Value Equity Fund

3Q 2018 Commentary

Markets Review

The U.S. equity market, supported by strong economic data and corporate earnings growth, continued its rally, with the S&P 500 Index rising 7.71%, its best quarter since 2013. Gross Domestic Product (GDP) data released over the summer showed that the U.S. economy accelerated 4.2% on an annualized basis during the second quarter, its fastest pace in nearly four years. Consumer spending, buoyed by lower taxes, job growth and rising wages, was the key driver behind the pickup in growth. A jump in exports ahead of the scheduled implementation of new tariffs also helped. Meanwhile, according to FactSet, approximately 80% of S&P 500 companies reported earnings per share above mean estimates, the highest percentage since it began tracking the data. Perhaps the main uncertainty facing the economy remains just how much impact the Trump administration's trade policies will have as further tariffs begin to take effect.

Citing continued economic and labor market strength and relatively stable inflation, the Federal Reserve (Fed) announced a quarter-point rate hike in September. The benchmark federal funds rate now stands at between 2.00% and 2.25%, the highest it has been since 2008. This was the eighth hike since the Fed began raising rates in December 2015 and the third of this year. The Fed signaled that another rate hike in December, three more next year and one increase in 2020 are likely. The U.S. Bureau of Labor Statistics reported that employers added 201,000 new jobs in August, slightly above the average monthly gain for the last 12 months, and the unemployment rate was unchanged at 3.9%. Average hourly earnings, which had lagged behind job growth and stymied inflation, are now up 2.9% year over year, the fastest pace since 2009.

The S&P 500 Index reached several all-time highs during the quarter, and performance in many sectors was robust, with all 11 sectors posting positive returns. The Health Care sector was the best performer, rising more than 14%, its strongest quarter in more than five years. For the year, Health Care trails only the Information Technology and Consumer Discretionary sectors. With respect to style, growth stocks continued to outperform their value counterparts. The Russell 1000 Growth Index gained 9.17%, while the Russell 1000 Value Index added 5.70%. The Russell 1000 Value Index has not outperformed its growth counterpart since the fourth quarter of 2016. In terms of capitalization, large cap stocks outgained small caps. The Russell 1000 outpaced the Russell 2000 by 384 basis points. For the year, however, the Russell 2000 Index has a 102 basis point edge (11.51% versus 10.49%).

Treasury yields moved higher after the Fed increased rates. The yield on the benchmark 10-year U.S. Treasury ended the quarter at 3.05%, not far from a seven-year high. At the same time, the two-year note rose more sharply, closing at 2.81%. The spread between 2- and 10-year U.S. yields fell to only 18 basis points in August, its narrowest level since before the 2008 financial crisis. Year to date, the investment-grade bond market has been one of the worst-performing asset classes. The U.S. Dollar Index (DXY) was little changed, gaining 0.5% after increasing 5.8% last quarter. The Index is still up over 3% for the year. Major commodities fell. Gold prices have declined since April on the renewed strength of the U.S. dollar and the prospect of further rate hikes from the Fed. Despite fears that U.S. sanctions on Iran will create a major hit to global oil supplies, WTI crude oil fell slightly during the quarter to $73.25.

Performance and Attribution Summary

For the third quarter of 2018, the Aristotle Value Equity Fund (ARSQX) posted a total return of 3.47% at NAV, underperforming both the Russell 1000 Value Index at 5.70% and the S&P 500 Index at 7.71%.

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.

The entirety of the Fund's underperformance relative to the Russell 1000 Value Index for the period was the result of security selection decisions. Stock selection was weakest in Health Care, Materials and Communication Services. On the other hand, stock selection in Consumer Staples and Real Estate, as well as an underweight in Utilities, one of the worst-performing sectors, contributed to relative performance.

Aggregates producer Martin Marietta was a main detractor during the quarter. Martin Marietta reported record revenues, profitability, operating income and diluted earnings per share. We believe these strong results were driven by disciplined execution, continued pricing momentum and contributions from completed acquisitions, such as Bluegrass Materials. However, despite these results and favorable long-term market trends, the stock price was impacted this quarter by weather-related concerns, as Hurricane Florence caused supply disruptions and demand delays in the company's most profitable region, the Carolinas.

