

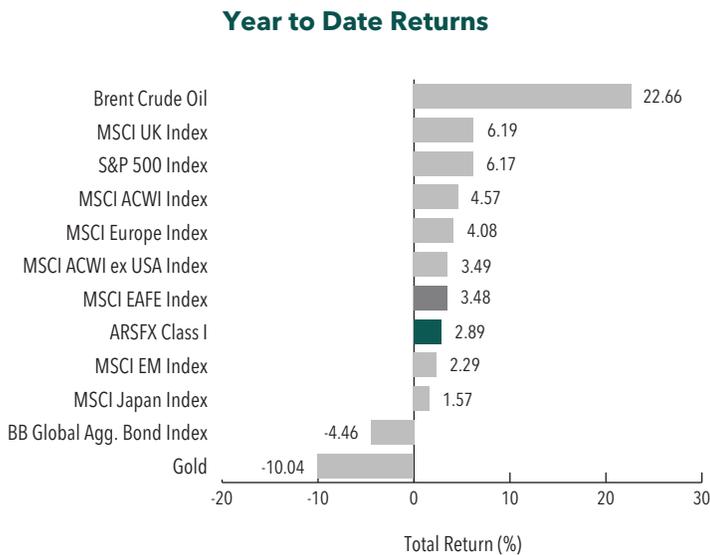
# INTERNATIONAL EQUITY FUND

## 1Q 2021 Commentary

(All MSCI index returns are shown net and in U.S. dollars unless otherwise noted.)

### Markets Review

Global Markets (total return) performed as follows:



Sources: UMB Fund Services; Bloomberg  
 Past performance is not indicative of future results. Please see important disclosures at the end of this document.

Global equity markets moved higher during the first quarter, the MSCI ACWI's fourth straight quarter of positive performance. Overall, the MSCI ACWI Index gained 4.57% during the period. Concurrently, the Bloomberg Barclays Global Aggregate Bond Index fell 4.46%. In terms of style, the value indices outperformed their growth counterparts during the quarter, with the MSCI ACWI Value Index outperforming growth by 8.59%.

The MSCI EAFE Index increased 3.48%, while the MSCI ACWI ex USA Index climbed 3.49%. Regionally, within the MSCI EAFE Index, the U.K. and Europe & Middle East were the strongest performers, while Asia, although posting positive returns, trailed. On a sector basis, eight out of the eleven sectors within the MSCI EAFE Index generated gains, led by Energy, Financials and Consumer Discretionary. Meanwhile, Health Care, Consumer Staples and Utilities were the worst-performing sectors.

Though global equity markets finished higher for the period, headlines were mixed as most regions, especially Europe, experienced a significant reversal from the positive progress made against COVID-19 early in the quarter. The number of

new daily cases worldwide fell to ~290,000 in mid-February from ~862,000 in early January, but the figure spiked to over 600,000 at the end of March. As a result, areas such as Brazil, Germany, India, Italy and the U.K. renewed various lockdown measures to control the new waves of the virus.

In addition to the worsening conditions, vaccine distribution was also turbulent. With only ~540 million vaccine doses administered worldwide through March 31 and less than 10% of the people in countries such as France, Germany, and Italy having received their first shot, the rollout has been described as slow and disappointing. Moreover, several European countries temporarily paused the distribution of the AstraZeneca vaccine due to concerns of dangerous blood clots in some recipients.

Adding to impediments for an economic recovery was commotion in the Suez Canal as a containership, the Ever Given, ran aground blocking the entire route. Efforts to dislodge the ship lasted six days, the longest such blockage since 2004. Estimates indicate more than \$9 billion in goods were delayed every day the canal was not open.

### Performance and Attribution Summary

For the first quarter of 2021, Aristotle International Equity Fund (ARSFX) posted a total U.S. dollar return of 2.89 at NAV, underperforming the MSCI EAFE Index, which returned 3.48%, and the MSCI ACWI ex USA Index, which returned 3.49%.

*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.*

From a sector perspective, the Fund's underperformance relative to the MSCI EAFE Index can be entirely attributed to security selection, while allocation effects contributed. Security selection in the Financials, Industrials and Materials sectors detracted the most from relative performance. Conversely, security selection in Consumer Discretionary and Health Care and an underweight in Health Care contributed to relative return.

Regionally, security selection was responsible for the Fund's underperformance, while allocation effects had a positive impact. Exposure to Emerging Markets and security selection in Europe & Middle East detracted the most from relative performance, while exposure to Canada and an overweight in the U.K. contributed to relative return.

