



SMALL CAP EQUITY FUND

4Q 2016 Commentary

Small Cap Market Ends Strong 2016 with Robust Gains in the Fourth Quarter

The small cap segment of the equity market, as measured by the Russell 2000 Index, appreciated 8.83% in the fourth quarter, capping a strong 2016 in which small cap companies returned 21.31%. Small cap companies continued their year-to-date outperformance versus their large cap and mid cap counterparts, as the Russell 1000 Index and the Russell Midcap Index generated total returns of 3.83% and 3.21%, respectively, during the quarter. Overseas, the MSCI EAFE Index (net) fell 0.71%, while the MSCI Emerging Markets Index (net) fell 4.16% in the fourth quarter.

The period began with a mild correction, erasing some of the gains experienced during the low-quality rally that occurred in the third quarter. This correction, however, was short lived, as the outcome of the U.S. presidential election greatly affected global financial markets and sent the small cap market, as measured by the Russell 2000 Index, to all-time highs. The surge, nicknamed the “Trump Rally,” was a result of many investors repositioning their portfolios based on the expected anti-regulatory, pro-growth and inflationary policies of the new president-elect. This led to a shift in sector leadership from the third quarter to the fourth quarter, with Financials—most notably banks—and Energy companies leading the way. Loss-making companies (companies with negative earnings) lagged in the fourth quarter after contributing to much of the small cap market’s positive return in the prior period.

Ten of the 11 economic sectors in the Russell 2000 Index posted positive returns during the quarter, led by robust returns in the Financials and Energy sectors, which have been notable outperformers since the election. Industrials and Materials also posted returns north of 10%. Conversely, the Health Care, Real Estate, Information Technology and Utilities sectors were laggards, with Health Care the only sector to post a negative return, falling 6% during the quarter.

Stylistically, value significantly outperformed growth in the quarter, as evidenced by the Russell 2000 Value Index’s total return of 14.07% versus the 3.57% total return of the Russell 2000 Growth Index. This dispersion was driven in large part by the value index’s higher weightings in the Financials and Energy sectors. From a fundamental standpoint, companies with a lower market cap, a meaningful dividend yield and moderate earnings growth generally outperformed.

Portfolio Review

For the fourth quarter of 2016, the **Aristotle Small Cap Equity Fund** generated a total return of 9.36% at NAV, outperforming the 8.83% return generated by the Russell 2000 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 performance information current to the most recent month-end please call 1-844-274-7868.

On a relative basis, the Fund’s holdings within the Information Technology, Health Care, Industrials and Consumer Discretionary sectors added value. Holdings within the Financials, Materials, Energy and Consumer Staples sectors detracted from performance.

CONTRIBUTORS

- **Customers Bancorp, Inc. (CUBI)**, a full-service bank with operations in the Northeast and Mid-Atlantic, rose 42% during the quarter due to perceived tailwinds in the banking industry associated with the outcome of the U.S. presidential election, which potentially include fewer regulations, higher loan growth and an expanding net interest margin. We maintain the position as we believe the company continues to execute fundamentally by deploying its excess capital through profitable lending.
- **Microsemi Corporation (MSCC)**, a designer and manufacturer of analog and mixed-signal semiconductor solutions, rose 29% due to integration benefits of a recent acquisition, expected demand increases in its aerospace and defense business, and speculation that the company may be up for sale. We maintain the position as we believe the company continues to execute on both cost and growth initiatives, which should translate into value for shareholders.
- **National Bank Holdings Corporation (NBHC)**, a Colorado-based commercial bank, appreciated 37% due to profitability improvements along with potential banking tailwinds in the wake of the U.S. presidential election. We maintain the position as we believe management can continue to create shareholder value through organic loan growth as well as acquisitions.
- **Columbus McKinnon Corporation (CMCO)**, a manufacturer of a variety of industrial lifts and handling products, rose 52% after reporting strong revenue growth boosted by the recent acquisition of a supplier of digital power control systems for mechanical lifts. We maintain the position as we believe the company will benefit from continued cyclical demand tailwinds and further penetration into emerging economies.
- **On Assignment, Inc. (ASGN)**, a leading specialty staffing company that places professionals in the technology, life sciences and health care sectors, appreciated 22% due to strong revenue

growth and continued market share gains compared to its staffing peers. We maintain the position as we believe demand for temporary workers in each of the company's markets will allow it to create shareholder value going forward.

