Value Equity Fund

4Q 2018 Commentary

Markets Review

U.S. equity markets suffered their worst quarter in over seven years and worst year since 2008 as concerns over the pace of interest rate increases, continuing trade tensions and slowing global growth weighed heavily on investor sentiment and tested the strength of the nearly ten-year-old U.S. bull market. In the final weeks of the quarter, a partial shutdown of the U.S. government over the funding of a Mexico-U.S. border wall, and concerns surrounding the Federal Reserve's (Fed) independence following comments from President Trump, intensified the selloff. A post-Christmas bounce, however, erased some of the losses. Overall, the S&P 500 Index fell 13.52% during the fourth quarter. Despite the market's selloff, U.S. economic and corporate data released during the quarter, while moderating, were still generally strong.

The economy grew at a 3.4% annual rate in the third quarter, exceeding expectations and pushing 12-month corporate profit growth to 10.4%, a six-year high. With unemployment near 50-year lows, consumer spending remained strong, increasing at a 3.5% annualized rate. Inventories also provided a substantial boost. Strong consumer sentiment carried over into the fourth quarter as shoppers spent an unprecedented amount during the holiday season. Black Friday and Cyber Monday pulled in record online sales of $6.2 billion and $7.9 billion, respectively, increases of 23.6% and 19.3% from a year ago, according to Adobe Analytics. Meanwhile, according to early data from Mastercard SpendingPulse, which tracks retail spending both online and in-store, holiday sales from November 1 to December 24 saw the strongest growth in the past six years, increasing 5.1% to more than $850 billion.

Citing a strengthening labor market and rising economic activity, while noting a slowdown in business investment, the Fed raised interest rates in December, its fourth hike of the year. The benchmark federal funds rate now stands at between 2.25% and 2.50%, the highest it has been since 2008. Along with its statement, the Fed released a new set of interest rate projections that forecasts two rate hikes in 2019. The Fed also said that it would continue its efforts to taper its balance sheet, which still sits at $4 trillion. Despite higher rates, anxious investors sought shelter from equity volatility and pushed treasury yields lower. The yield on the benchmark 2-year note closed at 2.50%, with the 10-year note at 2.70%. The gap between 2-year and 10-year Treasuries reached its narrowest level since 2007.

All of the major Russell U.S. equity indices ended the quarter and year in negative territory, with large cap companies outperforming on a relative basis, followed by mid caps, with small caps trailing. In terms of style, the fourth quarter marked the first time in two years that investors showed a preference for value stocks. (The Russell 1000 Value Index fell 11.72%, while the Russell 1000 Growth Index dropped 15.89%.) Through September, the Russell 1000 Growth Index had advanced 17.09%, outperforming the Russell 1000 Value Index by 13.17%, with shares of technology stocks, such as Facebook, Apple, Amazon, Netflix and Alphabet's Google (FAANG), leading the near-historic outperformance. A tech-driven retreat in October sent the FAANG group lower. Overall, the Russell 1000 Growth Index still outperformed its Value counterpart for the year (by 6.76%). From a sector perspective, within the Russell 1000 Value Index, defensive sectors such as Utilities, Consumer Staples and Real Estate held up best during the quarter. Conversely, more economically sensitive sectors, such as Energy, Industrials and Materials, were the worst performers.

Major commodities were mixed. West Texas Intermediate (WTI) crude futures fell approximately 20% in November alone amid concerns over excess supply and lower demand due to a slowing global economy. Toward the end of the quarter, futures dropped to their lowest levels in nearly 18 months, settling around $45 a barrel, after reaching a high of nearly $77 in October. Precious metals gained as a risk-off sentiment permeated the markets. Gold closed the year at approximately $1,280 an ounce, near a six-month high, up 7.2% for the quarter but down roughly 2.0% in 2018. Meanwhile, higher U.S. interest rates and trade tensions boosted the U.S. Dollar Index (DXY), although the Index moved lower after the Fed indicated a more cautious path to further hikes. For the year, the greenback gained 4.4%, its best advance since 2015.

