

SMALL CAP EQUITY FUND

4Q 2021 Commentary

Markets Review

The small cap segment of the equity market, as measured by the Russell 2000 Index, appreciated 2.14% in the fourth quarter, capping a strong 2021 in which the asset class returned 14.82% for the full calendar year. Despite posting positive returns during the quarter, the period was not without volatility, as the emergence of the highly infectious Omicron variant captured headlines and led to a 13% intra-quarter decline in the Russell 2000 Index. Small caps quickly recovered into year-end however, as global data indicated the new variant may have a lower probability of hospitalization as compared to prior variants.

On the policy front, the U.S. Federal Reserve (Fed) took center stage, as the rapidly tightening labor market and persistent inflationary pressures pushed the Fed to adopt a more hawkish stance. The shift in Fed posturing appears to have been triggered by recent inflation and labor market data. In November, U.S. headline inflation posted a 39-year high, clocking in at 6.8% on a year-over-year basis, while the unemployment rate ticked down to just 4.2%. At the time of this writing, markets are currently pricing in three rate hikes in 2022; however, the situation remains fluid as a host of uncertainties could potentially alter the pace and direction of hikes throughout the year.

Stylistically, value outperformed growth in the fourth quarter, as measured by the Russell 2000 Value Index's return of 4.36% compared to the 0.01% return of the Russell 2000 Growth Index. For the full year, the Russell 2000 Value turned in strong relative performance versus the Russell 2000 Growth, generating a total return of 28.27% compared to 2.83% and marking the first time in the last five calendar years where value has led the market. Fundamentally, companies with lower valuations, stronger profitability and higher return on equity generally outperformed, signaling a recent shift in sentiment towards more reasonably valued, higher quality companies within the small cap space.

At the sector level, eight of the eleven sectors within the Russell 2000 Index generated positive returns during the quarter, led by Utilities (+12.58%), Real Estate (+10.06%) and Industrials (+9.44%). Communication Services (-10.92%), Health Care (-9.98%) and Energy (-4.09%) exited the quarter as the only sectors to generate a negative return.

Performance Review

For the fourth quarter of 2021, the Aristotle Small Cap Equity Fund (ARSBX) generated a total return of 5.04% at NAV, outperforming the 2.14% total return of the Russell 2000 Index and the 4.36% total return of the Russell 2000 Value Index. Both security selection and sector allocation contributed positively to relative performance. Security selection within the Information

Technology, Health Care and Financials sectors added the most value on a relative basis, while selection within Energy, Consumer Discretionary and Industrials detracted. From an allocation perspective, the Fund benefited from an overweight in Industrials and an underweight in Health Care; however, this was partially offset by underweights in Real Estate and Materials.

Relative Contributors	Relative Detractors
Customers Bancorp	ModivCare
Rogers	U.S. Xpress Enterprises
Bottomline Technologies	Merit Medical Systems
Dycom Industries	1-800-FLOWERS.COM
Cross Country Healthcare	HealthEquity

CONTRIBUTORS

Security selection added the most value within the Information Technology, Health Care and Financials sectors. From an allocation perspective, an overweight in Industrials and an underweight in Health Care contributed positively to relative performance. Additionally, the Fund's orientation toward companies with reasonable valuations and strong free cash flow profiles also contributed. At the company level, **Customers Bancorp** and **Rogers** were two of the largest contributors during the quarter.

- **Customers Bancorp (CUBI)**, a Pennsylvania-based regional bank, benefited from strong fundamental performance driven by its role as a lender for the Paycheck Protection Program established as part of the CARES Act in response to the COVID pandemic. We believe investor sentiment has also been boosted in recent periods by the company's blockchain payments deposit initiative.
- **Rogers (ROG)**, a designer/manufacturer of highly engineered materials for a variety of end markets, appreciated following an announcement that the company was being acquired in an all-cash transaction by DuPont (DD).