Microchip Technology, the maker of microcontrollers and analog chips, was also a main detractor during the quarter. The company's stock price declined after providing near-term guidance that was below sell side expectations. Its results were also noisy, as they included the first quarter of recently acquired Microsemi, a California-based provider of semiconductors and system solutions for a variety of industries. Prior to the acquisition, Microchip reported that FY 2018 had been "the best year in Microchip's history in which many new records were made, including net sales, gross profit and operating income."

Despite some short-term noise, the company still expects to see long-term synergies and cross selling opportunities from Microsemi. We believe management has proven over the years to have the skill to acquire and integrate businesses, notably the 2016 acquisition of Atmel, then take those to new heights. We remain encouraged and confident in Microchip's ability to execute yet again.

Information Technology company Microsoft was a main contributor during the quarter. Microsoft's stock price continued its strong performance this quarter, as the transition of the company's business to the cloud is picking up steam. Microsoft Azure's cloud computing service is increasingly differentiating itself from competitors and represents one of the largest total available market expansion opportunities in the company's history. Earlier this year, the company's CEO, Satya Nadella, announced a major reorganization whose focus will be around Microsoft's biggest areas of growth, "Experiences & Devices" and "Cloud + Artificial Intelligence," and away from a Windows-centric model, highlighting the irreversible migration from PC usage toward portable devices. This initiative also places customers at the center of Microsoft's innovation efforts (rather than placing Windows at the center).

Recent purchase Sony was also a main contributor to return. Under CEO Kenichiro Yoshida, the company continues its transformation from a hardware driven to content driven company. Shares advanced as the market rewarded strong results and increased guidance led by the company's Gaming, Music and Image Sensors businesses. Gaming results were boosted by increased PlayStation Plus subscribers, a catalyst we identified at purchase, as well as success with the company's own game titles. Music benefited from increased demand in the higher margin streaming business. Management expressed its optimism in the long-term prospects for Music by continuing its investment in music publishing assets. In July, Sony acquired the remaining stake in EMI Music Publishing that it did not already own, further solidifying its global leadership position in the increasingly important music publishing industry.

Relative Contributors	Relative Detractors
Microsoft	Martin Marietta
Adobe	Microchip Technology
Walgreens Boots Alliance	Twitter
Sony	Lennar
Medtronic	Acadia Healthcare

Recent Fund Activity

During the quarter, we completed the sale of our investment in natural gas producer EQT Corporation. Much has changed since we first invested in this company during the third quarter of 2016. On one hand, in a relatively short time, EQT has fulfilled our expectations of major catalysts, including prior acquisitions that were used to extend lateral drilling capabilities and the company's decision to spin off its midstream business in order to better realize shareholder value. But some uncertainties have arisen, as the large acquisition of Rice Energy is somewhat controversial; also, the Rice acquisition was spearheaded by its new CEO, Steve Schlotterbeck, who abruptly resigned over disputes with the board. As such, we put the company on hold and conducted a sale review. The conclusion of such a review was that, if we did not own EQT today, we would wait to invest until we studied the go-forward business model and changes to leadership.

We also sold our investment in diversified utility AES Corporation. During our holding period of more than six years, we believe AES executed meaningfully on the catalysts identified at time of purchase. The company restructured to become more consistent in its financial results. It did this by exiting countries and assets where it did not have a competitive advantage, and by improving operational execution and its balance sheet. We think further improvements in the company could now be harder to come by. Consequently, we decided to sell and invest in what we view as a more optimal investment opportunity.

