Small Cap Equity Fund

3Q 2021 Commentary

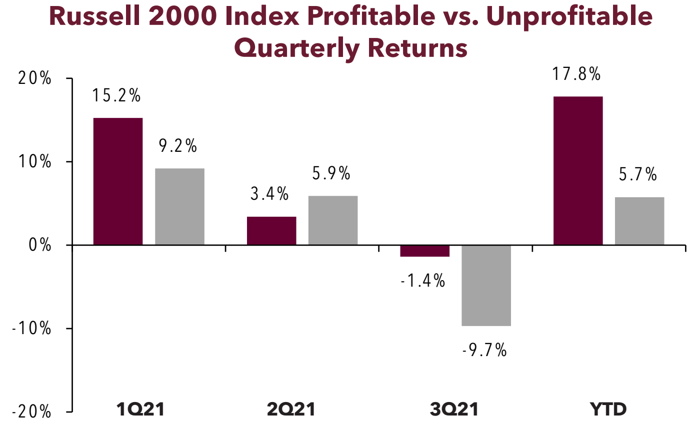
Small caps pull back amid uncertain economic backdrop

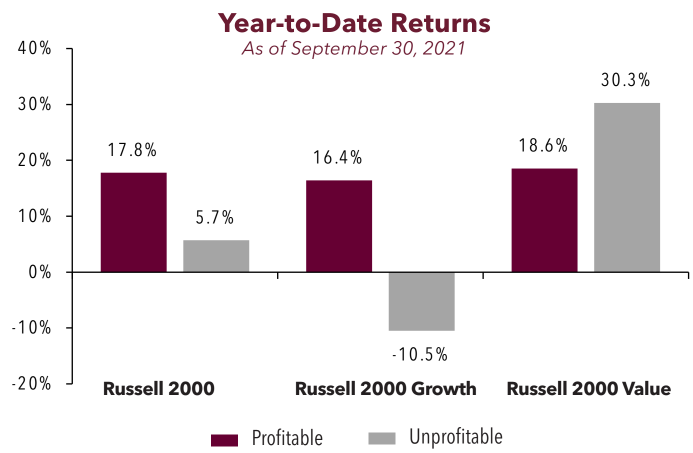
Small cap equities searched for direction in the third quarter as supply chain disruptions, inflationary pressures and an intra-quarter spike in COVID-cases led to a choppy three-month period for risk assets. Market performance generally ranged from flat to moderately negative across the globe, with small cap companies performing near the lower end of that range. On a total return basis, the Russell 2000 Index ended a streak of five consecutive quarters of positive performance with a decline of -4.36%. Despite the recent negative returns and heightened volatility into quarter-end, the small cap market remains firmly in positive territory on a year-to-date basis, having generated a total return of 12.41% through the first nine months of the year.

On the economic front, data reported during the quarter pointed to moderating growth in the U.S., suggesting the economy may be losing some momentum from the robust 6.7% annualized real Gross Domestic Product (GDP) growth rate posted in the second quarter. Corporate commentary during the quarter was flooded with mentions of inflationary pressures, labor shortages and the resulting supply chain constraints, which have negatively impacted the ability of companies to meet demand in the current environment. Of equal interest to investors continues to be the Federal Reserve's (Fed) views on the future path of interest rates. In late September, the Fed updated its 'dot plot', which signaled a first rate hike could come as early as next year. The Committee also stated that a reduction in asset purchases would "soon be warranted." Against this uncertain backdrop, treasury yields remained volatile, with the 10-year yield dropping to a 2021 low of 1.15% in early August before rising meaningfully to end the quarter at 1.47%. Coinciding with the late-quarter rise in interest rates was an increase in commodity prices. These outsized moves provided a favorable backdrop for the Energy and Financials sectors, which led the way with returns of 1.94%* and 1.41%*, respectively. Sector laggards included Communication Services and Health Care, which both ended the period with double-digit declines of -14.52%* and -10.43%*, respectively.

Profits matter, value closes the gap on growth, quality in focus

In previous iterations of this quarterly letter, we have highlighted the significant outperformance of money-losing companies relative to profitable businesses. While this dynamic has been frustrating for many active managers, the current period has provided some optimism that a reversal in this trend may be taking hold. As illustrated in the the next chart, profitable companies outperformed loss-makers by 817 basis points in the third quarter after underperforming in the second quarter. Moreover, since the end of last year through September 30, profitable companies within the index are up 17.8% and outperforming loss-makers by over 1200 basis points. This style reversal, however, has not been a linear shift, as bouts of outperformance this year from unprofitable businesses (e.g. Meme stock rallies) have attempted to derail this factor reversal. Nevertheless, we are certainly pleased that more reasonably valued stocks began catching up to the most expensively traded companies, and we are hopeful that this pattern will continue.





Source: FactSet

Information is based on trailing twelve-month price-to-earnings data. Past performance is not indicative of future results. Index performance is not illustrative of Fund performance. It is not possible to invest directly in these indices. Please see important disclosures at the end of this document.

