2020 Annual Letter

2020 in Hindsight

To say that 2020 was a year unlike any other would be putting it mildly. From adapting to virtual learning for our children, to revising how we work and navigate the once routine activities like shopping for food. It was a year that tested us beyond every measure, as the entire world suffered in one way or another and as global economies were brought to an abrupt halt in late spring.

In global markets, the velocity of the pandemic-induced selloff in the first quarter was only surpassed by that of the recovery through the end of the year. Despite the outsized moves in both directions for many segments of the market, it was another year that rewarded investors who saw through the short-term volatility and remained steadfast in their approach.

As 2020 comes to a close, attention turns to what life may look like after COVID-19. It remains to be seen how exactly a return to some sense of normalcy will occur but, from a markets perspective, plenty of attention will be paid to the new administration in Washington D.C. and to the extraordinary monetary and fiscal policy measures around the globe. The challenges and opportunities that arose over the past year may lead to fundamental shifts in the investing landscape for years to come. However, just as there was no way for us to predict 2020's volatility, we at Aristotle[1] will not attempt to predict such specific outcomes in the new year. What we can predict is that we will remain focused, patient and highly disciplined in our individual investment processes just as we have in years past, remaining loyal to the same fundamental principles that have brought us to this point while seeking to continue to deliver value to our investors regardless of how the investing landscape evolves.

[1]The term Aristotle refers to Aristotle Capital and its affiliates. Aristotle Capital Management, LLC, Aristotle Capital Boston, LLC, Aristotle Atlantic Partners, LLC and Aristotle Credit Partners, LLC are affiliated organizations. Each is an independent investment adviser separately registered under the Investment Advisers Act of 1940, as amended. Registration does not imply a certain level of skill or training. More information about each adviser, including the investment strategies, fees and objectives, can be found in their Form ADV Part 2, which is available upon request.

Aristotle Capital Management

U.S., International and Global Equities

- Value Equity
- International Equity
- Global Equity

Aristotle Credit Partners

U.S. ESG Credit

- High Yield and Short Duration High Yield
- Investment Grade Corporate
- Strategic Credit

Aristotle Capital Boston

U.S. Equities

- Small Cap Equity
- Small/Mid Cap Equity

Aristotle Atlantic Partners

U.S. Equities

- Large Cap Growth
- Focus Growth
- Core Equity

TOTAL ASSETS[2]