DETRACTORS

- **Hannon Armstrong Sustainable Infrastructure Capital, Inc. (HASI)**, a specialty finance company focused on providing debt and equity financing for sustainable energy infrastructure projects, declined 16% due to investor concerns regarding renewable energy demand following the U.S. presidential election. We maintain the position as we believe the company has a visible pipeline, and that management will continue to deploy capital into new projects with its credit-worthy customer base.
- **Providence Service Corporation (PRSC)**, a provider of non-emergency transportation and social services to state and local governments, declined 22% due to lower volumes in its workforce development segment along with general industry weakness due to regulatory uncertainty. We maintain the position as we believe the company will benefit from its new growth platforms and from continued demand for its services.
- **Euronet Worldwide, Inc. (EFTT)**, an electronic transaction processing company, declined 11% during the quarter as guidance was lowered to reflect the impact of India removing certain rupee notes from circulation and potentially reducing ATM traffic. We continue to maintain a position as we believe this impact is temporary, and that the company will continue to benefit from strong secular demand trends in most of its businesses and from its own fundamental execution efforts.
- **Nu Skin Enterprises, Inc. (NUS)**, a multi-level marketer of primarily personal care products, declined 26% during the quarter as the company reduced its near-term guidance after pushing back a product launch in China from the fourth quarter to the first quarter of 2017. We maintain the position as we believe the company will continue to benefit from new product introductions and strong end-market demand, both domestically and in emerging markets.
- **Electronics for Imaging, Inc. (EFII)**, a maker of software and equipment for commercial printers and enterprises, fell 10% after the publication of a short report alleging various accounting irregularities at the company. Management moved up the timing of the company's earnings release to dismiss these allegations. We maintain the position as we believe the company can continue to harvest additional value from investments made over the past several years and benefit from the long-term analog-to-digital printing transition.

BUYS

- **Acadia Healthcare Company, Inc. (ACHC)**, a provider of behavioral health and addiction services to patients in a variety of inpatient and outpatient settings in the United States and United Kingdom, was added to the portfolio. We believe the

strong underlying demand dynamics for the company's services and the potential for increased profitability as it integrates recent acquisitions is not captured in the current share price.

- **RPC, Inc. (RES)**, an oilfield services company primarily focused on the completion phase of well development in the United States, was added to the portfolio. Due to the company's competitive position, we believe RPC can increase its market share as demand for its services continues to rebound.
- **Unitil Corporation (UTL)**, a New Hampshire-based public utility holding company, was added to the portfolio. We believe the company has the potential to increase profitability as recent capital investments are incorporated into its regulated rate base, which could allow for a future dividend increase.

SELLS

- **First Foundation, Inc. (FFWM)**, a California-based bank, was eliminated from the portfolio based on our belief that the shares were fully valued.

Outlook and Positioning

Coming into 2016, we believed equity market volatility would persist as investors dealt with a host of macroeconomic issues at the domestic and global level, including but not limited to changes in monetary policy, geopolitical issues, the U.S. presidential election and ongoing bouts of commodity price volatility. While price volatility in the small and small/mid cap markets was indeed elevated compared to 2015, more often than not, markets trended higher and ended the year with substantial gains. Going into 2017, there are numerous factors with the potential to have a significant impact on equity market returns. Although we think it is unlikely that equities repeat their impressive 2016 performance, we do believe the opportunity for further capital appreciation exists in the small and small/mid cap markets, especially for companies with solid underlying fundamentals and compelling valuations.

From an economic perspective, it appears the United States may be on a faster track toward strong economic growth and inflation after the election of Donald Trump. The president-elect is expected to enact significant fiscal stimulus in the form of infrastructure investments, increased defense spending and tax cuts for corporations and, possibly, individuals. This shift in fiscal policy, even if somewhat mild compared to what was promised on the campaign trail, could spur growth and lead to higher inflation, both of which are typically supportive of equity prices. Less business regulation may also occur under the new administration and would be considered another pro-growth policy with potential benefits to equities. While we do not position the Fund from the top down based on shifts in fiscal policy, it is possible that these developments could further extend the equity bull market, which will enter its ninth year in March. We will continue to incorporate these issues into our bottom-up research process to better assess the risks associated with each of our investment positions.

