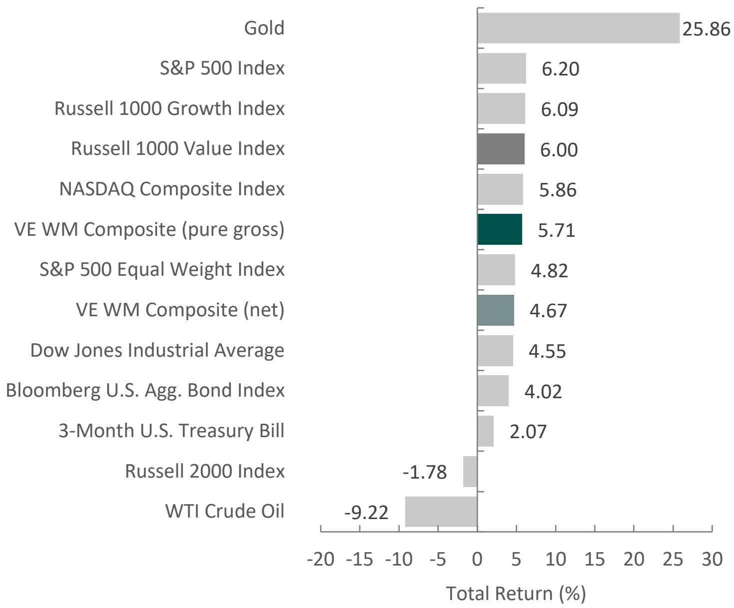
VALUE EQUITY

ARISTOTLE CAPITAL MANAGEMENT

2Q 2025 Commentary – Wealth Management

Year-to-Date Returns



Sources: Caps CompositeHubTM, Bloomberg
Past performance is not indicative of future results. Aristotle Value Equity WM Composite returns are presented pure gross and net of the maximum wrap fee and include the reinvestment of all income. Pure gross returns do not reflect the deduction of any trading costs or other fees and are supplemental to the net returns. Net returns are calculated by subtracting the highest applicable wrap/SMA fee, which includes trading costs and custodial fees, from the pure gross composite return. (From inception to 12/31/2015, the highest applicable wrap/SMA fee is 3.00% on an annual basis, or 0.75% quarterly. From 1/1/2016 to 12/31/2023, the highest applicable wrap/SMA fee is 2.00% on an annual basis, or 0.50% quarterly and 0.17% monthly from 1/1/2024 to present.) Aristotle Capital Composite returns are preliminary pending final account reconciliation. Please see important disclosures at the end of this document.

Markets Review

Despite some early volatility in the second quarter, the U.S. equity market rebounded with strength, with the S&P 500 Index rising 10.94% during the period. Bonds also delivered positive returns, as the Bloomberg U.S. Aggregate Bond Index rose 1.21%.

From a style perspective, the Russell 1000 Value Index underperformed its growth counterpart by 14.05%. On a sector basis, eight out of the eleven sectors within the Russell 1000 Value Index posted positive returns. The best-performing sectors were Information Technology, Industrials and Financials, while Health Care, Energy and Real Estate were the worst.

Trade policy remained a focal point. In early April, President Trump introduced a universal 10% import tariff, as well as reciprocal tariffs on dozens of countries, as part of "Liberation Day." Roughly a week later, and to encourage the start of negotiations, a 90-day pause on reciprocal tariffs was enacted for almost all countries. Later in the quarter, the U.S. and U.K. finalized the Economic Prosperity Deal, which included expanding American access to British markets and lowering tariffs on the first 100,000 of U.K. autos entering the U.S. each year. Meanwhile, negotiations continued with the EU, Japan, Canada and India. After escalating, trade tensions with China eased somewhat; however, considerable tariffs and other trade policy disputes remain for both countries as negotiations continue. Shortly after quarter end, Congress also passed the Trump administration's sweeping fiscal legislation, which included major tax incentives, infrastructure funding and manufacturing subsidies. Concurrently, the U.S. Dollar Index (DXY) fell 10.7% in the first six months of the year—the fastest decline since 1973.

Economic data released during the quarter painted a mixed picture. U.S. real GDP for the first quarter contracted at an annual rate of 0.5%, primarily due to reduced government spending and a rise in imports. Meanwhile, the Consumer Price Index (CPI) rose 2.4% year-over-year in May, and the unemployment rate remained close to 4%. Notably, a key gauge of consumer confidence rebounded in June, increasing for the first time in six months. However, given the ongoing uncertainty around the macroeconomic outlook, the Federal Reserve opted to hold its policy rate steady at a range of 4.25% to 4.50%, signaling a cautious, data-dependent stance.

