



SMALL CAP EQUITY FUND

1Q 2018 Commentary

Markets Review

The small cap segment of the equity market, as measured by the Russell 2000 Index, declined 0.10% in the first quarter, capping a three-month period of notable volatility as the market contended with several short-term geopolitical and technical headwinds that distracted from overall strong fundamentals. Small caps experienced their first negative quarter since the three-month period ended March 2016, highlighting the recent pickup in volatility after the relatively low levels seen in the last few years. Compared to their large cap counterparts, small caps held up relatively well during the quarter, with the Russell 2000 Index's total return of -0.08%, besting the -0.69% total return of the Russell 1000 Index.

Volatility resurfaced in the first quarter, driven by various geopolitical issues, technical factors and industry headwinds that offset strong fundamentals at both the corporate and macro levels. In fact, the bulk of the period could be characterized by the market seemingly shifting its focus (sometimes on a daily basis) from strong economic data and corporate earnings to worrisome news headlines and what we feel are shorter-term distractions from a relatively supportive environment in terms of fundamentals. While large daily and weekly swings in the market can be frustrating for investors, we believe it is important to put the recent volatility into historical perspective. Prior to the intraquarter correction from late January to mid-February, the small cap market had not experienced a correction of 10% or more in approximately two years, an abnormally long period of time between such declines, which typically occur approximately once per year. Many would argue that a correction was overdue after the strong calendar year returns in 2016 and 2017, and that a correction may actually be healthy for the markets in the intermediate term. Although fundamentals were often overshadowed during the quarter, 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 earnings and revenue growth. Economic data was also generally positive, with growth continuing to improve domestically and abroad.

At the sector level, eight of the eleven economic sectors in the Russell 2000 Index posted negative returns during the quarter. Energy (-11.42%), Real Estate (-8.11%), Utilities (-6.37%) and Consumer Staples (-5.94%) were the worst-performing sectors, lagging the overall index by a fairly significant margin. Conversely, Information Technology (+6.58%), Health Care (+6.19%) and Financials (+0.83%) were the only sectors to generate a positive return during the quarter.

Stylistically, growth continued to outperform value in the quarter, as evidenced by the Russell 2000 Growth Index's total return of 2.30% versus the -2.66% total return of the Russell 2000 Value Index. The market's preference for growth companies can be seen in relative performance at the sector level, as the Information Technology and Health Care sectors, which make up a larger portion of the growth

index, were the best performers during the quarter. Conversely, the Energy and Real Estate sectors, which make up a larger portion of the value index, were the worst-performing sectors. From a fundamental standpoint, companies with lower betas, higher market caps, and low or no dividend yields generally outperformed. Companies with negative earnings also outperformed, led by the strong returns of Biotechnology and Internet Software & Services firms, which were among the best performers during the quarter.

Performance Review

For the quarter ended March 31, 2018, the Aristotle Small Cap Equity Fund (ARSBX) generated a total return of -0.55% at NAV, underperforming the -0.08% total return of the Russell 2000 Index. On a relative basis, the fund's holdings within the Consumer Staples, Consumer Discretionary and Utilities sectors added the most value. Holdings within the Information Technology, Industrials 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

- **On Assignment, Inc. (ASGN)**, a leading specialty staffing company that places professionals in the technology, life sciences and digital marketing industries, benefited from positive operating results, which were driven by strong performance in its IT infrastructure segment, and the announcement of an accretive acquisition of a government IT solutions business. We maintain a position, as we believe the company's focus on highly skilled segments of the market and the high demand for temporary workers in these end markets should allow for additional shareholder value creation going forward.
- **Microsemi Corporation (MSCC)**, an analog and mixed-signal semiconductor manufacturer, appreciated after announcing that the firm would be acquired by Microchip Technology for cash. The deal is expected to close by the end of the second quarter.
- **Qidel Corporation (QDEL)**, a developer and manufacturer of medical diagnostic tests, benefited from better-than-expected progress in integrating recently acquired assets, as well as market share gains in its core influenza business. We maintain a position, as we believe the company's recent efforts to broaden its product portfolio and diversify the business should result in less volatile operating results and create additional value for shareholders.