DETRACTORS

Security selection detracted within the Energy, Consumer Discretionary and Industrials sectors. Additionally, the Fund's underweight in Real Estate and Materials modestly detracted from relative performance. At the company level, **ModivCare** and **U.S. Xpress Enterprises** were two of the largest detractors during the quarter.

- **ModivCare (MODV)**, is a Colorado-based health care services company that provides non-emergency medical transportation (NEMT) and personal care services to Medicaid and Medicare populations. Shares of ModivCare took a breather during the

quarter. We believe the catalyst for the pullback appears to be a function of the cost impact of a tightening labor market and higher transportation costs. Nevertheless, we believe the company's investments in technology that were initiated pre-pandemic have been and will continue to offset some of the cost headwinds going forward. We continue to maintain a position, as we believe the long-term demand drivers of their businesses remain attractive and sustainable.

- **U.S. Xpress Enterprises (USX)**, a Tennessee-based trucking company, declined following a disappointing earnings report and outlook. Heavy investments being made in a technology-enabled truckload service (more operationally efficient than traditional truckload solutions) are weighing on financial results while an industry-wide driver shortage is hampering their ability to leverage the investments being made. As of quarter-end, we continue to monitor and reevaluate the position to assess if our investment thesis remains intact.

Recent Fund Activity

Buys/Acquisitions	Sells/Liquidations
United Community Banks	CAI International
	Team

BUYS/ACQUISITIONS

- **United Community Banks (UCBI)**, is a bank holding company that provides business and consumer banking services in the southeast region of the U.S. In addition to shares being attractively valued, we believe the company's exposure to markets growing faster than the national average, strong credit performance of their loan portfolio and balance sheet capacity to grow their loan portfolio should create value for shareholders going forward.

SELLS/LIQUIDATIONS

- **CAI International (CAI)**, a freight container leasing and management company, was removed from the Fund after being acquired by Mitsubishi HC Capital.
- **Team (TISI)**, a provider of specialty industrial services for the refining, petrochemical, power and pipeline industries, was removed from the Fund as a result of ongoing disappointing fundamental performance, along with a surprising negative legal development that called into question the ongoing viability of the business.

Outlook and Positioning

Global equity markets, including U.S. small caps, posted healthy returns in 2021, although the year was not without its challenges. Inflationary pressures continue to linger, central banks are becoming more aggressive, supply chain issues remain and pandemic-related uncertainties persist. While each of these factors, along with a plethora of others, may contribute to uncertainty and affect investors' risk appetites over the near term, we believe equity markets will continue to be driven by business fundamentals over the long term.

From a fundamental standpoint, we believe the economic backdrop in the U.S. remains supportive of small cap equities over the next multi-year horizon. While we are, by no means, market prognosticators, the company-specific insights that we have obtained through our bottom-up research lead us to believe that there is the opportunity for further appreciation, especially for companies with what we consider solid fundamentals and compelling valuations. Additionally, as the Fed continues its path towards 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 like ourselves.

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

December 31, 2021

Total Return	4Q21	YTD	1 Year	3 Years	5 Years	Since Inception (10/30/15)	Gross/Net Expense Ratio
ARSBX Class I	5.04%	18.87%	18.87%	16.79%	10.49%	10.79%	1.13%/0.90%
Russell 2000 Index	2.14%	14.82%	14.82%	20.00%	12.01%	12.76%	N/A
Russell 2000 Value Index	4.36%	28.27%	28.27%	17.97%	9.06%	11.71%	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.

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 December 31, 2021, the ten largest holdings in the Fund and their weights as a percent of total net assets were: Rogers, 2.12%; ASGN, 2.10%; Merit Medical Systems, 1.85%; ModivCare, 1.85%; Dycem Industries, 1.85%; Acadia Healthcare, 1.84%; MACOM Technology Solutions, 1.84%; Customers Bancorp, 1.72%; STAG Industrial, 1.67%; and Cross Country Healthcare, 1.64%.

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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