Corporate fundamentals continued to serve as a relative bright spot, as S&P 500 companies reported 12.9% year-over-year earnings growth, with 78% of companies exceeding EPS expectations. Still, concerns around global trade and input costs were evident, with more than 425 companies referencing tariffs in earnings calls and nearly 12% issuing negative EPS guidance for the quarter ahead. Management teams broadly emphasized cost discipline and capital flexibility in the face of persistent macro headwinds.

In geopolitics, tensions in the Middle East escalated sharply during the quarter, with Israel and Iran engaging in direct missile exchanges—their most overt confrontation in decades. A succession of precision strikes on key Iranian figures and military sites, as well as U.S. airstrikes on nuclear infrastructure, further fueled fears of a broader regional conflict. However, after 12 days of war, a ceasefire was reached late in the quarter, easing immediate tensions but leaving uncertainty over its durability. In Europe, Russian forces entered eastern Ukraine in the Dnipropetrovsk region for the first time in three years. While the two sides engaged in a second round of negotiations and completed prisoner exchanges, prospects of a material advancement toward a ceasefire remain unclear. Despite the heightened geopolitical risks, WTI crude oil fell 8.9% during the quarter.

Performance and Attribution Summary

For the second quarter of 2025, Aristotle Capital's Value Equity WM Composite posted a total return of 4.99% pure gross of fees (4.48% net of fees), outperforming the 3.78% return of the Russell 1000 Value Index and underperforming the 10.94% return of the S&P 500 Index. Please refer to the table for detailed performance.

Performance (%)	2Q25	YTD	1 Year	3 Years	5 Years	10 Years
Value Equity WM Composite (pure gross)	4.99	5.71	7.92	12.39	13.05	11.39
Value Equity WM Composite (net)	4.48	4.67	5.81	10.16	10.81	9.17
Russell 1000 Value Index	3.78	6.00	13.70	12.76	13.92	9.18
S&P 500 Index	10.94	6.20	15.16	19.71	16.64	13.65

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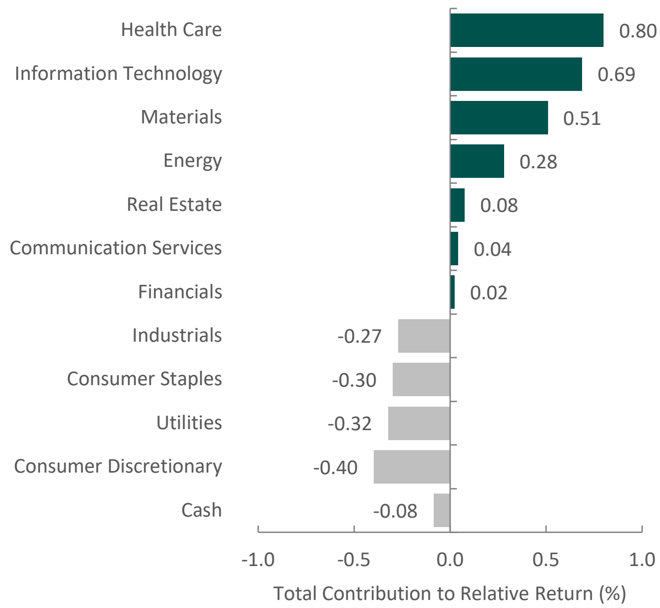
The portfolio's outperformance relative to the Russell 1000 Value Index in the second quarter can be attributed to allocation effects, while security selection had a slightly negative overall impact. An overweight in Information Technology, an underweight in Health Care and security selection in Materials contributed the most to relative performance. Conversely, security selection in Consumer Discretionary and Consumer Staples and an underweight in Industrials detracted. (Relative weights are the result of bottom-up security selection.)

Total Contribution to Relative Return by Sector Versus Russell 1000 Value Index
Second Quarter 2025



Source: FactSet

Past performance is not indicative of future results. Sector attribution shows how much of a portfolio's overall return is directly attributable to stock selection and asset allocation decisions within the portfolio, highlighting which sectors contributed or detracted to the total return. Attribution includes the reinvestment of income. Attribution is presented gross of fees and does not include the deduction of all fees and expenses that a client or investor has paid or would have paid. Please refer to the gross and net composite returns included within to understand the overall impact of fees.