## Contributors and Detractors for 1Q 2021

(Fund Contribution to Return)

Largest Contributors	Largest Detractors
Ashtead Group	Credicorp
Magna International	Nemetschek
Michelin	Heineken
Assa Abloy	Symrise
Cameco	Experian

**Heineken, a global beer brand, was one of the largest detractors for the period.** Shares declined as the company reported results that were negatively impacted by continued pandemic-related restrictions. Beer volumes fell 8.1% year-over-year in 2020, the first annual decline since 2013 and a larger drop than the 5.4% decline in 2009. Despite swift cost reductions, operating profit fell by more than 35%. 2020 was not a normal year, and we are encouraged by Heineken's progress on its EverGreen strategic plan, which through a combination of productivity and reinvestment can enhance profit margins by upwards of 500 basis points from 2020 levels. Heineken announced that Harold van den Broek will join the company in June as its new CFO. Mr. van den Broek had served as the CFO of Reckitt Benckiser's (current International Equity holding) Hygiene unit and has more than 30 years of experience in the fast-moving consumer goods industry. Lastly, Heineken and The Coca-Cola Company announced a redesigned distribution partnership in Brazil. The revised agreement allows consumers to benefit from greater choice while both Heineken and Coca-Cola pursue a dual route-to-market strategy in the large and growing Brazilian market.

**Magna International, a Canada-based global auto parts, systems and assembly company, was a leading contributor for the quarter.** Building on prior agreements, Magna and Fisker, an electric vehicle (EV) company, announced an expanded partnership. The two companies now have an EV platform sharing agreement, complete vehicle engineering and manufacturing cooperation, and a collaboration on a full ADAS (advanced driver-assistance system). Magna also reported strong quarterly results and provided forward guidance, both of which were ahead of market expectations. Moreover, the board increased the quarterly dividend by 8%. We view the strong results and expanded partnership with Fisker as evidence that Magna is executing on two key catalysts we identified at purchase: market share gains from increased outsourcing and benefits from higher demand for lightweighting and ADAS, two areas in which Magna specializes.

## Recent Fund Activity

Buys	Sells
GlaxoSmithKline	Compass Group
Nemetschek	UBS Group
Michelin	

During the quarter, we sold our investments in Compass Group and UBS Group. We invested the proceeds in three new positions: GlaxoSmithKline, Nemetschek and Michelin.

We first invested in Compass Group in the fourth quarter of 2012 in our International strategy. During our more than nine-year holding period, the company executed on a number of catalysts, including growing market share in North America and the Emerging Markets, restructuring its European operations, and continuing to consolidate the fragmented global market for contract catering via acquisitions. Like many companies, Compass Group's operations have been significantly impacted by the COVID-19 pandemic. Although we believe management has taken the necessary (and correct) actions to position the company for long-term success, we have questions regarding the normalized earnings power over the next three to five years. While we decided to exit our position this quarter, we continue to closely monitor Compass Group, and it is possible, as we have done with other companies we consider to be high quality, that we may re-initiate an investment in the future.

Our investment in UBS Group was made in the first quarter of 2015 in our International strategy. During our six-year holding period, UBS executed well on several catalysts, although others have not developed as well as we anticipated. The company's shift away from volatile investment banking operations and toward private banking/wealth management has helped reduce earnings volatility, improve profitability and enhance capital ratios. Several legacy legal issues have been resolved; however, new regulatory issues continue to reveal themselves. While we hold the relatively new CEO, Ralph Hamers, in high regard and are eager to observe the UBS team execute on its strategy, we decided to sell in favor of what we believe to be more optimal investment opportunities, which we describe next.

## GlaxoSmithKline plc

GlaxoSmithKline was formed in 2000 following the merger of British pharmaceutical companies Glaxo Wellcome and SmithKline Beecham. The company develops, manufactures and commercializes innovative medicines (~50% of revenue - HIV, respiratory, immunoinflammation, etc.), vaccines (~20% - shingles, meningitis, influenza, etc.), and consumer health products (~30% - oral health, pain, digestive health, etc.).

With origins dating as far back as 1715, U.K.-headquartered GlaxoSmithKline and its predecessors have been at the forefront of innovation, resulting in one of the strongest portfolios of commercialized products in the industry. The company currently operates in 150 countries and boasts an extensive network of manufacturing and research sites that spans over 36 countries, including major centers in the U.K., U.S., Spain, Belgium and China.

In early 2020, GlaxoSmithKline's relatively new management team announced that the company will undergo a demerger, creating standalone biopharmaceutical and consumer healthcare companies in 2022. This ongoing strategic change is one we view positively.