Lastly, we sold our position in Archer Daniels Midland (ADM). We invested in ADM, one of the largest integrated agricultural services companies in the world, in the third quarter of 2015. A major catalyst we identified at the time of purchase was refocusing the business away from energy and energy-related acquisitions. While we believe ADM has done an admirable job seeking to transform itself into a more predictable and more value-added food and agricultural services company, our confidence in the value-enhancing acquisitions needed to achieve this goal has diminished. We also believed that the global consolidation of agricultural services would result in more predictable (and higher) sustainable crush margins. For reasons we will continue to investigate, this has not yet occurred. As such, we decided to sell ADM to make room for what we view as a better opportunity.

Equity LifeStyle Properties, Inc. and Sun Communities, Inc.

Equity LifeStyle Properties (ELS) and Sun Communities (SUI) are real estate investment trusts that own and operate manufactured home (MH) communities and recreational vehicle (RV) resorts and campgrounds in the United States and Canada. The majority of these communities have a number of amenities, such as clubhouses, swimming pools, playgrounds, tennis courts and even golf courses. The companies derive most of their income by collecting rents on the land they own, although they also purchase, sell and rent homes.

MH and RV communities have changed a lot over the years. Once associated with places of crime and low income, these communities are now considered desirable locations with a strong community feel. According to the 2016 U.S. Census American Community Survey, manufactured homes represent 9% of single-family housing units (approximately 12 million units). Baby boomers make up the fastest-growing segment of this market.

Equity LifeStyle Properties	Sun Communities
• Founded in 1992 • Headquartered in Chicago, IL • $8.6 billion market cap	• Founded in 1975 • Headquartered in Southfield, MI • $8.8 billion market cap
• Presence in 32 states; largely near bodies of water in Florida, Northeast, Arizona and California	• Presence in 31 states, although largely in Michigan and Florida
• Over 400 properties and approximately 151,000 sites: 47% MH, 33% RV and 20% other	• Over 350 properties and approximately 126,000 sites: 68% MH and 32% RV
• Does not do ground-up development	• Develops two to three new properties each year
• 70% of MH communities are age-restricted (>55 years old)	• 40% of MH communities are age-restricted (>55 years old)

High-Quality Business

Our process starts by identifying companies that we believe meet our quality criteria. Quality characteristics we have identified for these companies include:

- **Attractive portfolio of properties** – ELS and SUI properties are located in desirable areas that are generally supply-constrained. Most communities are in the Sun Belt, and many are in coastal states like California and Florida.
- **High barriers to entry** – Having a MH/RV park in a neighborhood makes it highly unlikely that another will be permitted (difficulty of securing zoning permits). This provides each company with mini "monopolies" in their catchment areas. This is particularly true in the areas in which ELS and SUI operate, where supply is constrained.
- **Predictable revenues** – Typically turnover of the rented spaces is less than 5% annually, compared to approximately 40% for regular apartments. Occupancy is high (above 90% for both companies). Once a home is placed on the site, ELS and SUI effectively can have an uninterrupted cash flow stream for that site.
- **Expenses are contained** – The companies own the appreciating portion of the community (the land), although they try not to own the portion that depreciates the quickest (the actual home). Homeowners are responsible for maintaining their homes, while ELS and SUI are responsible for the operation and maintenance of the community, as well as payment of real estate taxes on the land. Communities have, on average, three to five employees onsite.

Attractive Valuation

Once the necessary, though not sufficient, criterion of quality is met, we analyze the company's valuation. We believe the share prices of both ELS and SUI are offered at meaningful discounts to intrinsic value in light of our estimates for higher normalized earnings and cash flows.

Compelling Catalysts

Catalysts that we believe have the potential to close the companies' valuation gap over our three- to five-year time horizon include:

- Significant opportunity to raise rental prices given the targeted demographic dynamics and their ability to pay, and based on our estimates resulting in "normal" monthly rental rates approaching nearly double current levels.
- Continued opportunity to grow through expansion sites on land adjacent to currently owned properties at our estimates of high-teen Internal Rate of Returns. ELS owns more than 5,000 acres of entitled land adjacent to its current properties that are ripe for expansion. SUI owns the entitled land for approximately 7,900 additional expansion sites that are suitable for future development as well.
- Positive tailwinds in the baby boomer generation. About 10,000 people per day are turning 65, and these customers appreciate the social aspects of community living that ELS and SUI have to offer. This is an ongoing trend that we believe will continue for at least the next decade.

