



SMALL CAP EQUITY FUND

1Q 2017 Commentary

Small Cap Market Posts First Quarter Gain of 2.47% - Economic Data Remains Supportive While Policy Uncertainty Rises

The small cap segment of the equity market, as measured by the Russell 2000 Index, appreciated 2.47% in the first quarter. Although small cap companies continued their run of positive performance (now at four quarters in a row), they lagged their large and mid cap counterparts as the Russell 1000 Index and the Russell Midcap Index generated total returns of 6.03% and 5.15%, respectively, during the quarter. Non-U.S. companies enjoyed an even stronger quarter, with developed markets as measured by the MSCI EAFE Index (net) rising 7.25% and emerging markets as measured by the MSCI Emerging Markets Index (net) rising 11.45% in the first quarter.

After beginning the year flat in January, equity prices for small cap companies resumed their rise in February on the strength of pro-growth fiscal policy expectations and positive economic data in the United States, including rising inflation, job growth and solid retail sales. However, March proved to be a bit more volatile, as February's generally positive economic data was overshadowed by oil price volatility, an interest rate hike, worries that tax reform would be delayed until the summer, and turmoil surrounding Republican efforts to replace Obamacare. While small cap equity prices (excluding dividends, which provided enough support for total return to stay positive for the month) fell for the first time in five months, overall, investors were rewarded with a total return of 2.47% during the quarter.

At the sector level, seven of the eleven economic sectors in the Russell 2000 Index posted positive returns during the quarter, led by the double-digit return of the Health Care sector. Four sectors, including Energy and Financials, which were two of the largest winners following the presidential election in the fourth quarter, declined in the first quarter.

Stylistically, growth significantly outperformed value in the quarter, as evidenced by the Russell 2000 Growth Index's total return of 5.35% versus the -0.13% total return of the Russell 2000 Value Index. This dispersion was driven in large part by the value index's higher weightings in the Financials and Energy sectors, which erased some of their gains from the fourth quarter. From a fundamental standpoint, companies with a larger market cap, lower dividend yield and higher beta generally outperformed. Loss-making (negative earning) companies were also the best performers.

Fund Review

For the quarter ended March 31, 2017, the **Aristotle Small Cap Equity Fund** (ARSBX) generated a total return of 4.56% at NAV, outperforming the 2.47% 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 current performance information to the most recent month-end, please call (844) 274-7868.

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

CONTRIBUTORS

- **Popeyes Louisiana Kitchen, Inc. (PLKI)**, an operator and franchisor of quick-service restaurants, rose 31% following the announcement and subsequent completion of an acquisition by Restaurant Brands International, a Canada-based multinational restaurant operator.
- **Novanta Inc. (NOVT)**, a manufacturer of precision photonics and motion control components and subsystems, appreciated 26% due to strong growth in its machine vision data collection business as well as its core photonic and motion control segments. We maintain a position as we believe management's efforts to broaden the product portfolio and focus on more technologically advanced offerings have positioned the company as a go-to partner for companies in the medical device and industrial technology industries.
- **CAI International, Inc. (CAI)**, a freight container leasing and management company, appreciated 82% due to an improving pricing and utilization trends in the container market. We maintain a position as we believe the company is well positioned to capitalize on the long-term trend of shipping companies outsourcing container ownership to independent third parties such as CAI.
- **Advanced Energy Industries, Inc. (AEIS)**, a manufacturer of power conversion, measurement and control solutions for semiconductor manufacturing, rose 25% on the strength of record semiconductor revenue, which continues to be driven by strong demand associated with the storage industry's buildout of 3D NAND technology. We maintain a position as we believe technological advancements in semiconductor manufacturing will increase demand for the company's power conversion solutions, leading to further gains in market share.
- **Mercury Systems, Inc. (MRCY)**, a provider of secure sensor and mission processing subsystems, appreciated 29% during the quarter as a result of strong booking activity and positive

integration of recent acquisitions. We maintain a position as we believe the company is well positioned to capitalize on the strengthening trend of prime contractors outsourcing subsystem development to third parties.