Contributors and Detractors for 2Q 2025

Relative Contributors	Relative Detractors
Microsoft	Coterra Energy
Microchip Technology	Amgen
Parker Hannifin	Merck
Corteva	Alcon
Capital One Financial	American Water Works

Microsoft, the global leader in software and enterprise services, was the top contributor for the quarter. The company delivered a strong quarterly update, with Azure revenue growing 35%—well ahead of expectations—driven by improved execution in core cloud services and sustained AI-related demand. Importantly, strength extended beyond AI, with renewed momentum in traditional enterprise cloud workloads, such as data platforms, infrastructure hosting and developer services. Profitability also impressed, with operating margins expanding to 46% supported by disciplined cost control. While near-term results were strong, our conviction remains grounded on Microsoft's enduring advantages: dominant positions in mission-critical software, high recurring revenue driven by a deep subscriber base, and the ability to reinvest at scale. One example is GitHub Copilot—a generative AI tool that helps developers write, review and debug code—which now has over 15 million users and is seeing increasing enterprise adoption. With widespread use of offerings like Copilot, Teams and LinkedIn, and underpinned by robust FREE cash flow supporting continued innovation, we believe Microsoft remains exceptionally well-positioned to compound value across cloud, productivity and AI-enabled workflows over the long term.

Microchip Technology, the microcontroller (MCU) and analog semiconductor producer, was a top contributor for the quarter. After several quarters of underperformance driven by prolonged customer destocking, the company's fundamentals began to improve meaningfully, as returning CEO Steve Sanghi's turnaround plan is underway. Bookings showed signs of stabilization, supported by more balanced inventories across customers and distribution channels, as well as indications of recovering end-market demand. Operational execution also improved under the renewed leadership, with early benefits emerging from cost-saving initiatives—such as the closure of its Arizona wafer fabrication facility—and tighter inventory management. Microchip's long-standing customer relationships and commitment to extended product lifecycles continue to support recurring revenue and reduce design-in risk. Combined with its consistent record of strong FREE cash flow generation and shareholder returns, this disciplined approach reinforces our conviction in the company's ability to manage through industry cycles. Longer term, we believe Microchip remains well-positioned to gain share in 16- and 32-bit MCUs and areas including IoT, 5G infrastructure, autonomous vehicles and data centers.

Amgen, the biopharmaceutical company, was one of the largest detractors for the quarter. While the company's branded drugs continued to advance (a previously identified catalyst), with cholesterol medicine Repatha, osteoporosis treatment Evenity and bone-strengthening drug Prolia all growing sales in the double digits, concerns surrounding potential tariff impacts, tax reform and pressure on drug prices weighed on shares. We believe it is too early to assess the full impact of these macro uncertainties and are confident in Amgen's demonstrated ability to adapt through evolving policy and pricing dynamics. The company reaffirmed its long-term commitment to domestic manufacturing and innovation through its upcoming $2 billion expansions in Ohio and North Carolina, building on more than $5 billion in U.S. operational investments since 2017. Furthermore, Amgen continued to advance its robust pipeline, as its 1L bemarituzumab (bema) phase 3 trial for gastric cancer met its primary endpoint, and MariTide, the company's weight-loss drug, demonstrated strong efficacy in phase 1 and 2 trials. MariTide, which could offer more convenient monthly dosing compared to daily or weekly regimens, showed promising early results, though tolerability will be an important focus heading into phase 3. Management noted that modified dose ramp-up strategies may help mitigate these effects. Despite near-term pressures, we remain encouraged by Amgen's continued market share gains across key therapies and the potential to enhance the company's competitiveness and resilience in a dynamic healthcare landscape.

Alcon, a global leader in eye care, was one of the largest detractors during the quarter. Aside from its earnings report, there was little material news, and we did not view anything in the report as affecting the company's long-term fundamentals. While quarterly updates can influence sentiment, our focus remains on the strength and quality of the business. Alcon operates in a resilient, oligopolistic industry with high barriers to entry and recurring revenue streams tied to its large installed base of cataract surgery systems. It also continues to innovate across product categories, including its premium intraocular lens portfolio (e.g., PanOptix, Vivity), ultra-premium daily contact lenses (e.g., Dailies Total1) and over-the-counter products, such as Systane for dry eyes. Since its spinoff from Novartis in 2019, the company has also demonstrated greater agility in R&D, commercial execution and capital allocation—catalysts we previously identified. More broadly, we believe Alcon's ability to strengthen its partnerships with eye care professionals and broaden access to underutilized premium technologies makes the company uniquely positioned to benefit from an aging population, increased access to eye care in emerging markets, and rising awareness and diagnosis of chronic dry eye conditions.

Recent Portfolio Activity

During the quarter, we sold our position in Xylem and invested in Uber.

