

SMALL CAP EQUITY FUND

3Q 2019 Commentary

Markets Review

Equity markets searched for direction in the third quarter as ongoing trade tensions between the U.S. and China, mixed economic data and additional rate cuts from central banks led to a choppy three-month period for risk assets. Market performance generally ranged from flat to moderately negative across the globe, with small cap companies performing near the lower end of that range, as measured by the Russell 2000 Index's total return of -2.40% during the quarter. Despite the recent negative returns and the heightened volatility during the summer months, the small cap market remains firmly in positive territory on a year-to-date basis, having generated a robust total return of 14.18% through the first nine months of the year.

The aforementioned choppiness of the market was further highlighted by the style rotation that occurred in the second half of the quarter. From the end of August's sell-off through September's recovery, value markedly outperformed growth and smaller companies outperformed larger companies, both of which represent reversals from recent time periods (regarding value vs. growth, the recent reversal bucks the trend of growth meaningfully outperforming, which has been a consistent occurrence since the end of the global financial crisis; for small cap vs. large cap, the reversal is at odds with the trailing twelve-month period in which small caps have underperformed at a large, but historically rare magnitude). While this reversion to the mean was long overdue in our opinion, especially when accounting for the historically high relative performance disparities between growth/value and, more recently, large cap/small cap, it is difficult to say if this reversion will continue. Indeed, we have seen style reversals in the past that turned out to be very short-lived even though valuations and fundamentals appeared to support them continuing for the long term. In any case, we believe a sustained relative performance recovery for value and for small cap are warranted and, especially in value's case, would be beneficial to active management.

Performance Review

For the third quarter of 2019, the Aristotle Small Cap Equity Fund (ARSBX) generated a total return of -2.84% at NAV, underperforming the -2.40% 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 Health Care, Industrials, Real Estate and Communication Services sectors added the most value on a relative basis. Holdings within the Consumer Discretionary, Financials, Information Technology and Consumer Staples 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
Itron	Merit Medical Systems
QTS Realty Trust	1-800-FLOWERS.COM
Chemed	Rogers
SP Plus	Ring Energy
Mercury Systems	Altra Industrial Motion

CONTRIBUTORS

At the sector level, holdings within the Health Care, Industrials, Real Estate and Communication Services sectors had the largest positive impact on relative performance. At the company level, **Itron** and **QTS Realty Trust** were two of the largest contributors during the quarter.

- **Itron, Inc. (ITRI)**, a global manufacturer and distributor of electric, water and gas meters and advanced meter systems, benefited from strong demand for its advanced meter solutions as well as value-add services such as distribution automation and other higher-margin offerings. 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.
- **QTS Realty Trust, Inc. (QTS)**, a real estate investment trust that owns and operates data centers, benefited from strong leasing volumes and an increased backlog of hyperscale leasing opportunities. We maintain our investment, as we believe the company is well positioned to take advantage of strong growth in data center demand nationally.

DETRACTORS

At the sector level, holdings within the Consumer Discretionary, Financials, Information Technology and Consumer Staples sectors had the largest negative impact on relative performance. At the company level, **Merit Medical Systems** and **1-800-FLOWERS.COM** were two of the largest detractors during the quarter.

- **Merit Medical Systems, Inc. (MMSI)**, a manufacturer of disposable medical products used in interventional cardiology and radiology procedures, declined due to margin pressures driven by a business mix shift toward less profitable products. We maintain a position, as we believe this mix shift to be temporary and that management will be successful in creating additional shareholder value as it introduces and emphasizes more sophisticated, higher-margin products.
- **1-800-FLOWERS.COM, Inc. (FLWS)**, an e-commerce provider of floral and gift products, declined despite reporting strong operating results for the quarter. It appears the share price weakness was due to management providing conservative

guidance for 2020. We maintain our investment, as we believe the company's efforts to integrate all of its brands into a single website should drive several operational and marketing improvements that will enhance the firm's profitability and free cash flow generation.

Recent Fund Activity

Buys/Acquisitions	Sells/Liquidations
Harsco	Chemical Financial
iStar	Electronics For Imaging
Supernus Pharmaceuticals	
TCF Financial	
TreeHouse Foods	

BUYS/ACQUISITIONS

- **Harsco Corporation (HSC)**, a provider of infrastructure services and outsourced industrial functions, was added to the Fund on the belief that it is well positioned to benefit from a recovery in industrial metals and infrastructure services, but with less operating risk than its end markets. We also believe recent expansions into more environmentally focused business lines will create additional value for shareholders.
- **iStar, Inc. (STAR)**, an internally managed real estate investment trust that finances, invests in and develops real estate with a primary focus on commercial real estate in major metropolitan markets, was added to the Fund on the belief that the company's legacy asset portfolio along with continued investments in its SAFE ground lease business will create value for shareholders.
- **Supernus Pharmaceuticals, Inc. (SUPN)**, a Maryland-based specialty pharmaceutical company focused on developing drugs to treat Central Nervous System (CNS) diseases, was added to the Fund on the belief that its differentiated product pipeline, along with its existing neurology products, can provide strong growth potential with attractive profitability and free cash flow generation capabilities.
- **TCF Financial Corporation (TCF)**, a Michigan-based bank holding company, was added to the Fund by virtue of its merger with Chemical Financial Corporation.
- **TreeHouse Foods Inc. (THS)**, a leading manufacturer of private label food products for the retail grocery channel, was added to the Fund on the belief that the firm's internal restructuring efforts, which include cost reduction programs, internal efficiency programs and the divestment of low-growth/margin businesses, have the potential to lead to a stronger, more consistent growth profile and can create significant value for shareholders over the next several years.

SELLS/LIQUIDATIONS

- **Chemical Financial Corporation (CHFC)**, a Michigan-based regional bank, was removed from the Fund by virtue of undergoing a merger of equals with TCF Financial Corporation. Shares of the new entity, which operates under the TCF name, continue to be held following the close of the merger.

- **Electronics For Imaging, Inc. (EFII)**, a manufacturer of digital printers and other software and hardware for the commercial printing industry, was removed from the Fund after being acquired for cash by a private equity firm.

Outlook and Positioning

Despite the pickup in volatility over the summer months of 2019, we continue to believe that generally positive fundamentals and low relative valuations support further upside for small cap equities. 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 economic growth has slowed globally and even domestically, we continue to believe the U.S. economy is on relatively healthier footing than other markets around the world, which should benefit the more domestically-oriented small cap market. Commentary from management teams also supports our outlook as no significant signs of fundamental deterioration have been reported. With that said, there are certain areas of the market which appear to be stretched in terms of balance sheet quality and valuations, 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

September 30, 2019

Total Return	3Q19	YTD	1 Year	3 Years	Since Inception (10/30/15)	Gross/Net Expense Ratio
ARSBX Class I	-2.84%	14.71%	-9.35%	9.05%	8.06%	1.50%/0.96%
Russell 2000 Index	-2.40%	14.18%	-8.89%	8.23%	8.68%	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 September 30, 2019, the ten largest holdings in the Fund and their weights as a percent of total net assets were: QTS Realty Trust, 2.14%; AerCap Holdings, 1.97%; ALLETE, 1.95%; HMS Holdings, 1.85%; Itron, 1.84%; Albany International, 1.75%; Mercury Systems, 1.73%; Monro, 1.72%; SP Plus, 1.70%; and National Bank Holdings, 1.70%.

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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