

SMALL CAP EQUITY FUND

2Q 2019 Commentary

Markets Review

After a blistering start to the year in the first three months of 2019, small cap equities rose at a more measured pace in the second quarter, with the Russell 2000 Index generating a total return of 2.10%. Positive performance in April and June was driven by a supportive fundamental backdrop characterized by generally better-than-expected corporate earnings growth and relatively benign geopolitical headlines. However, the quarter was not without volatility, as resurfacing trade tensions between the United States and China, and later the United States and Mexico, led to a sell-off in May before equity prices recovered in the last month of the quarter. Thus far year-to-date, the small cap market, as measured by the Russell 2000 Index, has appreciated a robust 16.98% following the tumultuous end to 2018.

It is perhaps no surprise that in a rapidly rising market set against a backdrop of global economic growth concerns, higher growth companies have outperformed in each of the first two quarters of 2019 (while value outperformed growth on the downside in the fourth quarter of last year, value leadership has been a rare occurrence in recent years). In general, higher growth companies have outperformed their value counterparts, in large part due to the strong relative performance of loss-making companies (companies with negative earnings), particularly within higher beta growth areas like biotechnology and software. This lower quality, higher growth leadership has been a frequent headwind for active management over the last several years. That being said, we believe one positive development that likely benefited active managers in the second quarter was a general broadening out of the market, as more industry groups (outside of the aforementioned higher growth areas that fared so well in the first quarter) outperformed the Russell 2000 Index compared to the first three months of the year.

Performance Review

For the second quarter of 2019, the Aristotle Small Cap Equity Fund (ARSBX) generated a total return of 4.19% at NAV, outperforming the 2.10% total return of the Russell 2000 Index. Relative performance for the quarter was driven by security selection and sector allocation. At the sector level, the Fund's holdings within the Information Technology, Health Care, Industrials and Real Estate sectors added the most value on a relative basis. Holdings within the Energy, Consumer Staples, Utilities and Financials sectors were the lowest contributors on a relative basis.

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.

Relative Contributors	Relative Detractors
Electronics For Imaging	Ring Energy
Itron	Keane Group
Euronet Worldwide	Herbalife Nutrition
Ardmore Shipping	RPC
Columbus McKinnon	Bottomline Technologies

CONTRIBUTORS

At the sector level, holdings within the Information Technology, Health Care, Industrials and Real Estate sectors had the largest positive impact on relative performance. At the company level, **Electronics For Imaging** and **Itron** were two of the largest contributors during the quarter.

- **Electronics For Imaging, Inc. (EFII)**, a manufacturer of digital printers and other software and hardware for the commercial printing industry, appreciated after agreeing to be acquired by a private equity firm in a deal that is expected to close in the third quarter. We maintain a position as we seek to identify other investment opportunities.
- **Itron, Inc. (ITRI)**, a global manufacturer and distributor of electric, water and gas meters and advanced meter systems, benefited from internal cost-cutting initiatives as well as announced restructuring plans that are expected to improve growth and profitability. We maintain a position as we believe the company's competitive position in the advanced metering space can lead to additional shareholder value creation as utilities continue to upgrade their grid infrastructure.

DETRACTORS

Security selection within the Energy, Consumer Staples, Utilities and Financials sectors had the largest negative impact on relative performance. At the company level, Ring Energy and Keane Group were two of the largest detractors during the quarter.

- **Ring Energy, Inc. (REI)**, a Texas-based oil and gas exploration and production company, declined due to lower-than-anticipated production volumes as a result of the timing of new wells coming online. 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 energy prices.
- **Keane Group, Inc. (FRAC)**, a provider of hydraulic fracturing and other completion-oriented oilfield services, declined due to lower revenue growth driven by more customers self-sourcing sand despite experiencing improved profitability. We maintain a position as we believe the company is well-positioned to increase its market share as demand for pressure pumping services continues to rebound.

Recent Fund Activity

Buys/Acquisitions	Sells/Liquidations
Omega Healthcare Investors	MedEquities Realty Trust
Sonos	

BUYS/ACQUISITIONS

- **Omega Healthcare Investors, Inc. (OHI)**, a fully-integrated, self-managed healthcare REIT was added to the Fund by virtue of its acquisition of MedEquities Realty Trust.
- **Sonos, Inc. (SONO)**, a leading manufacturer of wireless home audio systems, was added to the Fund on the belief that its technology platform, driven by the company's innovative hardware and software offerings, has the potential to create shareholder value as demand for smart home products continues to grow.

SELLS/LIQUIDATIONS

- **MedEquities Realty Trust, Inc. (MRT)**, a self-managed, self-administered REIT investing in health care properties and real estate debt, was removed from the Fund after being acquired by Omega Healthcare Investors.

Outlook and Positioning

The first half of 2019 has produced strong returns across most equity markets, driven by strong investor optimism following a tumultuous end to 2018 and a reasonably supportive fundamental backdrop. While near-term price movements and volatility continue to be driven by macroeconomic and geopolitical issues in the short term, we believe business fundamentals will ultimately determine equity values in the long run. As such, we remain optimistic on the prospects for small cap equities going forward, given our views on overall fundamentals at this stage in the market cycle. While the small cap market is not likely to maintain the pace of appreciation it has experienced so far this year, we view the fundamental outlook as positive, driven by a domestic economy that appears stronger

relative to other markets (recall that small cap companies derive a greater portion of their revenues domestically compared to large cap companies), corporate earnings growth that remains compelling, and valuations near post-recession lows. With that said, in our view there are certain areas of the market which appear to be stretched in terms of balance sheet quality and valuation levels, and the small cap market continues to have a high percentage of negative earning companies. We believe these conditions, along with the heightened market volatility, will provide opportunities for active management to add value over the next few years.

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. While we do not position our Fund for macroeconomic issues or events, we will attempt to incorporate these factors into our bottom-up fundamental analysis whenever possible. Given our focus on long-term business fundamentals, patient investment approach and low fund 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 Health Care sector due to our lack of exposure to early-stage biotechnology companies, which generally do not fit our discipline due to their elevated levels of binary risk. The Fund also 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."

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 fund construction and management. Overall, with a reasonably favorable fundamental backdrop for small cap companies, we continue to identify what we believe to be attractively valued, long-term investment opportunities.

Aristotle Small Cap Equity Fund (Class I)

Performance Update

June 30, 2019

Total Return	2Q19	YTD	1 Year	3 Years	Annualized Since Inception (10/30/15)	Gross/Net Expense Ratio
ARSBX Class I	4.19%	18.06%	-2.67%	12.30%	9.49%	1.50%/0.96%
Russell 2000 Index	2.10%	16.98%	-3.31%	12.30%	10.03%	N/A

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The Fund's advisor has contractually agreed to waive certain fees and/or absorb expenses, through April 30, 2020, 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 volatility (beta) of the Fund may be greater or less than that of the benchmarks. 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, 2019, the ten largest holdings in the Fund and their weights as a percent of total net assets were: QTS Realty Trust, 2.05%; ALLETE, 1.93%; National Bank Holdings, 1.90%; Euronet Worldwide, 1.80%; Genesee & Wyoming, 1.77%; Merit Medical Systems, 1.77%; Monro, 1.76%; AerCap Holdings, 1.76%; 1-800-FLOWERS.COM, 1.73%; and HMS Holdings, 1.73%.

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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