### *High-Quality Business*

Some of the quality characteristics we have identified for GlaxoSmithKline include:

- Global scale and a diverse product offering across various end markets and regions;
- Leading market positions and a robust portfolio of recognizable brands (e.g., Advair, Triumeq, Shingrix, Bexsero, Advil, Sensodyne); and
- Extensive history of developing innovative and relevant medicines (e.g., discovery of amoxicillin and Retrovir, the first treatment for HIV).

### *Attractive Valuation*

Given our estimates of normalized earnings, we believe GlaxoSmithKline's current stock price is offered at a discount to our estimate of the company's intrinsic value. We believe normalized earnings power is underappreciated given continued market share gains of commercialized products and the business's improving FREE cash flow generation.

### *Compelling Catalysts*

Catalysts we have identified for GlaxoSmithKline, which we believe will cause its stock price to appreciate over our three- to five-year investment horizon, include:

- Benefits from the upcoming separation of the biopharmaceutical and consumer health businesses, creating two standalone companies;
- Continued market share advances by Shingrix, a leading vaccine for shingles (aka herpes zoster); and
- Further market share gains for the oncology franchise, including Zejula, a treatment for ovarian cancer.

### *The Nemetschek Group*

Headquartered in Munich, Germany, Nemetschek is a leading global software provider for the architecture, engineering and construction (AEC) industry. Founded in 1963 by Professor Georg Nemetschek, the company has a market cap of \$7.5 billion as of 3/31/21, employs more than 3,000 experts, has 82 locations worldwide and generates nearly €600 million in revenue.

Nemetschek is the only company that covers the entire lifecycle of building and infrastructure projects. Its products guide its customers into the future of digitalization and include computer-aided design (CAD), computer-aided engineering (CAE), collaboration tools, facility management software and 3D visualization tools. The company's software optimizes the design, build and management of a project, enabling a more sustainable and efficient process for complex building and infrastructure projects.

The company has 16 brands and operates through four segments: Design (~50% of revenue), Build (~30%), Manage (~10%) and Media & Entertainment (~10%). All four segments promote the use of open standards, or open building information modeling (aka BIM). BIM allows for all relevant building data to be processed virtually in a 3D model and in real time. As a result, BIM increases collaboration of all parties (architects, engineers, contractors, etc.) on a uniform platform and can significantly increase productivity, a compelling value proposition for Nemetschek customers.

### *High-Quality Business*

Some of the quality characteristics we have identified for Nemetschek include:

- Leading market share positions in large and underpenetrated markets;
- High degree of recurring revenue (~60% of total) and stable margins;
- Large and loyal installed base of over six million users across 142 countries; and
- Decades of continuous innovation supported by investments in research and development (~25% of revenue) results in high barriers to entry.

### *Attractive Valuation*

Valuation is attractive based on our estimates for higher normalized cash earnings power. More specifically, we believe Nemetschek's ongoing shift toward a subscription revenue model is not fully appreciated and can result in a more consistent and higher level of normalized FREE cash flow.

### *Compelling Catalysts*

Catalysts we have identified for Nemetschek, which we believe will cause its stock price to appreciate over our three- to five-year investment horizon, include:

- Market share gains in planning, building and management projects;
- Further mandatory implementation of BIM legislation (for public projects) and increased adoption by the private sector uniquely benefits Nemetschek's decades of focus on BIM;
- Continued successful transition from a license to subscription and cloud-based revenue model (subscription revenues are just ~15% of total); and
- Bundling of competencies of the brands, which can serve to reduce internal complexity, create synergies and develop overarching solutions for customers from a single source.

FREE cash flow is generally calculated as cash flow from operations less capital expenditures

### *Compagnie Générale des Établissements Michelin*

Founded in 1889, Compagnie Générale des Établissements Michelin (Michelin) is a France-based tire manufacturer. With 126 research and production facilities, over 7,600 dealerships, and sales representatives across 171 countries, the company has established itself as the second-largest tire manufacturer in the world.

Michelin designs and manufactures automotive (~50% of revenue – Automobiles), road transportation (~25% – Trucks) and specialty tires (~25% – Mining, Aircraft, Off-the-Road, etc.) for various customers and end markets. With over a century of operational history, the company's dedication to innovation and efficiency has made Michelin an industry leader.