DETRACTORS

- **Opus Bank (OPB)**, a California-based commercial bank, declined 33% after the company experienced unexpected loan charge-offs related to its technology portfolio. We maintain a position, as we believe the company has taken adequate steps to address the credit risk associated with its loan book. Additionally, we believe the company's shift towards more commercial/specialty lending could drive above-average earnings growth and higher shareholder returns going forward.
- **Keane Group, Inc. (FRAC)**, a provider of pressure pumping services to the oil and gas industry, fell 34% due to a decline in the price of crude oil and general weakness following the company's initial public offering. We initiated a position during the quarter, as we believe the company is well positioned to benefit from the rebound in demand for pressure pumping services.
- **Customers Bancorp, Inc. (CUBI)**, a full-service bank with operations in the Northeast and Mid-Atlantic, declined 12% during the quarter after apparent profit taking following the significant rally in banking stocks in the fourth quarter of last year. We maintain a position as we believe the company continues to execute fundamentally by deploying its excess capital through profitable lending.
- **Ring Energy, Inc. (REI)**, a Texas-based oil and gas exploration and production company, declined 17% due to a slight earnings miss and softness in crude oil prices in March. We maintain a position as we believe management's balanced approach to creating shareholder value has the potential to produce attractive returns over the next several years without requiring substantially higher commodity prices.
- **Matthews International Corporation (MATW)**, a global supplier of brand marketing solutions and memorialization products, declined 12% during the quarter after apparent profit taking following the significant price appreciation in shares experienced in 2016. We maintain the position as we believe shares are priced at a discount and management can continue to drive shareholder value through organic and inorganic growth.

BUYS

- **Banner Corporation (BANR)**, a Washington-based commercial and retail bank, was added to the Fund. We believe management's efforts to reduce its non-interest expenses and the potential for accretive acquisitions will help improve operating efficiency and create value for shareholders.
- **Keane Group, Inc. (FRAC)**, a provider of pressure pumping services to the oil and gas industry, was added to the Fund. We

initiated a position, as we believe the company is well positioned to increase its market share as demand for pressure pumping services continues to rebound.

- **Team, Inc. (TISI)**, a provider of specialty industrial services for the refining, petrochemical, power and pipeline industries, was added to the Fund. We believe improving underlying demand dynamics, margin expansion potential from a recent acquisition and company-specific operating efficiency initiatives have the potential to create shareholder value going forward.

SELLS

- **Cynosure, Inc. (CYNO)**, a developer and marketer of non-invasive anesthetic treatment systems used by physicians, was removed from the Fund after being acquired by Hologic, a manufacturer of medical devices and products for women's health services.
- **Empire District Electric Company (EDE)**, a Missouri-based electric utility, was removed from the Fund after being acquired by Algonquin Power, a Canada-based utility company.
- **Popeyes Louisiana Kitchen, Inc. (PLKI)**, an operator and franchisor of quick-service restaurants, was removed from the Fund after being acquired by Restaurant Brands International, a Canada-based multinational restaurant operator.

Outlook and Positioning

Many investors have likely asked themselves at least once over the last few months whether or not the Trump rally, which was so pronounced in November and December, would continue throughout 2017. The question was a logical one. After all, stocks had moved up with little to no resistance after the election as campaign rhetoric faded away and investors looked for pro-growth fiscal policies to begin taking shape. The answer to that question, at this point, seems consistent with our line of thinking at the end of last year. While we believe small and small/mid cap companies, especially those with strong underlying fundamentals and compelling valuations, have room for further price appreciation, returns are likely to be muted compared to the significant returns investors experienced last year.

Market influences, on the other hand, are likely to be very similar to what investors have grown accustomed to in recent months and/or years, including the first quarter: a stable, supportive economic backdrop in the United States; exuberance followed by uncertainty regarding fiscal policy (and political policy in general); the Federal Reserve continuing on its path toward interest rate normalization; and the ever-present impact of commodity price volatility on equity markets. We believe these factors will likely continue to impact equity markets throughout the rest of the year; however, we are hopeful that given current valuations and what appears to finally be the end of the Fed's continuous easy money policy, fundamentals will again take center stage and provide opportunities for active managers to add value.

From an economic perspective, the United States remains on a stable footing, with the potential for even higher growth due to an improving global landscape and anticipated fiscal stimulus. Although market expectations might have put the timing slightly ahead of schedule, President Trump 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 milder than 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 entered 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, including but not limited to domestic and global growth, global risk-free rates and inflation levels, we appear set for gradual interest rate normalization in 2017, as evidenced by the Fed's rate hike in March, which was only the third rate increase from the Fed in more than ten years. 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 cap companies 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. 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 the 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 the Fund's construction and management.

Aristotle Small Cap Equity Fund (Class I)

Performance Update

March 31, 2017

Total Return	1Q17	1 Year	Annualized Since Inception (10/30/15)	Gross/Net Expense Ratio
ARSBX Class I	4.56%	24.22%	13.35%	19.39%/1.19%
Russell 2000 Index	2.47%	26.22%	14.97%	N/A

Performance data quoted here represents past performance. Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain current performance information to the most recent month-end, please call (844) 274-7868.