Interest rate policy continues to be a factor with the potential to materially influence equity markets. While the actual pace and magnitude of U.S. interest rate hikes depend on a number of factors, from global growth and global risk-free rates to inflation levels, with the Federal Reserve raising rates in December, we appear set for gradual interest rate normalization in 2017. This has significant implications for equity prices, which have been driven in large part by the easy money policies in place since the Great Recession. With the transition away from low interest rates, we are hopeful that business fundamentals will come back into focus, which should provide a favorable backdrop for fundamentally oriented active managers.

From a fundamental standpoint, we believe the economic backdrop in the United States remains supportive of earnings growth, albeit at the more muted levels that are typical of the later stages of an economic recovery. Additionally, we believe small and small/mid caps are better positioned fundamentally than large caps, as they have less exposure to slower global growth trends. With a reasonably favorable backdrop for small and small/mid cap stocks, we continue to identify what we believe to be attractively valued, long-term investment opportunities. Our current positioning is a function of our bottom-up stock selection and our ability to identify what we view as attractive investment candidates, regardless of economic sector definitions. Recent purchases have been spread across industries and are idiosyncratic in nature, as opposed to being tied to an outlook for a particular sector. Overweights in Industrials and Information Technology are mostly a function of the outperformance of our holdings in these sectors over the past few years. Our overweight in

Financials is largely due to our positioning in the Banking industry. Conversely, we continue to be underweight the Real Estate sector due to a lack of attractively valued opportunities, but we maintain exposure to certain names that we feel offer a compelling risk-reward trade-off. Our positioning in Consumer Discretionary is a function of an inability to identify compelling opportunities that fit our discipline.

While the Fund is built from the bottom up and incorporates a long-term view of business fundamentals, we believe it is important to have an understanding of these economic influences given that they are likely to play a critical role in the equity markets over the short term. However, instead of repositioning the Fund for these issues, we remain focused on trying to understand the risk associated with each investment position within the context of our fundamentally oriented research process, and managing that risk through a disciplined approach to portfolio construction and management.

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Aristotle Small Cap Equity Fund (Class I)

Performance Update

December 31, 2016

Total Return	4Q16	1 Year	Annualized Since Inception (3/31/14)	Gross/Net Expense Ratio
ARSBX Class I	9.36%	18.31%	12.07%	19.39%/1.19%
Russell 2000 Index	8.83%	21.31%	16.00%	N/A

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The Fund's advisor has contractually agreed to waive certain fees and/or absorb expenses, through April 30, 2017, to the extent that the total annual operating expenses do not exceed 1.15% 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 Boston 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 Boston 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. Recommendations made in 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, investing in small-cap companies and ETFs.

The securities of small-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. In addition, such companies typically are more likely to be adversely affected than large capitalization companies by changes in earning results, business prospects, investor expectations or poor economic or market conditions. The use of ETFs may cause the Fund to have higher expenses than those of other equity funds.

Definitions:

- 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 Russell 2000® Value Index measures the performance of those Russell 2000 companies with lower price/book ratios and lower predicted and historical growth rates.
- The Russell 2000® Growth Index measures the performance of those Russell 2000 companies with higher price/book ratios and higher predicted and historical growth rates.

- The Russell 1000® Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership.
- The Russell Midcap® Index is a subset of the Russell 3000® Index. The Russell Midcap Index is composed of the smallest 800 companies out of the Russell 1000® Index (also a subset of the Russell 3000 Index).
- 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 countries: 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 Emerging Markets Index is a free float-adjusted market capitalization-weighted index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging market country indexes: 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 volatility (beta) of the Fund may be greater or less than that of the benchmark. An investor cannot invest directly in this index.