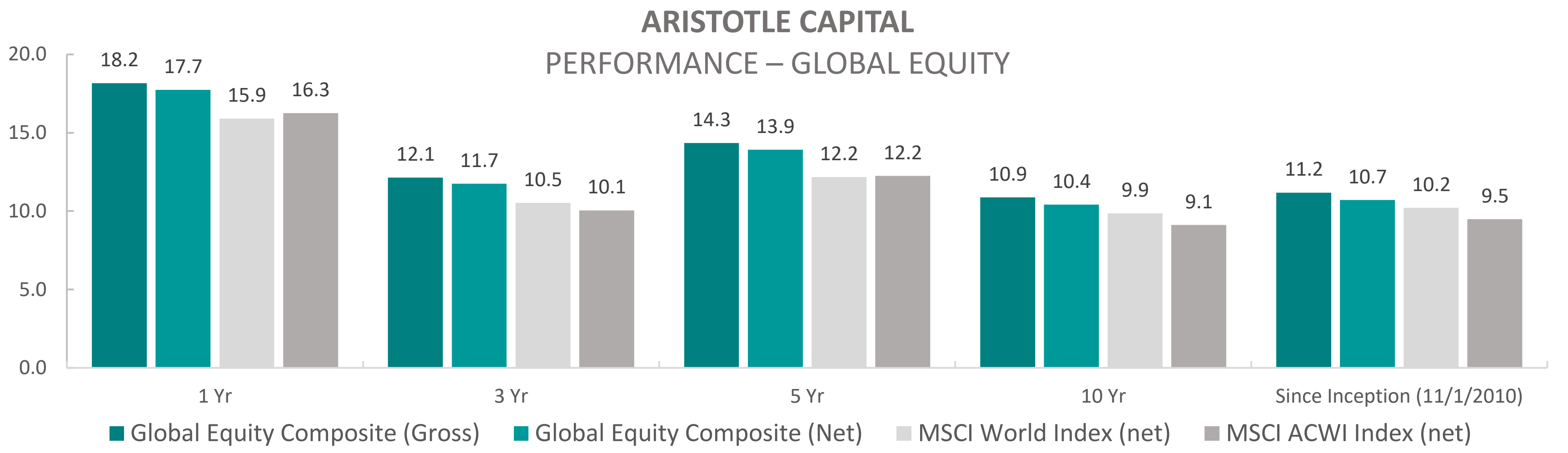
$54 Billion

As of 12/31/2020

[2]Assets includes assets under management and assets under advisement. Assets under advisement refers to assets on which our firm provides advice or consultation but for which our firm either does not have discretionary authority or does not arrange or effectuate the transactions. Assets under advisement could also be those which we monitor for a client on a nondiscretionary basis, where we may make recommendations but where the client is the party responsible for arranging or effecting the purchase or sale. As of December 31, 2020, Aristotle Capital had $42.0 billion of assets under management and $5.5 billion of assets under advisement; Aristotle Boston had $4.4 billion of assets under management and $0.1 billion of assets under advisement; Aristotle Atlantic had $1.0 billion of assets under management and $0.5 billion of assets under advisement; and Aristotle Credit had $0.5 billion of assets under management and no assets under advisement.

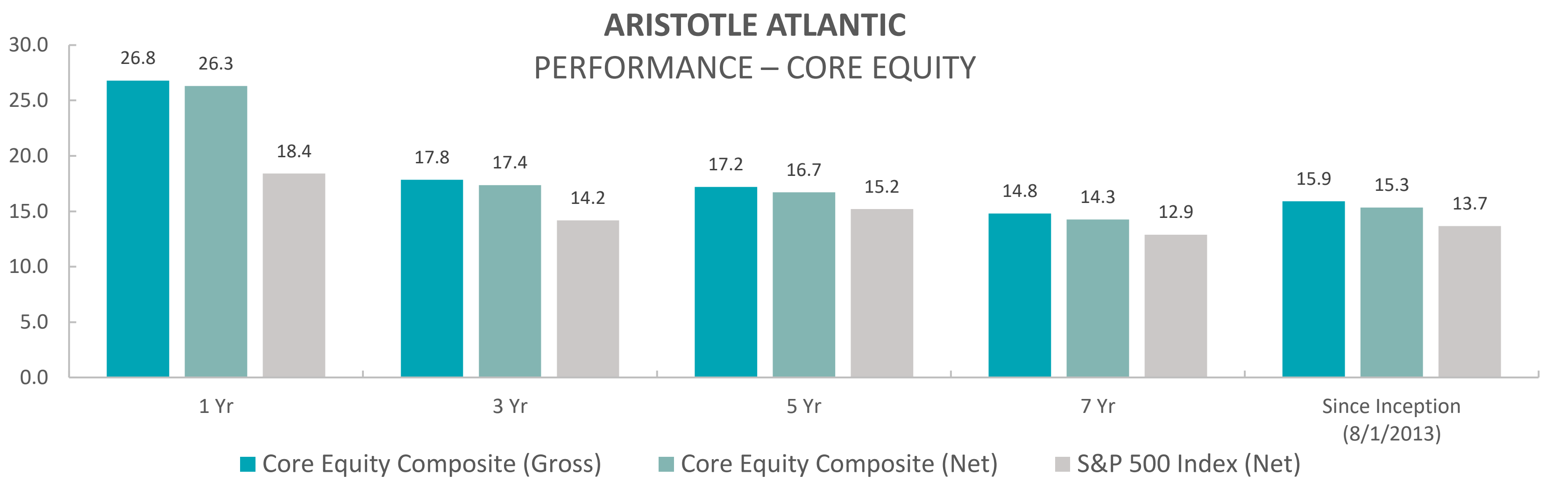
Aristotle Developments and Milestones in 2020