The Fund's advisor has contractually agreed to waive certain fees and/or absorb expenses, through April 30, 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 March 31, 2017, the Fund's holdings and their weights as a percent of total net assets were: 1-800-Flowers.com Inc., 1.40%; Acadia Healthcare Co. Inc., 0.43%; ACI Worldwide Inc., 0.68%; Advanced Energy Industries, 1.58%; AerCap Holdings NV, 1.33%; Alamos Gold Inc., 0.36%; Albany International Corp., 0.58%; Allete Inc., 1.50%; Altra Industrial Motion Corp., 0.87%; American Equity Investment Life Holdings, 1.00%; ArcBest Corp., 0.69%; Ardmore Shipping Corp, 0.90%; Aspen Technology Inc., 0.76%; AZZ Inc., 0.49%; Bancorp Inc., 0.29%; Banner Corporation, 0.52%; Barnes Group Inc., 1.37%; Belden Inc., 1.29%; Benchmark Electronics Inc., 0.77%; Berkshire Hills Bancorp Inc., 0.93%; Bottomline Technologies, 0.89%; Bravo Brio Restaurant Group, 0.30%; CAI International Inc., 0.72%; CalAmp Corp., 0.81%; Capital Product Partners LP, 0.35%; Cardinal Financial Corp., 0.46%; Carter's Inc., 1.54%; Casella Waste Systems Inc., 0.83%; Charles River Laboratories, 0.70%; Chef's Warehouse Inc., 0.59%; Chemed Corp., 1.28%; Chemical Financial Corp., 0.90%; Columbia Banking System Inc., 0.43%; Columbus McKinnon Corp., 1.22%; Commercial Vehicle Group Inc., 0.80%; Cross Country Healthcare Inc., 0.88%; Customers Bancorp Inc., 1.40%; Cynosure Inc., 0.00%; DigitalGlobe Inc., 1.71%; DSW Inc., 0.54%; Dycom Industries Inc., 1.69%; Electronics For Imaging, 1.65%; Empire District Electric Co., 0.00%; Envision Health Care Corp., 1.48%; Euronet Worldwide Inc., 1.94%; First Financial Bancorp, 0.81%; Gartner Inc., 0.70%; Genesee & Wyoming Inc., 0.81%; Great Western Bancorp Inc., 0.45%; Green Bancorp Inc., 0.02%; Hannon Armstrong Sustainable, 1.42%; Herbalife Ltd, 0.62%; Infinera Corp., 0.27%; InnerWorkings Inc., 1.34%; Insight Enterprises Inc., 0.62%; iShares Russell 2000 ETF, 1.24%; iShares Russell 2000 Value ETF, 1.02%; Itron Inc., 1.23%; Keane Group Inc., 0.55%; Knowles Corp., 0.87%; Kraton Corp., 0.70%; Liquidity Services Inc., 0.20%; MarketAxess Holdings Inc., 0.58%; Matthews International Corp., 1.26%; MedEquities Realty Trust Inc., 0.92%; MEDNAX Inc., 1.29%; Mercury Systems Inc., 1.36%; Merit Medical Systems Inc., 1.72%; Metaldyne Performance Group, 0.80%; Microsemi Corp., 1.85%; Monro Muffler Brake Inc., 0.69%; Multi Packaging Solutions International Ltd, 1.06%; National Bank Holdings, 1.80%; Novanta Inc., 1.65%; Nu Skin Enterprises Inc., 0.60%; Oceaneering International Inc., 0.50%; On Assignment Inc., 2.13%; Opus Bank, 0.75%; Orbital ATK Inc., 0.80%; PacWest Bancorp, 0.99%; PAREXEL International Corp., 1.18%; Pier 1 Imports Inc., 0.47%; Popeyes Louisiana Kitchen Inc., 0.00%; Prestige Brands Holdings Inc., 0.97%; PrivateBancorp Inc., 1.57%; Providence Service Corp., 1.06%; QTS Realty Trust Inc., 1.57%; Quidel Corp., 0.98%; Ring Energy Inc., 1.01%; Rogers Corp., 1.38%; RPC Inc., 0.59%; Silgan Holdings Inc., 0.60%; Solar Capital Ltd, 0.81%; SP Plus Corp., 1.29%; Stag Industrial Inc., 0.89%; Stonegate Mortgage Corp., 0.42%; Team Inc., 0.50%; Texas Capital Bancshares Inc., 0.38%; Titan Machinery Inc., 0.27%; TiVo Corp., 0.45%; Umpqua Holdings Corp., 0.82%; Unitil Corp., 0.51%; Verifone Systems Inc., 0.77%; Wabash National Corp., 0.81%; Wabtec Corp., 0.86%; Wiley (John) & Sons, 0.63%; World Wrestling Entertainment Inc., 1.03%.

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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