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, 2016, the Fund's holdings and their weights as a percent of total net assets were: 1-800-Flowers.com Inc., 1.45%; Acadia Healthcare Co. Inc., 0.24%; ACI Worldwide Inc., 0.58%; Advanced Energy Industries, 1.30%; Ardmore Shipping Corp., 0.82%; AerCap Holdings NV, 1.20%; Alamos Gold Inc., 0.32%; Albany International Corp., 0.59%; Allele Inc., 1.41%; Altra Industrial Motion Corp., 0.82%; American Equity Investment Life Holdings, 0.95%; ArcBest Corp., 0.73%; Aspen Technology Inc., 0.85%; AZZ Inc., 0.51%; Bancorp Inc., 0.46%; Barnes Group Inc., 1.26%; Belden Inc., 1.38%; Benchmark Electronics Inc., 0.73%; Berkshire Hills Bancorp Inc., 0.94%; Bottomline Technologies, 0.94%; Bravo Brio Restaurant Group, 0.23%; CAI International Inc., 0.39%; CalAmp Corp., 0.69%; Capital Product Partners LP, 0.32%; Cardinal Financial Corp., 0.53%; Carter's Inc., 1.47%; Casella Waste Systems Inc., 0.72%; Charles River Laboratories, 0.60%; Chef's Warehouse Inc., 0.66%; Chemed Corp., 1.12%; Chemical Financial Corp., 0.94%; Columbia Banking System Inc., 0.48%; Columbus McKinnon Corp., 1.31%; Commercial Vehicle Group Inc., 0.66%; Cross Country Healthcare Inc., 0.95%; Customers Bancorp Inc., 2.05%; Cynosure Inc., 0.56%; DigitalGlobe Inc., 1.54%; DSW Inc., 0.59%; Dycom Industries Inc., 1.45%; Electronics For Imaging, 1.47%; Empire District Electric Co., 0.90%; Envision Healthcare Corp., 1.52%; Euronet Worldwide Inc., 1.63%; First Financial Bancorp, 0.83%; First Foundation, Inc., 0.00%; Gartner Inc., 0.65%; Genesee & Wyoming Inc., 0.82%; Great Western Bancorp Inc., 0.93%; Hannon Armstrong Sustainable, 1.44%; Herbalife Ltd, 0.51%; Infinera Corp., 0.22%; InnerWorkings Inc., 1.31%; Insight Enterprises Inc., 0.64%; iShares Russell 2000 ETF, 1.37%; iShares Russell 2000 Value ETF, 1.22%; Itron Inc., 1.27%; Knowles Corp., 0.76%; Kraton Corp., 0.64%; Liquidity Services Inc., 0.25%; MarketAxess Holdings Inc., 0.44%; Matthews International Corp., 1.58%; MedEquities Realty Trust Inc., 0.63%; MEDNAX Inc., 1.22%; Mercury Systems Inc., 1.09%; Merit Medical Systems Inc., 1.81%; Metaldyne Performance Group, 0.83%; Microsemi Corp., 2.00%; Monro Muffler Brake Inc., 0.42%; Multi Packaging Solutions International Ltd, 0.85%; National Bank Holdings, 1.87%; Novanta Inc., 1.29%; Nu Skin Enterprises Inc., 0.52%; Oceaneering International Inc., 0.52%; On Assignment Inc., 2.19%; Opus Bank, 1.09%; Orbital ATK Inc., 1.30%; PacWest Bancorp, 1.00%; PAREXEL International Corp., 1.65%; Pier 1 Imports Inc., 0.56%; Popeyes Louisiana Kitchen Inc., 1.43%; Prestige Brands Holdings Inc., 0.90%; PrivateBancorp Inc., 1.42%; Providence Service Corp., 0.90%; QTS Realty Trust Inc., 1.58%; Quidel Corp., 0.92%; Ring Energy Inc., 1.23%; Rogers Corp., 1.43%; RPC Inc., 0.54%; Silgan Holdings Inc., 0.52%; Solar Capital Ltd, 0.74%; SP Plus Corp., 1.07%; Stag Industrial Inc., 0.84%; Stonegate Mortgage Corp., 0.31%; Texas Capital Bancshares Inc., 0.36%; Titan Machinery Inc., 0.26%; TiVo Corp., 0.49%; Umpqua Holdings Corp., 0.86%; Unifon Corp., 0.51%; Verifone Systems Inc., 0.63%; Wabash National Corp., 0.8%; Wabtec Corp., 0.91%; Wiley (John) & Sons, 0.63%; World Wrestling Entertainment Inc., 0.84%.

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 1-844-274-7868, or by visiting aristotlefunds.com, and should be read carefully prior to investing.

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