#### *High-Quality Business*

Some of the quality characteristics we have identified for Michelin include:

- Global scale and market-leading position with ~14% share of all global tire sales;
- One of the world's most iconic brands and mascots, the "Michelin Man;"
- Robust profitability driven by the company's expertise in large diameter tires and the higher-margin specialty tires segment; and
- Consistency in earnings power relative to the overall auto industry due to the critical need for tires.

#### *Attractive Valuation*

Given our estimates of normalized earnings, we believe Michelin's current stock price is offered at a discount to our estimate of the company's intrinsic value. Specifically, we believe various initiatives will lead to higher market share and normalized margins for the business.

### *Compelling Catalysts*

Catalysts we have identified for Michelin, which we believe will cause its stock price to appreciate over our three- to five-year investment horizon, include:

- Improvements to profitability from product mix shifts toward larger diameter and specialty tires;
- More efficient management of SG&A through initiatives such as process enhancements and simplifications, deployment of the company's business management program, and digitization of HR and CRM platforms; and
- Further progress on the company's four-pronged growth plan (i.e., improve market share and profitability through product innovation of tires; provide unique mobility experiences through maps, guides and digital services; deepen understanding of customer needs to offer best-in-class services and solutions; and leverage expertise in high-tech materials to create sustainable products and expand in high-potential growth markets).

### **Conclusion**

Whether it be the path of COVID-19 and vaccination rates, the uncertainty surrounding fiscal and monetary policy, or even the blockage of the Suez Canal, there continues to be no shortage of headlines that can create volatility in the markets. Rather than becoming preoccupied with the news of the day, at Aristotle Capital, we remain focused on company fundamentals and the long term. Our investment process is not dependent on the realization of fiscal or monetary policies or the speed of a recovery. We seek to find companies with quality characteristics that can allow them to succeed over full market cycles, regardless of macroeconomic and/or political events. Our goal is to deliver for our clients through a disciplined, research-oriented approach to finding what we believe to be great companies and a consistent, well-executed portfolio management process.

## Aristotle International Equity Fund (Class I)

Performance Update

March 31, 2021

Total Return	1Q21	YTD	1 Year	3 Years	5 Years	Since Inception (3/31/14)	Gross/Net Expense Ratio
ARSFX Class I	2.89%	2.89%	50.33%	7.54%	9.40%	5.18%	1.17%/0.80%
MSCI EAFE Index (Net)	3.48%	3.48%	44.57%	6.02%	8.84%	4.80%	N/A
MSCI ACWI ex USA Index (Net)	3.49%	3.49%	49.41%	6.50%	9.75%	5.26%	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 performance information current 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, 2021, to the extent that the total annual operating expenses do not exceed 0.80% 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 from the last 12 months 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, market risk, equity risk, foreign investment risk, currency risk, small-cap, mid-cap and large-cap company risk, value-oriented investment strategies risk, emerging markets risk, management and strategy risk and cybersecurity risk. **Market Turbulence Resulting from COVID-19** – The outbreak of COVID-19 has negatively affected the worldwide economy, individual countries, individual companies and the market in general. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the Fund. To learn more about the Principal Risks of Investing in the Fund, please reference the prospectus.

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 country indices: 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 markets countries (excluding the United States) and 27 emerging markets countries. With over 2,300 constituents, the Index covers approximately 85% of the global equity opportunity set outside the United States.
- The MSCI ACWI Value Index captures large and mid cap securities exhibiting overall value style characteristics across 23 developed markets countries and 27 emerging markets countries. With approximately 3,000 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 the equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 24 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, the Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.
- 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 Brent Crude Oil Index is a major trading classification of sweet light crude oil that serves as a major benchmark price for purchases of oil worldwide.
- The Bloomberg Barclays Global Aggregate Bond Index is a flagship measure of global investment grade debt from 24 local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.
- The MSCI United Kingdom Index is designed to measure the performance of the large and mid cap segments of the UK market. With nearly 100 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the UK.
- The MSCI Europe Index captures large and mid cap representation across 15 developed markets countries in Europe. With over 430 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization across the European developed markets equity universe.
- 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 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 March 31, 2021, the 10 largest holdings in the Fund and their weights as a percent of total net assets were: Sony Corp., 4.37%; Ashtead Group Plc., 4.22%; Accenture plc, 4.14%; Brookfield Asset Management, Inc., 3.63%; Magna International Inc., 3.59%; LVMH Moët Hennessy Louis Vuitton, Inc., 3.39%; Dassault Systemes SE, 3.30%; Samsung Electronics Co Ltd., 3.10%; Nidec Corp., 2.99%; FANUC Corp., 2.94%.

**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](http://aristotlefunds.com), and should be read carefully prior to investing.**

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