



SMALL CAP EQUITY FUND

4Q 2017 Commentary

Markets Review

The small cap segment of the equity market, as measured by the Russell 2000 Index, appreciated 3.34% in the fourth quarter, capping a strong 2017 in which the asset class returned 14.65% for the full calendar year. Small caps extended their streak of positive performance to seven quarters in a row, highlighting the relatively low level of volatility seen in recent periods. While the asset class continues to post healthy absolute returns, small caps underperformed large cap companies by 3.25% in the fourth quarter (3.34% vs. 6.59% for the Russell 1000 Index) and lagged by 7.04% for the full calendar year (14.65% vs. 21.69% for the Russell 1000 Index) after outperforming by 9.26% in 2016.

Equity prices were yet again supported by a strong corporate earnings environment, both in the small cap and large cap markets, as the majority of companies exceeded expectations for both earnings and revenue growth during the quarter. Tax reform took center stage and added a boost of investor optimism, as the new tax bill was signed into law at the end of December. Investor sentiment was also aided by further signs of a progressively healthier global economic backdrop.

At the sector level, nine of the eleven economic sectors in the Russell 2000 Index posted positive returns during the quarter, led by robust returns in the Consumer Discretionary (+7.75%) and Consumer Staples (+7.22%) sectors. Energy (+6.82%) and Industrials (+6.33%) also outperformed the overall index by a fairly high margin. Conversely, the Telecommunication Services (-3.68%), Real Estate (-0.56%), Information Technology (+0.91%) and Utilities (+1.10%) sectors were laggards.

Stylistically, growth outperformed value in the quarter, as evidenced by the Russell 2000 Growth Index's total return of 4.59% versus the 2.05% total return of the Russell 2000 Value Index. The difference between the two styles was even more pronounced for the full calendar year, with growth companies outperforming by 14.33% in 2017 on the strength of outperformance from Health Care, Industrials and Information Technology companies, which make up a larger portion of the growth index. From a fundamental standpoint, companies with lower beta, higher market cap and low or no dividend yield generally outperformed.

Performance Review

For the quarter ended December 31, 2017, the Aristotle Small Cap Equity Fund (ARSBX) generated a total return of 0.65% at NAV, underperforming the 3.34% total return of the Russell 2000 Index. On a relative basis, the portfolio's holdings within the Consumer Discretionary, Real Estate and Materials sectors added the most value. Holdings within the Information Technology, Financials and Health Care sectors were among the largest detractors.

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.

CONTRIBUTORS

- **Commercial Vehicle Group, Inc. (CVGI)**, a manufacturer of tractor and truck components, benefited from strong demand and positive operating trends in its North American truck and global construction businesses. We maintain a position, as we believe the truck-production cycle remains intact and that company-specific cost improvement initiatives will continue to help drive improved profitability.
- **Dycom Industries, Inc. (DY)**, a provider of engineering and construction services to the telecommunications and cable television industries, benefited from strong revenue growth, an improved backlog of orders and signs of a resumption in spending from one of the firm's largest customers. We maintain a position, as we remain confident that demand for broadband will likely continue to expand and drive demand for Dycom's services.
- **World Wrestling Entertainment, Inc. (WWE)**, a media and entertainment company that operates, promotes, merchandises and licenses live wrestling events worldwide, appreciated after reporting strong profits, which was driven by momentum in the firm's television and consumer products segments and optimism surrounding TV rights renewals in 2018. We maintain a position, as we believe the company's global reach and high-quality entertainment assets can allow the company to continue to monetize its content and create value for shareholders.
- **On Assignment, Inc. (ASGN)**, a leading specialty staffing company that places professionals in the technology, life sciences and digital marketing industries, benefited from strong operating results, which were driven by continued shared gains in its IT infrastructure segment and improvements in its digital marketing segment. We maintain a position, as we believe high demand for temporary workers in the firm's end markets should allow for additional shareholder value creation going forward.
- **Carter's, Inc. (CRI)**, a leading designer, manufacturer and retailer of baby and toddler clothing, benefited from strength in the firm's growing e-commerce business, strong performance in China and improving results in the firm's wholesale business. We maintain a position, as we believe the long-term fundamentals continue to be strong and expect this market leader to benefit from company-specific initiatives designed to create shareholder value.