- **Herbalife Ltd. (HLF)**, a multi-level marketer of nutritional and personal care products, benefited from strong operating results driven by positive business trends, as well as guidance of resumed growth in 2018. We maintain a position, as we believe recent operational changes implemented by the firm will enhance member and customer retention rates, which should create additional value for shareholders.
- **World Wrestling Entertainment, Inc. (WWE)**, a media and entertainment company that operates, promotes, merchandises and licenses live wrestling events worldwide, appreciated after reporting strong operating results, which were driven by positive trends in its TV and digital content business. 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.

DETRACTORS

- **QTS Realty Trust, Inc. (QTS)**, a real estate investment trust that owns and operates data centers, declined after announcing a surprise restructuring that will see the company deemphasize its cloud solutions business to focus on its core hyperscale and colocation services. We maintain our investment, as we believe concerns about disruptions in the business as a result of the restructuring are overblown, and that the company is well positioned to take advantage of strong growth in data center demand nationally.
- **Hannon Armstrong Sustainable Infrastructure Capital, Inc. (HASI)**, a real estate investment trust that provides debt and equity financing for sustainable energy infrastructure projects, declined due to negative sentiment and concerns regarding the company's potential performance in a rising rate environment. We maintain a position, as we believe the company is taking appropriate steps to navigate the interest rate environment, and that its ability to deploy excess capital into cash flow-generating projects should create value going forward.
- **CAI International, Inc. (CAI)**, a freight container leasing and management company, declined due to concerns about increased competition in the container market. We maintain our investment, 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.
- **Commercial Vehicle Group, Inc. (CVGI)**, a manufacturer of tractor and truck components, declined as disappointing margin guidance in the company's earnings report offset strong underlying demand trends. 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.
- **RPC, Inc. (RES)**, an oilfield services company primarily focused on the completion phase of well development in the United States, declined after reporting lower-than-expected operating

results due to weakening demand associated with year-end customer budget constraints. We believe this to be a temporary issue, and we maintain our position as we believe the company's competitive position will allow it to grow its market share as demand for pressure pumping services continues to recover.

BUYS

- None

SELLS

- **Great Western Bancorp (GWB)**, a South Dakota-based commercial bank, was removed from the portfolio on the belief that shares had been fully valued.

Outlook and Positioning

Although market volatility has increased, leading to the first negative return quarter in two years, we continue to believe the fundamental backdrop remains supportive of small cap equities going forward. We would not be surprised to see short-term volatility persist given various technical drivers, as well as the market's recent behavior of alternating its focus between strong corporate fundamentals and anxiety over rising rates, inflation and various geopolitical issues. However, we continue to see no indications of any type of widespread deterioration in fundamentals, either at the company level or with respect to the overall economy. If anything, there seems to be more optimism today based on our conversations with management teams for the companies in our portfolio and the companies we are actively exploring as potential investments. We believe the solid fundamental footing of our portfolio companies will provide a level of downside support should the market experience further declines.

Given their greater exposure to domestic revenue sources and potential benefits from corporate tax reform, we also believe small cap companies are better positioned fundamentally than large caps. Additionally, as the Federal Reserve continues its gradual path toward 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. While we do not position our portfolio for regulatory or top-down events, we will attempt to incorporate these types of developments into our bottom-up fundamental analysis. In that regard, we remain focused on understanding how management teams plan to spend any capital that is freed up from paying a lower tax bill, which could be a potential source of shareholder value if management uses that capital prudently. Overall, with a reasonably favorable backdrop for small cap companies, 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 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, as we have been unable to identify compelling opportunities that fit our discipline given the rising risk profiles associated with many businesses due to the “Amazon effect.”

As the current bull market approaches nearly a decade in length, 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

March 31, 2018

Total Return	1Q18	1 Year	Annualized Since Inception (10/30/15)	Gross/Net Expense Ratio
ARSBX Class I	-0.55%	12.11%	12.84%	9.26%/0.98%
Russell 2000 Index	-0.08%	11.79%	13.65%	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 March 31, 2018, the 10 largest holdings in the Fund and their weights as a percent of total net assets were:

ASGN Inc., 2.64%; Quidel Corp., 2.00%; Microsemi Corp., 1.90%; Merit Medical Systems Inc., 1.85%; National Bank Holdings, 1.83%; Dycom Industries Inc., 1.69%; AerCap Holdings NV, 1.62%; ALLETE Inc., 1.56%; World Wrestling Entertainment Inc., 1.52%; Euronet Worldwide Inc., 1.51%.

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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