

SMALL CAP EQUITY FUND

3Q 2018 Commentary

Markets Review

The small cap segment of the equity market, as measured by the Russell 2000 Index, appreciated 3.58% in the third quarter. Strong corporate earnings growth and supportive domestic economic conditions created a favorable backdrop for small cap equities. Despite continuing trade tensions and inflation concerns, market volatility was generally lower in the third quarter compared to the first half of the year, as investors seemed more focused on positive fundamental drivers at both the micro and macro levels. Although small cap companies have outperformed large cap companies on a year-to-date basis, the third quarter saw a reversal in market cap leadership, with the Russell 1000 Index (+7.42%) outperforming the Russell 2000 Index (+3.58%), possibly due to reduced expectations of the impact of trade tariffs.

At the sector level, performance was generally positive, with eight of the eleven economic sectors in the Russell 2000 Index appreciating during the quarter. Communication Services (+12.75%), a newly formed sector comprised of the former Telecommunication Services sector along with several companies that were reclassified from the Information Technology and Consumer Staples sectors, was the best performer during the quarter, followed by Health Care (+7.65%), Information Technology (+5.70%) and Industrials (+4.38%). Conversely, Energy (-2.77%), Consumer Staples (-1.82%), Real Estate (-0.39%) and Financials (+0.89%) were the worst-performing sectors during the third quarter.

After underperforming in the second quarter, the Russell 2000 Growth Index (+5.52%) outperformed the Russell 2000 Value Index (+1.60%) in the most recent three-month period. This marked the third quarter in a row where the small cap market experienced a change in style leadership; however, we believe the results in the third quarter are more in line with the general trend of growth dominance that we have seen over the past several years. From a fundamental standpoint, companies with lower betas, higher market caps and lower dividend yields generally outperformed.

Performance Review

For the quarter ended September 30, 2018, the Aristotle Small Cap Equity Fund (ARSBX) generated a total return of 4.32% at NAV, outperforming the 3.58% total return of the Russell 2000 Index. On a relative basis, the holdings within the Information Technology, Consumer Staples, Industrials and Communication Services sectors added the most value. Holdings within the Health Care, Financials, Energy and Utilities sectors detracted from relative performance.

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

- **Bottomline Technologies, Inc. (EPAY)**, a provider of electronic payment technology and solutions to corporations, benefited from positive booking activity and strong underlying trends in its digital banking and settlement network solutions businesses. We maintain a position, as we believe the company's differentiated products and services, along with management's efforts to increase subscription growth, will create additional value for shareholders.
- **Mercury Systems, Inc. (MRCY)**, a provider of secure sensor and safety-critical processing subsystems, benefited from strong revenue and free cash flow growth, as well as positive forward guidance from management. 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.
- **HMS Holdings Corp. (HMSY)**, a healthcare technology company that provides cost-containment services to government and private healthcare payers and sponsors, benefited from strong commercial sales and improving margins driven by prior investments. We maintain a position, as we believe the company's focus on cost-containment services and its ability to leverage its proprietary technology position it well to create value for shareholders over the next several years.
- **World Wrestling Entertainment, Inc. (WWE)**, a media and entertainment company that operates, promotes, merchandises and licenses live wrestling events worldwide, benefited from strong content licensing revenues in international markets driven by its Saudi Arabia partnership. 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.
- **Merit Medical Systems, Inc. (MMSI)**, a manufacturer of disposable medical products used in interventional cardiology and radiology procedures, benefited from strong revenue growth driven by healthy organic growth across multiple business segments, as well as positive performance of recently acquired assets. We maintain a position, as we believe management will be successful in creating additional shareholder value through a continued shift toward more sophisticated, higher-margin products.

DETRACTORS

- **Ring Energy, Inc. (REI)**, a Texas-based oil and gas exploration and production company, declined after reporting lower-than-expected production metrics through June. We maintain

a position, as we believe management's balanced approach to creating shareholder value and the company's financial flexibility have the potential to produce attractive returns over the next several years without requiring substantially higher commodity prices.

- **Ardmore Shipping Corp. (ASC)**, an owner of medium range tankers that are used to ship refined crude oil products and chemicals around the world, declined due to industry pressures related to inventory and trade disruptions in the Atlantic region. We maintain a position, as we believe the firm's efficient fleet management and financial profile should allow for market share gains as market conditions recover.
- **Customers Bancorp Inc (CUBI)**, a full-service bank with operations in the Northeast and Mid-Atlantic, declined as a result of net interest margin pressure and potential headwinds associated with a pending divestiture. We maintain a position, as we believe the company continues to execute fundamentally by deploying its excess capital through profitable lending.
- **Cross Country Healthcare, Inc. (CCRN)**, a provider of healthcare staffing services on both a long-term and per diem basis, declined due to a pullback in spending from multiple customers in its travel nurse business. We maintain a position, as we believe the firm's comprehensive service offerings and renewed focus on cost savings have the potential to create value for shareholders over the next few years.
- **Providence Service Corporation (PRSC)**, a provider of non-emergency transportation and social services to state and local governments, declined due to near-term cost pressures, specifically higher transportation costs, in its core business. We maintain a position, as we believe the company will benefit from its new growth platforms and from continued demand for its services.

BUYS

- **MTS Systems Corp. (MTSC)**, is a global supplier of highperformance test systems and sensors used in vehicles, materials, construction and industrial end markets. We believe the company is well positioned for a rebound in demand, particularly for ground vehicle testing equipment, and think prior peak return on equity (25%) and return on invested capital (20%) are achievable for this long-established company.

LIQUIDATIONS

- **VeriFone Systems, Inc. (PAY)**, a manufacturer of electronic point-of-sale terminal payment solutions that facilitate safe and secure digital payments, was removed from the Fund after being acquired by a private equity firm for cash.

SELLS

- **None**

Outlook and Positioning

We continue to believe the fundamental backdrop remains supportive of small cap equities going forward. While the market may experience bouts of short-term volatility due to concerns about trade tensions and rising inflation, 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, we believe 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 market volatility return to levels seen in the first half of 2018.

Given their greater exposure to domestic revenue sources and stronger earnings growth potential, 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 lower tax rates, 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.

As always, our current positioning is a function of our bottom-up security selection process 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. Given our focus on long-term business fundamentals, patient investment approach and low portfolio turnover, the Fund's sector positioning does not change significantly from quarter to quarter. 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 in 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

September 30, 2018

Total Return	3Q18	1 Year	Annualized Since Inception (10/30/15)	Gross/Net Expense Ratio
ARSBX Class I	4.32%	11.71%	14.75%	4.97%/0.97%
Russell 2000 Index	3.58%	15.24%	15.44%	N/A

Performance data quoted here represents past performance. Past performance is no guarantee of future results. Returns over one year are annualized. 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, 2028, 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 September 30, 2018, the 10 largest holdings in the Fund and their weights as a percent of total net assets were: Bottomline Technologies DE Inc., 2.23%; National Bank Holdings Corp., 1.93%; Euronet Worldwide Inc., 1.87%; Merit Medical Systems Inc., 1.82%; Mercury Systems Inc., 1.69%; Hannon Armstrong Sustainable Infrastructure Capital Inc., 1.68%; ASGN Inc., 1.64%; QTS Realty Trust Inc., 1.63%; AerCap Holdings NV, 1.62%; World Wrestling Entertainment Inc., 1.58%.

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.

The Aristotle Small Cap Equity Fund is distributed by IMST Distributors, LLC.

ACB-1810-69