Buys	Sells
Uber	Xylem

We first invested in Xylem, the global water technology company, in the first quarter of 2020. During our holding period, the company made meaningful progress on its initiatives to improve profitability, driven in part by a strategic shift toward higher-margin software and services. In addition, the acquisition of Evoqua further strengthened its water treatment capabilities and broadened its exposure to resilient industrial end markets. Xylem also continued to expand its portfolio across utility and industrial customers, reinforcing its leadership in water-related technologies. In early 2024, the company underwent a leadership transition, with Matthew Pine stepping in as CEO and Bill Grogan as CFO. Pine, formerly COO, brought operational experience from Carrier Residential, while Grogan joined from IDEX, where he helped drive the successful adoption of the 80/20 operating model. Under their leadership, Xylem has begun refocusing its strategy from scaling an ESG-led vision to pursuing operational efficiency through 80/20 principles, a shift still in its early stages. While we continue to recognize Xylem's potential and long-term catalysts, we chose to exit our position to fund what we believe is a more compelling opportunity in Uber.

Uber Technologies, Inc.

Founded in 2009 and headquartered in San Francisco, California, Uber is a global technology platform that facilitates the movement of people, goods and services across a wide range of markets. What began as a simple ride-hailing app has evolved into a multi-segment leader operating in more than 70 countries, connecting millions of consumers, drivers, couriers and merchants worldwide.

Uber's operations are organized into three primary business segments: Mobility, which includes ridesharing, car rentals and other personal transportation services (~45% of revenue); Delivery, which spans food, grocery, convenience and retail delivery through the Uber Eats platform (~50%); and Freight, its digital brokerage and logistics arm (~5%). These segments are built on a shared platform supported by real-time matching technology, global app penetration, strong network effects and one of the most recognized consumer brands globally—reflected in the familiar phrase, "I'll call an Uber."

High-Quality Business

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

- Global scale and platform efficiency, underpinned by strong brand recognition and an asset-light, supply-led model that enables rapid expansion, high operating leverage and efficient capital deployment;
- Integrated, cross-segment ecosystem, where offerings like Uber One memberships drive customer activity and loyalty (i.e., the majority of gross delivery bookings come from members); and
- Market leadership across core categories, including approximately 70% market share in U.S. ridesharing, a strong #2 position in U.S. delivery, and leading positions in key international delivery markets, such as the U.K., France and Australia.

Attractive Valuation

Uber has scaled to sustainably FREE cash flow with continued progress on margin expansion driven by scale and disciplined cost control. Based on our analysis, shares of the company currently trade at a greater than 10% normalized Cash Flow Return on Economic Value, reflecting what we believe is meaningful upside potential. Uber's strong balance sheet—with approximately $7 billion in cash—also provides flexibility to reinvest in growth, pursue strategic initiatives or return capital to shareholders.

Compelling Catalysts

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

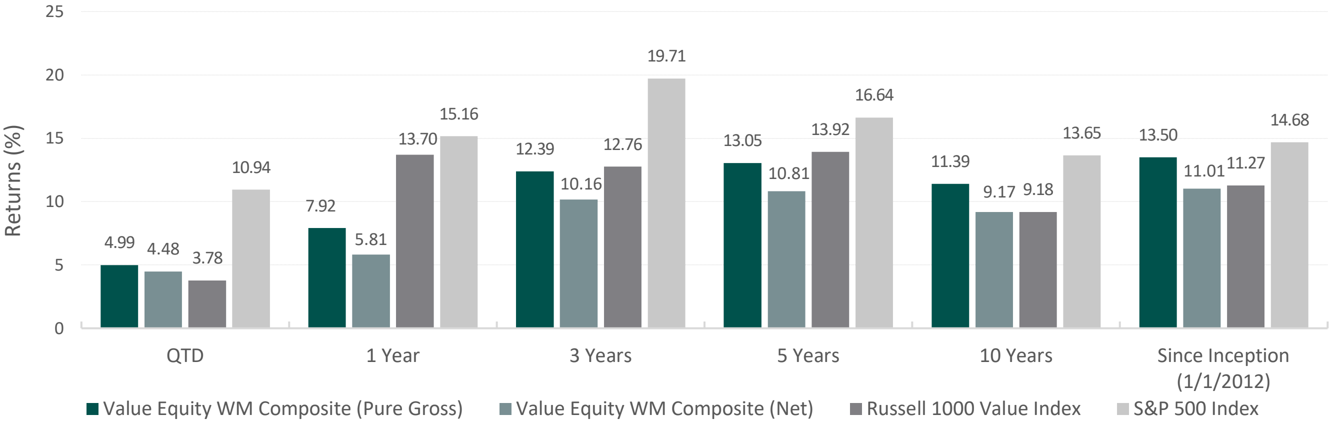
- Increased profitability and stronger FREE cash flow generation as enhanced cross-promotion between Mobility and Delivery deepens user engagement and significantly lowers customer acquisition costs;
- Further partnerships—such as with taxi fleets, travel platforms and autonomous vehicle companies—should continue to expand Uber's reach and reduce supply costs; and
- Continued expansion in non-urban markets, with new features like Uber Reserve broadening addressable demand and improving service in suburban areas.