Annual Markets Review

After a strong 2017, the long bull market continued its historic run in January, as the S&P 500 Index had its best month since March 2016. However, volatility, which was notably absent during the U.S. market's 2017 rally, began to build in February, causing equity markets to suffer their first quarterly loss in over two years. The CBOE Volatility Index (VIX), often referred to as the "fear index," nearly doubled during the first quarter after stronger-than-expected wage growth ignited fears that rising inflation would force the Fed to raise interest rates faster than previously anticipated. After equity markets regained their poise, they retested quarterly lows on news that President Trump would pursue tariffs on foreign steel and aluminum. Markets shrugged off escalating trade tensions during the second quarter on momentum set by earnings and U.S. economic data and continued their rally in the third quarter, with GDP data released over the summer showing the U.S. economy accelerated 4.2% on an annualized basis during the second quarter, its fastest pace in nearly four years. The bull market began showing cracks late in 2018. A number of macroeconomic headwinds sent the S&P 500 Index into a correction and, briefly, into bear market territory, down 20% from its September 21st high to its December 24th low. The VIX finished the year with its biggest increase on record, up over 130%.

Performance and Attribution Summary

For the fourth quarter of 2018, the Aristotle Value Equity Fund (ARSQX) posted a total return of -12.78% at NAV, underperforming the -11.72% return of the Russell 1000 Value Index, although ahead of the -13.52% return of the S&P 500 Index.

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 majority of the Fund's underperformance relative to the Russell 1000 Value Index for the quarter was the result of security selection. Stock selection was weakest in Financials and Consumer Discretionary. The underweight in Utilities also detracted from relative return. On the other hand, stock selection in Materials and Real Estate, as well as the underweight in Energy, contributed to relative performance. (Relative weights are the result of bottom-up security selection decisions.)

Global oil field services provider Halliburton was the main detractor during the quarter. While the company has made admirable progress improving its market position internationally, an important catalyst in our view, Halliburton's North America segment is facing a combination of what we believe will prove to be short-term headwinds. Some of the headwinds include temporary offtake capacity constraints and an exhaustion of its customers' capital expenditure budgets earlier in the calendar year than anticipated. As a result of these headwinds (and others), Halliburton's 2018 earnings forecast was reduced, leading to a decline in the stock price. Despite near-term challenges, we remain encouraged by Halliburton's progress internationally and strong market position in North America, both of which provide what we believe to be a favorable backdrop for management to execute over the long term.

Ameriprise Financial was also a primary detractor. The company's stock price suffered amid the increased market volatility from passive funds, and geopolitical events have weighed on investor confidence. At the same time, asset managers have faced increased costs from regulation and technology needs. Over the past decade, Ameriprise has shifted its business from predominantly insurance to be centered around investment advice, now having more than $900 billion in AUM and over 9,000 advisors. Long term, we believe the company's diversified model, strong free cash flow generation (and balance sheet), and its ability to retain/attract advisors, while providing a compelling value proposition to clients, positions it well as Ameriprise continues to shift its business toward more fee-based business and continues to be a natural consolidator of independent advisors pressured by increased regulation.

Coca-Cola, the world's largest nonalcoholic beverage company, was the main contributor during the quarter. A few years ago, Coca-Cola embarked on a transformational change that included restructuring its bottler and executive incentives to place greater emphasis on pricing/mix and profitability in developed markets, while maintaining volume growth focus in emerging markets. This has allowed better price-pack architecture, more innovations in non- sparkling beverages and, consequently, what we view as one of the best organic growth profiles in Consumer Staples. The company also returned to an asset-light model. Bottling operations around the world were refranchised (i.e., China, Europe and North America). This has enabled greater agility and local decision-making by bottlers who are closest to consumers while reducing complexity and driving margin expansion.

Digital payments company PayPal was also a primary contributor during the quarter. The company continues to deliver on its strategic initiatives, including new partnerships with American Express and Walmart, as well as growing payment volumes in excess of 20% year over year (during the third quarter of 2018). PayPal now boasts 254 million active accounts, representing a 9.1 million increase during the quarter. Lastly, the company recently closed its previously announced acquisition of iZettle, a leading small business commerce platform in Europe and Latin America. The newly announced partnerships and continued value-enhancing M&A transactions are two important catalysts we believe have the potential to drive increased intrinsic value growth for shareholders.