Twitter, Inc.

Founded in 2006, Twitter is a social media platform, providing a network that connects users to people, information, ideas, opinions and news in real time. Headquartered in San Francisco, California, Twitter is available in more than 40 languages, has accumulated over 335 million monthly active users (80% of whom are outside the United States) and is increasingly becoming "the brand" for instantaneous news. Since his return in 2015, co-founder Jack Dorsey has refocused the platform to 1) keep people informed, 2) allow people to discuss what matters and 3) allow people to inform others. Twitter is "what's happening."

We have long recognized the value of "the news" and have been watching Twitter for years. Our initial interest was in the platform's potential disruptive threat to our (previous) investment in Time Warner (owner of CNN). Over time, we came to appreciate the increasing uniqueness of the Twitter brand and its status as the go-to for "what's happening now." Despite the many risks in a still-developing industry, we believe Twitter is a compelling long-term investment.

High-Quality Business

- Increasingly unique brand in the media sphere that is often the largest source of breaking news, including politics, sports and natural disasters;
- Network size of over 335 million users provides a barrier to entry;
- Stable and predictable usage patterns on platform; and
- Highly cash-generative business with net cash balance sheet.

Attractive Valuation

While not immediately obvious when observing traditional valuation metrics, we believe the current valuation does not reflect the cash-generative nature of this high-margin business and overlooks the increasing uniqueness of the brand. Once one normalizes margins, market share and online share of advertising spend, the risk-reward tradeoff becomes very attractive, in our view.

Compelling Catalysts

- Jack Dorsey's return as CEO and his strategy to refocus the platform should continue to solidify Twitter's position as the "place to go" to consume information;
- Continued product improvements, such as more video and event-focused infrastructure, should increase user engagement while providing an attractive proposition for advertisers;
- Enhanced advertising buying platform is making it easier for advertisers to buy ads, while increased relevance of ads can translate into better user engagement;
- Further monetization of user base, particularly users outside the United States; and
- Well positioned to capture the increasing share of ad dollars spent online and via mobile.

Outlook

From the escalating trade conflict between the United States and China to what some are calling the end of an era of "accommodative" monetary policy, there was much news to digest this quarter. While these make for interesting talking points, what is important to consider is whether such events are analyzable, truly differentiated and meaningful for long-term investors, or merely interesting conversation topics. Rather than attempting to reposition the fund based on an assumption of how the market may react to these events, we at Aristotle Capital spend our time trying to identify companies with what we believe to be quality characteristics that can succeed over full market cycles. Such long-term thinking, we believe, distinguishes us from our competitors and helps us identify companies that possess sustainable competitive advantages and appear poised to outperform their peers over a market cycle.

Aristotle Value Equity Fund (Class I)

Performance Update September 30, 2018

Total Return	3Q18	1 Year	Since Inception (8/31/16)	Gross/Net Expense Ratio
ARSQX Class I	3.47%	9.94%	14.56%	4.53%/0.78%
Russell 1000 Value Index	5.70%	9.45%	11.63%	N/A
S&P 500 Index	7.71%	17.91%	17.49%	N/A

Performance results for periods greater than one year have been annualized.

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.

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 0.78% 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 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.

These indices have been selected as the benchmarks and are 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 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 2000 of the smallest securities based on a combination of their market cap and current index membership.
- 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.
- Gross Domestic Product is the total value of goods produced and services provided in a country during one year.

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, 2018, the ten largest holdings in the Fund and their weights as a percent of total net assets were: Adobe Systems Inc., 4.97%; Microsoft Corp., 4.07%; Danaher Corp., 3.18%; Bank of America Corp., 3.09%; ANSYS Inc., 3.06%; Amgen Inc., 3.05%; PayPal Holdings Inc., 2.93%. The Home Depot Inc., 2.77%; Medtronic plc, 2.70%; General Dynamics Corp., 2.70%.

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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