DETRACTORS

- **Electronics for Imaging, Inc. (EFII)**, a manufacturer of digital printers, software and hardware, declined due to weaker-than-anticipated operating results, which were impacted by customer delays across multiple business segments. While the company's pipeline remains strong, these delays had a negative impact on its quarterly results. We maintain a position because we believe that the company's fundamentals are solid and that the opportunity to harvest additional value from investments made over the past several years remains intact, as the long-term analog-to-digital printing transition continues.
- **Customers Bancorp, Inc. (CUBI)**, a full-service bank with operations in the Northeast and Mid-Atlantic, declined after a noisy earnings release that included several one-time charges and adjustments related to the planned divestiture of the firm's BankMobile division. We maintain a position, as we believe additional shareholder value should be created through the company's latest efforts to monetize its BankMobile division and its continued ability to deploy its excess capital through profitable lending.
- **Envision Healthcare Corp. (EVHC)**, an owner and operator of ambulatory surgery centers and provider of physician practice management services, declined due to low industry-wide ER admittance volumes and integration challenges from a 2016 merger. We maintain a position, as we believe the company should benefit from greater focus after a recent divestiture of certain non-core assets. The company also continues to benefit from the secular trend of minimally invasive surgical procedures shifting to less-costly outpatient settings.
- **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 the United Kingdom, declined due to labor cost and staffing issues associated with its operations in the United Kingdom. We maintain a position, as we believe these issues are temporary and that the company is well positioned to capitalize on a favorable supply/demand outlook for behavioral healthcare.
- **Euronet Worldwide, Inc. (EFTT)**, an electronic transaction processing company, declined after the U.K.'s LINK network announced a proposal to reduce ATM interchange fees due to concerns of the potential impact on the firm's U.K. business. We maintain a position, as we believe this development will not impact the company's overall long-term fundamental outlook and that positive secular trends for most of its businesses and the company's own fundamental execution efforts will continue to create value for shareholders.

BUYS

- **HMS Holdings Corp. (HMSY)**, a healthcare technology company that provides cost-containment services to government and private healthcare payers and sponsors, was added to the portfolio. We initiated a position, as we believe the company's focus on cost-containment services and its ability to leverage its proprietary technology positions it well to create value for shareholders over the next several years.

SELLS

- **DigitalGlobe, Inc. (DGI)**, a provider of high-resolution satellite imaging services for the intelligence, commercial, environmental and industrial sectors, was removed from the portfolio after being acquired by Maxar Technologies. Shares of Maxar Technologies were liquidated after the acquisition was completed.
- **PAREXEL International Corp. (PRXL)**, a contract research organization that provides outsourced clinical trial services to pharmaceutical and biotechnology companies, was removed from the portfolio after being acquired by Pamplona Capital Management, a private equity firm, for cash.

Outlook and Positioning

Coming into 2017, we believed there was room for further capital appreciation in the small and small/mid cap markets, although this was likely to be muted compared to what was experienced in the previous year. While we did not quite match the exceptionally high equity market returns of 2016, a strong corporate earnings environment and positive global economic momentum combined to help drive equity prices higher than what most market prognosticators had predicted. While volatility remained relatively low in 2017, the year was not without its usual challenges and various risks, such as geopolitical issues, the global unwinding of quantitative easing, commodity price volatility and political policy uncertainty. Additionally, given the length of the current bull market, many of our clients have asked our opinion on how much longer we think the market can run. While we are, by no means, market prognosticators, the company-specific insights that we have obtained through our bottom-up research lead us to believe that there is the opportunity for additional appreciation, especially for companies with solid fundamentals and compelling valuations.

We believe the economic backdrop in the United States remains supportive of corporate earnings, which are expected to continue their recent recovery and would provide additional support to higher equity prices. Given their greater exposure to domestic revenue sources and potential benefits from corporate tax reform, we also

believe small and small/mid cap companies are better positioned fundamentally than large caps. With a reasonably favorable backdrop for small and small/mid cap companies, we continue to identify what we believe to be attractively valued, long-term investment opportunities. Additionally, as the Federal Reserve continues its gradual path towards interest rate normalization, and as company fundamentals and valuations become increasingly more important, we believe this development should be beneficial for fundamentally oriented, active managers.

Our current positioning is a function of our bottom-up security 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 performance 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 companies in the space that we feel offer attractive upside potential with limited downside risk. The Fund remains underweight in Consumer Discretionary because we have been unable to identify compelling opportunities that fit our discipline. Given the longevity of the current bull market, we believe it is important to remain patient in identifying investment opportunities to ensure they offer a compelling risk-reward trade-off and a sufficient margin of safety. Furthermore, we remain focused on trying to understand the risks associated with each investment position within the context of our fundamentally oriented research process and managing those risks through a disciplined approach to portfolio construction and management.

Aristotle Small Cap Equity Fund (Class I)

Performance Update

December 31, 2017

Total Return	4Q17	1 Year	Annualized Since Inception (10/30/15)	Gross/Net Expense Ratio
ARSBX Class I	0.65%	17.87%	14.70%	9.26%/0.98%
Russell 2000 Index	3.34%	14.65%	15.38%	N/A

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The Fund's advisor has contractually agreed to waive certain fees and/or absorb expenses, through April 30, 2027, to the extent that the total annual operating expenses do not exceed 0.90% 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. 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. Holdings 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-capitalization 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 volatility (beta) of the Fund may be greater or less than that of the benchmark. An investor cannot invest directly in these indices.

Portfolio composition will change due to ongoing management of the Fund. References to specific securities or sectors should not be construed as recommendations by the Fund, its Advisor or Distributor.

As of December 31, 2017, the 10 largest holdings in the Fund and their weights as a percent of total net assets were:

On Assignment Inc., 1.99%; Carter's Inc., 1.97%; Microsemi Corp., 1.81%; National Bank Holdings, 1.75%; Merit Medical Systems Inc., 1.70%; QTS Realty Trust Inc., 1.70%; Dycom Industries Inc., 1.68%; Hannon Armstrong Sustainable Infrastructure Capital, Inc., 1.65%; Aercap Holdings NV, 1.61%; Quidel Corp., 1.60%

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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