Conclusion

As the world continues to navigate shifting trade dynamics, complex monetary and fiscal policy decisions, and heightened geopolitical uncertainty, the broader implications for the global economy remain unclear. While we are mindful of these macroeconomic forces, we do not attempt to predict their timing or short-term market impact. Instead, we anchor our investment approach in what we believe to be more reliable and enduring: the fundamentals of individual businesses and their long-term potential. By concentrating on high-quality companies with management teams we consider proven, we aim to build portfolios capable of withstanding a wide range of economic environments and delivering attractive returns over full market cycles.

Aristotle Value Equity WM Composite Performance

All Periods Ended June 30, 2025



Sources: CAPS CompositeHub™, Russell Investments, Standard & Poor's

Year	Value Equity WM Composite (Pure Gross %)	Value Equity WM Composite (Net %)	Russell 1000 Value Index (%)	S&P 500 Index (%)
2025 YTD	5.71	4.67	6.00	6.20
2024	7.78	5.67	14.37	25.02
2023	20.16	17.83	11.46	26.29
2022	-14.71	-16.52	-7.54	-18.11
2021	26.17	23.69	25.16	28.71
2020	15.96	13.58	2.80	18.40
2019	32.59	30.14	26.54	31.49
2018	-8.33	-10.21	-8.27	-4.38
2017	22.25	19.84	13.66	21.83
2016	18.03	15.72	17.34	11.96
2015	3.81	1.71	-3.83	1.38
2014	11.71	8.41	13.45	13.69
2013	30.99	27.18	32.53	32.39
2012	21.41	17.94	17.51	16.00

Composite returns for all periods ended June 30, 2025 are preliminary pending final account reconciliation.

Past performance is not indicative of future results. The information provided should not be considered financial advice or a recommendation to purchase or sell any particular security or product. Performance results for periods greater than one year have been annualized.

The Aristotle Value Equity WM Composite has an inception date of 10/1/1979. As of 1/1/2024, the composite was renamed from the Value Equity Wrap Composite and the inception date was updated to 1/1/2012. This update was implemented to align the start date of the composite track record with the start date of the current decision maker. Performance achieved by the firm prior to that date is available upon request.

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All investments carry a certain degree of risk, including the possible loss of principal. Investments are also subject to political, market, currency and regulatory risks or economic developments. International investments involve special risks that may in particular cause a loss in principal, including currency fluctuation, lower liquidity, different accounting methods and economic and political systems, and higher transaction costs. These risks typically are greater in emerging markets. While Large-capitalization companies may have more stable prices than smaller, less established companies, they are still subject to equity securities risk. In addition, large-capitalization equity security prices may not rise as much as prices of equity securities of small-capitalization companies. Securities of small- and medium-sized companies tend to have a shorter history of operations and be more volatile and less liquid. Value stocks can perform differently from the market as a whole and other types of stocks. The material is provided for informational and/or educational purposes only and is not intended to be and should not be construed as investment, legal or tax advice and/or a legal opinion. Investors should consult their financial and tax adviser before making investments. The opinions referenced are as of the date of publication, may be modified due to changes in the market or economic conditions, and may not necessarily come to pass. Information and data presented has been developed internally and/or obtained from sources believed to be reliable. Aristotle Capital does not guarantee the accuracy, adequacy or completeness of such information.

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. The S&P 500 Equal Weight Index is designed to be the size-neutral version of the S&P 500. It includes the same constituents as the cap-weighted S&P 500, but each company in the S&P 500 Equal Weight Index is allocated the same weight at each quarterly rebalance. 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 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Dow Jones Industrial Average® is a price-weighted measure of 30 U.S. blue-chip companies. The Index covers all industries except transportation and utilities. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite includes over 3,000 companies, more than most other stock market indexes. The Bloomberg U.S. Aggregate Bond Index is an unmanaged index of domestic investment grade bonds, including corporate, government and mortgage-backed securities. The WTI Crude Oil Index is a major trading classification of sweet light crude oil that serves as a major benchmark price for oil consumed in the United States. The 3-Month U.S. Treasury Bill is a short-term debt obligation backed by the U.S. Treasury Department with a maturity of three months. 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 Consumer Price Index is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The volatility (beta) of the Composite may be greater or less than its respective benchmarks. It is not possible to invest directly in these indices.

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