Relative Contributors	Relative Detractors
Coca-Cola	Halliburton
PayPal Holdings	Ameriprise Financial
Twitter	ANSYS
Novartis	East West Bancorp
Amgen	General Dynamics

Recent Fund Activity

During the quarter, we invested in Ohio-based Parker Hannifin (Parker).

Parker Hannifin

Founded over 100 years ago, Parker is a leading manufacturer of motion and control technologies and systems. The company manufactures highly engineered components and systems that facilitate motion and the controlled flow of liquids and gasses for a wide variety of global markets helping to increase their customers' productivity and profitability. Parker products can be found on and around almost everything that moves.

Today, Parker maintains a global footprint with operations in 50 countries, generating over $14 billion in annual revenue. Over the years, Parker has embarked on years of acquisitions. Under the relatively newly appointed CEO, Tom Williams, we believe Parker is now beginning to see the benefits of a renewed focus on business processes. Furthermore, the 2017 acquisition of industrial filtration company Clarcor, we believe, will have a beneficial long-term impact on Parker's business mix.

High-Quality Business

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

- Global distribution network built up over 60 years boasts over 13,000 outlets that provide engineering support and customer service creating a key barrier to entry;
- Well-diversified by geography, product offering, supplier and customer bases;
- History of innovation protected by intellectual property enables Parker to offer an extensive breadth of technologies; and
- Financial strength as evidenced by 15 years of free cash flow conversion greater than 100% of net income and over 60 years of annual dividend increases.

Attractive Valuation

We believe Parker's current stock price is offered at a material discount to the company's intrinsic value, given our estimates for higher normalized operating margins and earnings as well as optionality created by capital deployment opportunities.

Compelling Catalysts

Among the catalysts we have identified for Parker, 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 strategy by current CEO to improve operating margins largely due to the company's simplification and ongoing productivity initiatives as well as synergies from the Clarcor acquisition;
- Mix shift toward higher margin aftermarket businesses and systems solutions related sales resulting in greater recurring revenue potential and strengthened customer relationships; and
- Accretive capital deployment optionality to the tune of over $6 billion of excess free cash flow over the next five years for use towards M&A, dividends and share repurchases.

Outlook

We are never happy to report losses to our clients. Yet down markets are a natural part of investing, one that can never be avoided entirely. And while every down period brings its own set of news, which at the time may seem like the most important pieces of information, in our view, these typically short-term events rarely provide relevant information that can affect the long-term fundamentals of the businesses we study. In 2018, we witnessed four rate hikes, trade war rhetoric and geopolitical rancor, contentious U.S. midterm elections, and renewed market volatility, among other negative news flow, all of which weighed on market sentiment. Rather than focus on "top-down" views or analysis of short-term events, we will continue to direct our time and energy toward understanding the fundamentals of businesses, as this, we believe, is the best way for investment managers to serve their clients.

Aristotle Value Equity Fund (Class I)

Performance Update December 31, 2018

Total Return	4Q18	1 Year	Since Inception (8/31/16)	Gross/Net Expense Ratio
ARSQX Class I	-12.78%	-9.53%	6.47%	4.53%/0.78%
Russell 1000 Value Index	-11.72%	-8.27%	4.57%	N/A
S&P 500 Index	-13.52%	-4.38%	8.50%	N/A

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

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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 0.78% 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® 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 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 CBOE Volatility Index® (VIX® Index) is a barometer of equity market volatility. The VIX Index is based on real-time prices of options on the S&P 500 Index and is designed to reflect investors' consensus view of future (30-day) expected stock market volatility.
- 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 December 31, 2018, the 10 largest holdings in the Fund and their weights as a percent of total net assets were: Adobe Inc., 4.72%; Microsoft Corp., 4.06%; Amgen Inc., 3.15%; Bank of America Corp., 3.10%; Danaher Corp., 3.09%; Coca-Cola Company, 3.04%; PayPal Holdings, Inc., 2.94%; Medtronic plc, 2.92%; Microchip Technology Inc., 2.77%; ANSYS, Inc., 2.69%.

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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