

SMALL CAP EQUITY FUND

2Q 2018 Commentary

Markets Review

The small cap segment of the equity market, as measured by the Russell 2000 Index, appreciated 7.75% in the second quarter. Small caps recovered from their first negative quarter (the first quarter of 2018) in two years on the strength of robust corporate earnings growth, which helped offset much of the volatility that persisted in the second quarter. Small cap companies outperformed their large cap counterparts during the quarter, with the Russell 2000 Index's total return of 7.75% besting the 3.57% total return of the Russell 1000 Index.

Geopolitical issues, technical factors, interest rate concerns and various industry headwinds drove the continued volatility. However, compared to the first quarter, the U.S. equity markets generated positive returns, as investor optimism was boosted by continued strength in corporate earnings growth and a generally positive economic backdrop. Additionally, given the greater domestic focus of companies in the Russell 2000 Index, small caps were relatively more insulated from volatility related to global trade concerns than large caps, which combined with their superior earnings growth, has led to higher returns for small caps in the first half of 2018.

At the sector level, all eleven economic sectors in the Russell 2000 Index posted positive total returns during the quarter. Energy (+19.90%), Real Estate (+13.17%), Consumer Staples (+11.93%) and Telecommunication Services (+11.43%) were the best-performing sectors. Conversely, Industrials (+3.19%), Materials (+3.60%), Financials (+4.23%) and Information Technology (+7.24%) were the worst-performing sectors during the quarter.

Stylistically, value outperformed growth in the quarter (a rare result in the growth-dominated market of the last several years), as evidenced by the Russell 2000 Value Index's total return of 8.30% versus the 7.23% total return of the Russell 2000 Growth Index. From a fundamental standpoint, companies with lower betas, lower market caps and higher dividend yields generally outperformed.

Performance Review

For the quarter ended June 30, 2018, the Aristotle Small Cap Equity Fund (ARSBX) generated a total return of 6.97% at NAV, underperforming the 7.75% total return of the Russell 2000 Index. On a relative basis, the portfolio's holdings within the Consumer Discretionary, Financials, Information Technology, Consumer Staples and Utilities sectors added the most value. Holdings within the Energy, Industrials, Real Estate, Telecommunication Services and Materials sectors detracted.

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

- **World Wrestling Entertainment, Inc. (WWE)**, a media and entertainment company that operates, promotes, merchandises and licenses live wrestling events worldwide, appreciated after beating expectations for broadcast rights renewals for its flagship television programming in the U.S. market. 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.
- **Team, Inc. (TISI)**, a provider of specialty industrial services for the refining, petrochemical, power and pipeline industries, benefited from improving end-market conditions and increased project activity in its inspection and heat treating services group. We maintain a position, as we believe an upswing in demand, company-specific cost-efficiency initiatives and the eventual realization of synergies from a recent acquisition will allow the company to create value for shareholders.
- **Quidel Corporation (QDEL)**, a developer and manufacturer of medical diagnostic tests, benefited from record results in its core influenza business, as well as strong growth in its recently acquired triage assets. 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.
- **VeriFone Systems, Inc. (PAY)**, a manufacturer of electronic point-of-sale terminal payment solutions that facilitate safe and secure digital payments, appreciated after announcing that it would be acquired by a private equity firm for cash. The deal is expected to close by the end of the third quarter.
- **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.

DETRACTORS

- **MEDNAX, Inc. (MD)**, a provider of physician practice management services for neonatology, perinatology and anesthesiology medical practices, declined due to negative sentiment following a hedge fund questioning the company's business model. We maintain a position, as we believe

management's long-term strategy of consolidating fragmented segments of the physician practice industry, along with the company's ability to take market share through organic cross-selling opportunities and acquisition activity, can create additional value for shareholders.

- **Mercury Systems, Inc. (MRCY)**, a provider of secure sensor and safety-critical processing subsystems, declined after underperforming revenue and earnings expectations due to an order delay that will shift revenue to the company's fiscal fourth quarter. 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.
- **Itron, Inc. (ITRI)**, a leading global supplier of usage metering products for electric, gas and water utilities, declined as global supply chain transitions weighed on the company's reported gross margins. We maintain a position, as we believe the company is in the midst of implementing a well-articulated cost-savings strategy that is expected to boost profitability once finished.
- **Dycom Industries, Inc. (DY)**, a provider of engineering and construction services to the telecommunications and cable television industries, declined as weather-related issues and higher spending to support upcoming customer projects weighed on near-term results. We maintain a position, as we remain confident that demand for broadband will continue to expand and drive demand for the company's services.
- **Belden Inc. (BDC)**, a provider of data, sound and video transmission solutions for a variety of end markets, declined due to negative sentiment created by a recently released short report on the company. We maintain our investment, as we believe the issues raised in the short report are overblown, and that the company's transition from being mostly a commoditized component supplier to a complete solutions provider will drive margin expansion and create value for shareholders.

BUYS

- **ATN International, Inc. (ATNI)**, a holding company with business platforms in telecommunication services and renewable energy, was added to the portfolio. We initiated a position, as we believe improvements in the firm's U.S. telecom business and investments in the firm's international telecom and renewables businesses should lead to improved margin performance. We also believe management's strategy for reinvesting cash flow generated from its existing businesses into adding scale efficiencies, or adding to its portfolio, can create shareholder value over time.
- **U.S. Xpress Enterprises, Inc. Class A (USX)**, a leading asset-based truckload carrier in the United States, was added to the portfolio. We initiated a position, as we believe the company is well positioned to benefit from strong industry supply and demand dynamics, and that recent company-specific operational efficiency initiatives can create value for shareholders.

SELLS

- **Bravo Brio Restaurant Group, Inc. (BBRG)**, an owner and operator of two chains of upscale Italian restaurants, was removed from the portfolio after being acquired by a private equity firm.
- **MarketAxess Holdings Inc. (MKTX)**, an operator of an electronic fixed income trading platform for institutional investors, was removed from the portfolio based on our belief that shares were fully valued.
- **Microsemi Corporation (MSCC)**, an analog and mixed-signal semiconductor manufacturer, was removed from the portfolio after being acquired by Microchip Technology for cash.
- **Orbital ATK, Inc. (OA)**, a global aerospace and defense company that designs and builds aviation-related systems, was removed from the portfolio after being acquired by Northrup Grumman for cash.

Outlook and Positioning

We continue to believe the fundamental backdrop remains supportive of small cap equities going forward. While we would not be surprised to see volatility persist as we move through the second half of 2018, 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 volatility continue.

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 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

June 30, 2018

Total Return	2Q18	1 Year	Annualized Since Inception (10/30/15)	Gross/Net Expense Ratio
ARSBX Class I	6.97%	14.64%	14.43%	4.97%/0.97%
Russell 2000 Index	7.75%	17.57%	15.48%	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 June 30, 2018, the 10 largest holdings in the Fund and their weights as a percent of total net assets were: National Bank Holdings Corp., 2.06%; Quidel Corp., 1.94%; ASGN Inc., 1.93%; Bottomline Technologies DE Inc., 1.87%; Merit Medical Systems Inc., 1.86%; World Wrestling Entertainment Inc., 1.81%; AerCap Holdings NV, 1.68%; ALLETE Inc., 1.62%; Euronet Worldwide Inc., 1.62%; QTS Realty Trust Inc., 1.54%.

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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