Aristotle Capital's Global Equity strategy celebrated its **10-year anniversary** and reached **$1 billion** in assets under management (AUM) during the year. The strategy uses a bottom-up security selection process to identify what we believe to be quality businesses inside and outside of the U.S. The strategy carries a strong track record of outperformance, leading both the MSCI World Index and the MSCI ACWI Index over all standard annualized trailing time periods since inception.



Past performance is not indicative of future results. Please see additional disclosures at the end of this document

Aristotle Atlantic specializes in the management of long only, active U.S. large cap core, large cap growth, and focused large cap growth equity strategies. Utilizing a risk-controlled investment approach that emphasizes security selection as the primary source of alpha generation, the firm's Core Equity strategy has generated strong returns across all trailing time periods and closed out the year outpacing its benchmark the S&P 500 Index by 7.9% on a net of fee basis. Annualized performance is illustrated below.



Past performance is not indicative of future results. Please see additional disclosures at the end of this document

Aristotle Boston, which manages Small Cap Equity and Small/Mid Cap Equity strategies, closed the year at a high-water mark of **$4.4 billion** in assets under management as a result of organic growth within its Small Cap Equity and Small/Mid Cap Equity offerings. Both strategies continue to outperform their respective benchmarks since inception despite recent headwinds related to the market's preference for speculatively valued/money-losing businesses within the small/mid cap space in recent periods.

Read our latest Thought Piece: Growth vs. Value: Is Today Really Different? →

Aristotle Credit, which manages fully integrated ESG corporate credit strategies, celebrated the **five-year anniversaries** of its Strategic Credit and High Yield Bond Focused ESG strategies. Portfolio Managers Douglas Lopez, CFA and Terence Reidt, CFA celebrated their **25th anniversary of managing portfolios together**, which includes the period at their prior firm. Additionally, the firm celebrated its **five-year anniversary as a PRI signatory.** The Aristotle Credit team's commitment to full ESG integration continues to be at the core of its business.

2020 Investment Spotlight

Aristotle Capital utilizes a fundamental, bottom-up process that consists of identifying what the team believes to be high-quality companies with attractive valuations and catalysts that have the potential to close the valuation gap over a three- to five-year time horizon. FANUC, short for **F**uji **A**utomatic **NU**merical **C**ontrol, is a global leader in the development and manufacturing of industrial robots and control systems for machine tools. We purchased shares of Japan-based FANUC in 2020 for the International Equity and Global Equity strategies. FANUC invented the first computerized numerical control (aka CNC, which serves as the "brains" of machine tools) system used in Japan's private sector. Since then, CNC has remained the core technology of FANUC and the common platform for the company's ever-expanding automation portfolio. The company primarily operates in Japan, North America, Europe, and China through its four business units: Factory Automation, Robot, Robomachine, and Service. With a long track record, strong brand, market leading positions, and scale advantages, we believe FANUC is uniquely positioned to benefit from ongoing trends in global manufacturing (e.g., increased complexity in manufacturing and the need for automation as wages increase and populations age) by leveraging its existing product portfolio and prior investments toward new product offerings.

Aristotle Boston manages high-conviction portfolios with a quality orientation and valuation discipline that are comprised of a diversified mix of companies that we believe can create value for shareholders over a long-term time horizon. Voya Financial (VOYA), a diversified financial services company that offers retirement, investment management and employee benefit services through a variety of distribution channels, was added to both Small Cap Equity and Small/Mid Cap Equity portfolios during the year. We believe management's efforts to exit its lower margin individual life insurance business should create value for shareholders over the next several years by leading to a stronger and more consistent return profile, improved free cash flow generation and a greater ability to return capital to shareholders through share repurchases.

