bio-Techne could prove to be an attractive acquisition candidate.

Sells

Casey's General Store, Inc.

We exited our position in Casey's due to management's inability to execute on its prepared food offerings, which have fallen short of management's stated expectations. We underestimated the challenges facing the largely agricultural markets in which Casey's participates, and shares have thus underperformed on weaker comparable sales traffic. Moreover, recent changes around ethanol requirements and EPA (Environmental Protection Agency) waivers have reduced the value of renewable fuel credits that Casey's used to partially offset the cost of purchasing gasoline.

Oracle Corporation

We held Oracle for several years in the portfolio; however, we believe the company was unable to successfully transition its business to a higher-growth, recurring revenue, software-as-a-service model. In addition, its core database business was under siege by emerging technologies, as well as by Amazon. We hoped that management would be able to navigate these competitive pressures given the time and money spent on organic product development. However, we felt that challenges faced by the company would last longer than originally anticipated and used the proceeds in areas where we saw better opportunities to generate alpha.

Ciena Corporation

We purchased Ciena in December 2017, expecting the company to benefit from stronger optical-related capital spending by telecoms and data center companies. While we continue to believe in the technical strength of Ciena's product portfolio, we are seeing signs of pricing pressure impacting its peers and potential downside to Ciena's margin outlook. We still believe that, over the next two to three years, Ciena has the potential to benefit as carriers focus on improving their networks and start laying the groundwork for 5G. But we decided to sell our position based on our belief that investors will face elevated risks over the next two to three quarters if pricing pressure impinges on margins and earnings growth. We will look for a re-entry point if we become confident that the risks are reflected in the stock price.

Shire plc

Given the pending acquisition by Takeda Pharmaceutical, in what would be the largest-ever overseas acquisition by a Japanese company, we sold our position in Shire. While questions remain about the eventual approval of the deal by Takeda and Shire shareholders, the deal looks likely. Despite the larger-than-normal spread, guidance calls for a protracted closing, so we decided to exit.

Align Technology, Inc.

We sold Align, the maker of Invisalign® orthodontic aligners, primarily based on its current valuation following recent strong performance. We would welcome the opportunity to reinitiate a position in Align at more reasonable multiples should the opportunity present itself, as we still view Align as having one of the most attractive growth profiles in health care.

Envision Healthcare Corporation

We sold Envision Healthcare following June's announcement that private equity firm KKR had agreed to acquire the company for $46 per share in an all-cash transaction.

Outlook

The bull market that began in March 2009 is now nearly nine and a half years old and just within reach of the longest bull market on record. (The rally in the 1990s that ended when the tech bubble burst in 2000 is the longest.) We believe, as the bull market enters its later stages, valuation levels are high, risks are rising and we are clearly entering a more challenging environment for equities. In the first quarter of 2018, we saw a 10% plunge in the market, the first correction since 2015-2016, on fears of rising interest rates and inflation. In the second quarter, it was elevated political risk as President Trump ratcheted up his protectionist rhetoric. Moreover, market returns thus far in 2018 have largely been dependent on two sectors—Information Technology and Consumer Discretionary—and one could argue that two companies driving the returns of the latter are themselves Information Technology companies (i.e., Amazon and Netflix). When the stock market narrows and just a few companies lead, as has happened during the first two quarters, research shows that the historical tendency has been for the market to contract and multiples to compress.

Where can investors go for growth given current market conditions? We believe it will come from secular, not cyclical, stocks. We believe these are companies primed to benefit from longer-term shifts in spending across various industries and geographies. One such secular growth theme we feel will provide investors with compelling opportunities is artificial intelligence (AI). Today's machines are becoming increasingly intelligent and can use logic and reason to solve complex problems. We believe this trend will continue, and that AI could eventually become the most disruptive innovation in our lifetime. Another area is health care. Fewer than 30 years ago, scientists began mapping the human genome; we now believe we are on the precipice of health care companies delivering personalized medical attention, rather than creating drugs for an entire population.

The aim of our long-term investment framework is to spot such opportunities. In this period of transition, we believe the Fund is well positioned to identify and capitalize on these kinds of evolving trends.

Aristotle Core Equity Fund (Class I)

Performance Update June 30, 2018

Total Return	2Q18	1 Year	Since Inception (3/31/17)	Gross/Net Expense Ratio
ARSLX Class I	3.51%	14.78%	14.52%	5.85%/0.65%
S&P 500 Index	3.43%	14.37%	14.09%	N/A

Performance data quoted here represents past performance. Past performance is no guarantee of future results. Returns over one year are annualized. 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.

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 0.65% of the Fund's average daily net assets. 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. A redemption fee of 1.00% will be imposed on redemptions of shares within 30 days.

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 Atlantic 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 Atlantic 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 market risk, equity risk, preferred stock risk, warrants and rights risk, REITs risk, small-cap, mid-cap and large-cap company risk, foreign investment risk and sector focus risk.

The market price of a security or instrument may decline, sometimes rapidly or unpredictably, due to general market conditions that are not specifically related to a particular company. The value of the equity securities held by the Fund may fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate, or factors relating to specific companies in which the Fund invests. The market value of preferred stock is subject to company-specific and market risks applicable generally to equity securities and is also sensitive to changes in the company's creditworthiness, the ability of the company to make payments on the preferred stock, and changes in interest rates, typically declining in value if interest rates rise. Warrants and rights may lack a liquid secondary market for resale. The prices of warrants and rights may fluctuate as a result of speculation or other factors. The Fund's investment in REITs will subject the Fund to risks similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, and changes in local and general economic, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses. 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. Larger, more established companies may be unable to attain the high growth rates of successful, smaller companies during periods of economic expansion. The prices of foreign securities may be more volatile than the prices of securities of U.S. issuers because of economic and social conditions abroad, political developments, and changes in the regulatory environments of foreign countries. The Fund may invest a larger portion of its assets in one or more sectors than many other mutual funds, and thus will be more susceptible to negative events affecting those sectors.

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. This index has been selected as the benchmark and is used for comparison purposes only.
- The Russell 1000® Index measures the performance of the large cap segment of the U.S. equity universe.
- The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
- 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 Russell Midcap® Index measures the performance of the 800 smallest companies in the Russell 1000 Index.
- The Russell Midcap Growth Index ® measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.
- The Russell Midcap Value Index ® measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.
- The Russell 2000® Index measures the performance of the small cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.
- The U.S. Dollar Index® is a measurement of the dollar's value according to a basket of six exchange rates.

The volatility (beta) of the Fund may be greater or less than of the benchmark. 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 10 largest holdings in the Fund and their weights as a percent of total net assets were: Microsoft Corp., 4.55%; Apple Inc., 4.28%; Alphabet Inc., 3.87%; Amazon.com Inc., 3.58%; JPMorgan Chase & Co., 3.54%; Visa Inc., 3.27%; Bank of America Corp., 2.90%; Boeing Co., 2.42%; InterContinental Exchange Inc., 2.37%; Cigna Corp., 2.34%.

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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