Similar observations can be drawn from the recent divergence between growth and value. After a three-year stretch of growth leadership within small cap markets, we observed growth's market dominance begin to fade in October 2020. Following a fourth consecutive quarter of outperformance for the Russell 2000 Value Index relative to the Russell 2000 Growth Index, its one-year return differential now sits at +30.65% in favor of the Value index. Unsurprisingly much of this outperformance in the current year has been driven by loss-makers within the Value index (see chart above) as 'meme' stocks like AMC and GameStop helped fuel this lower quality rally earlier in the year and boosted returns for the Russell 2000 Value Index. AMC was down 32.85% in the third quarter, however, while GameStop exited

*Percentage represents Russell 2000 Index sector return for the quarter.

the Russell 2000 and Russell 2000 Value indices during the annual index reconstitution in June. Despite this recent charge from the value segment, growth continues to outpace value over multi-year horizons. We would note that the valuations for both the Russell 2000 Index and Russell 2000 Value Index continue to remain historically attractive (on a forward P/E basis) relative to the Russell 2000 Growth Index, suggesting further normalization may occur to the benefit of value-oriented investors.

Looking deeper under the surface at factors instead of standard style indexes, we observed leadership arise for more quality-oriented investments during the quarter. Whether looking at metrics of earners versus non-earners as outlined above, or traditional quality metrics based on return-on-equity, 'quality' was a consistent leadership factor during the quarter after lagging in recent periods. Looking ahead, following the unprecedented underperformance of quality factors in 2020 and the additional dislocation created by the two meme stock rallies in 2021, we believe higher quality companies will continue to benefit on a relative basis as earnings growth becomes a stronger driver of future returns and the valuation multiple expansion that began a few years ago plateaus, or begins to recede, against a continued rise in interest rates.

Performance Review

For the third quarter of 2021, the Aristotle Small Cap Equity Fund (ARSBX) generated a total return of -2.48% at net asset value (NAV), outperforming the -4.36% total return of the Russell 2000 Index. Both security selection and sector allocation contributed positively to relative performance. Security selection within the Health Care, Materials and Financials sectors added the most value on a relative basis, while selection within Information Technology, Consumer Staples and Utilities detracted. From an allocation perspective, the Fund benefited from underweights in Health Care and Communication Services; however, this was partially offset by underweights in Energy and Real Estate.

Relative Contributors	Relative Detractors
Charles River Laboratories	Itron
Cross Country Healthcare	Mercury Systems
ASGN	Advanced Energy Industries
Kraton	Nu Skin Enterprises
Merit Medical Systems	Herbalife Nutrition

CONTRIBUTORS

Security selection added the most value within the Health Care, Materials and Financials sectors. From an allocation perspective, underweights in Health Care and Communication Services contributed positively to relative performance. Additionally, the Fund's orientation toward companies with reasonable valuations and avoidance of money-losing companies also contributed. At the company level, **Charles River Laboratories** and **Cross Country Healthcare** were two of the largest contributors during the quarter.

- **Charles River Laboratories (CRL)**, a contract research organization that provides outsourced clinical trial services to pharmaceutical and biotechnology companies, benefited from strong operating results amid favorable secular trends for new drug development. We maintain a position, as we believe the company is well-positioned to benefit from the continued trend of large pharmaceutical companies outsourcing an increasing amount of their discovery, research and testing functions.

- **Cross Country Healthcare (CCRN)**, a provider of healthcare staffing and workforce management solutions, benefited from strong underlying demand, a rebound in hospital admission trends and improved execution. We maintain a position, as we believe the firm's comprehensive suite of service offerings and recent acquisition of Workforce Solutions Group adds a new focus to in-home health and transitional care staffing that has the potential to drive further value for shareholders in periods to come.

DETRACTORS

Security selection detracted within the Information Technology, Consumer Staples and Utilities sectors. Additionally, the Fund's underweight in Energy and Real Estate modestly detracted from relative performance. At the company level, **Itron** and **Mercury Systems** were two of the largest detractors during the quarter.

- **Itron (ITRI)**, a global manufacturer and distributor of electric, water and gas meters and advanced meter systems, declined due to supply chain constraints resulting in delays of product deliveries. We maintain a position, as we view these challenges as temporary and believe the company remains well-positioned to benefit from power grid modernization, which should continue to drive demand for the company's smart metering and grid monitoring solutions.

- **Mercury Systems (MRCY)**, a provider of secure sensor and safety-critical processing subsystems for the aerospace and defense markets, declined due to uncertainty surrounding the Department of Defense budget outlook under the new administration. We maintain a position, as we believe the company's attractive secular growth outlook and history of consistent execution of the business model position it well to create potential value for shareholders over the next several years.

Recent Fund Activity

Buys/Acquisitions	Sells/Liquidations
J & J Snack Foods	Diamond S Shipping
International Seaways	QTS Realty Trust

BUYS/ACQUISITIONS

- **J & J Snack Foods (JJSF),** a manufacturer, marketer and distributor of branded niche snack foods and frozen beverages, was added to the Fund. We believe the company's diverse product mix, strong financial position and company-specific operating efficiency initiatives have the potential to create value for shareholders over the next several years. Furthermore, we believe the company will benefit from a cyclical recovery of key away-from-home venues, including restaurants, amusement parks and sports arenas.

- **International Seaways (INSW)**, an owner and operator of tanker ships providing energy transportation services for crude oil and petroleum products worldwide, was added to the Fund by virtue of its merger with existing Fund holding Diamond S Shipping. We decided to maintain a position in the newly merged company due to its attractive asset base, improving market fundamentals, opportunities for cost savings and an attractive valuation.

SELLS/LIQUIDATIONS

- **Diamond S Shipping (DSSI)**, an energy shipping company that owns and operates crude and product tankers, was removed from the Fund after merging with International Seaways.
- **QTS Realty Trust (QTS)**, a real estate investment trust that owns and operates data centers, was removed from the Fund after being acquired by Blackstone, Inc.

Outlook and Positioning

Our long-term outlook for the small cap equity market remains positive, and we believe the current environment should provide a favorable backdrop for companies with strong fundamentals and attractive valuations over the next multi-year period. The pandemic environment that drove the markets last year created a headwind for many cyclical areas of the market, leading to a favorable environment for longer-duration growth companies and significant outperformance of money-losing companies relative to profitable businesses. Thus far in 2021, including the third quarter, we have seen short-term periods, where more reasonably valued companies have recovered on a relative basis, but this has not been a linear shift in the market. Additionally, short-term dislocations driven by the meme stock rallies have periodically allowed the low-quality rally to continue, but we believe higher quality businesses have the potential to recover meaningfully going forward. Overall, we believe our focus on businesses with strong fundamentals and attractive valuations will be rewarded as these relative performance relationships continue to return to more normalized levels. Additionally, earnings growth is expected to continue to improve from last year and outpace that of large cap, which we believe provides further upside for the asset class. We believe active managers with a focus on quality should benefit as earnings growth becomes a more dominant driver of equity returns going forward.

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. Overweights in Industrials and Information Technology are broad-based with recent purchases across a variety of industries and end markets. Conversely, we continue to be underweight in Consumer Discretionary, as we have been unable to identify what we consider to be compelling opportunities that fit our discipline given the rising risk profiles as a result of structural headwinds for various brick and mortar businesses. We also continue to be underweight in Health Care 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. Given our focus on long-term business fundamentals, patient investment approach and low portfolio turnover, the Fund's sector positioning generally does not change significantly from quarter to quarter; however, we may take advantage of periods of volatility by adding selectively to certain companies when appropriate. As always, our focus remains on identifying what we view as attractive, long-term investment opportunities that can create value for shareholders over the next three to five years, which we believe gives us the best opportunity to generate alpha for our clients.

Aristotle Small Cap Equity Fund (Class I)

Performance Update September 30, 2021

Total Return	3Q21	YTD	1 Year	3 Years	5 Years	Since Inception (10/30/15)	Gross/Net Expense Ratio
ARSBX Class I	-2.48%	13.17%	46.68%	6.22%	11.38%	10.35%	1.13%/0.90%
Russell 2000 Index	-4.36%	12.41%	47.68%	10.53%	13.44%	12.92%	N/A
Russell 2000 Value Index	-2.98%	22.92%	63.92%	8.58%	11.02%	11.43%	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, 2022, 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. Without these reductions, the Fund's performance would have been lower. 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. **Market Turbulence Resulting from COVID-19** – The outbreak of COVID-19 has negatively affected the worldwide economy, individual countries, individual companies and the market in general. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the Fund. To learn more about the Principal Risks of Investing in the Fund, please reference the prospectus.

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 Growth® Index measures the performance of the small cap companies located in the United States that also exhibit a growth probability.
- The Russell 2000 Value® Index measures the performance of the small cap companies located in the United States that also exhibit a value probability.
- Price-to-earnings (P/E) ratio measures a company's current share price to its earnings per share (EPS).
- Alpha is the excess return of an investment relative to the return of a benchmark index.
- Basis point is a standard measure for interest rates and other percentages in finance, representing one-one hundredth of one percent.
- Duration measures a bond's or fixed income portfolio's price sensitivity to interest rate changes.

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, 2021, the ten largest holdings in the Fund and their weights as a percent of total net assets were: ModivCare, 2.32%; Merit Medical Systems, 2.21%; Charles River Laboratories, 2.05%; Acadia Healthcare, 2.00%; ASGN, 1.98%; CAI International, 1.98%; Customers Bancorp, 1.75%; Itron, 1.72%; MACOM Technology Solutions, 1.58%; and Carter's, 1.50%.

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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