Aristotle Atlantic seeks to buy companies that can benefit from strong product cycles and positive secular themes or cyclical trends. Coupa Software, a leading provider of business spend management (BSM) solutions, is an example of an investment added to portfolios during the year. Coupa's comprehensive cloud-based platform provides greater visibility into, and control over, how companies spend money, helping them measure value and savings that can increase profitability. The core of Coupa's platform consists of procurement, invoicing, expense management and payment modules that together form a transactional engine to capture a company's spending data, however, the platform also offers supporting modules to help companies further manage their spend, including strategic sourcing, spend analysis, contract management, supplier management and contingent workforce management. Coupa's market opportunity is significant, in our view, at an estimated $56 billion. We believe the opportunity could be even larger post-COVID as companies place additional emphasis on cost savings and procurement efficiencies.

Aristotle Credit focuses on investing in the non-distressed segments of the corporate credit market. The investment process consists of a unique blend of top-down and bottom-up research, with a focus on liquidity, transparency, ESG and relative value. Lumen Technologies (formerly known as CenturyLink), which was added to multiple portfolios during the year, is a telecommunications company that offers communications, network services, security, cloud solutions, voice, and managed services to both retail consumers and global enterprises. Management has impressed us with efforts to strengthen their credit profile that they launched in 2019 through a dividend cut and a three-year debt reduction plan, which is currently ahead of schedule. Since the COVID-19 outbreak, the company's earnings have held in reasonably well in our opinion as their enterprise business has experienced increased demand for bandwidth. Over the past two years the company has also substantially increased their ESG efforts by establishing science-based greenhouse gas reduction targets, reducing waste, increasing energy efficiency, adopting new privacy policies and expanding services to underserved populations.

Investment examples for Aristotle Capital, Aristotle Boston and Aristotle Atlantic were selected based on the following criteria; each represents the most recent new portfolio holding added to multiple strategies during 2020. For Aristotle Credit, the security selected represents the single largest new purchase in 2020 in one or more investment strategies with one of those strategies being an ESG or Faith-Based strategy. Past performance is not indicative of future results. Returns are presented gross and net of investment advisory fees and include the reinvestment of all income. Please see important disclosures at the end of this document.

Diversity, Equity & Inclusion

During the year Aristotle formed the DEI (Diversity, Equity, and Inclusion) Council to better understand, support, and promote DEI within Aristotle and our communities. Membership on the DEI Council is open to all members of the firm and is voluntary. The individuals themselves represent many dimensions of diversity at Aristotle, including age, department, ethnicity, gender, level, race and personal and professional backgrounds. The Council meets regularly and leadership rotates between its members. The DEI Council is independent from other departments within Aristotle and has a direct line of communication with the Board of Managers.

The DEI Council is committed to promoting a diverse, equitable, and inclusive culture at Aristotle. We believe valuing diverse experiences and seeking out different perspectives fosters a sense of belonging, boosts employee morale, and improves decision-making.

Our DEI Council strives to:

- Provide a safe space to voice DEI-related concerns and serve as a conduit for communication
- Recommend policies to ensure fair and equitable hiring, compensation and promotion, regardless of race, gender, age, nationality, religion, socioeconomic background, sexual orientation, family dynamics, dis(abilities), etc.
- Increase constituents' awareness on the topics of DEI
- Monitor progress and hold the firm accountable for such policies
- Spearhead initiatives to promote social justice and mobility in our communities

Giving Back

At Aristotle, our commitment to active participation in our communities, both locally and globally, has long been fundamental to our firm's core philosophy. Each holiday season, Aristotle makes a monetary donation to a charity determined by our employees. In years past, we have contributed to organizations such as Chrysalis, the Disabled American Veterans and the Intrepid Fallen Heroes Fund, and to Direct Relief and the American Red Cross.

This year, on #GivingTuesday Aristotle's DEI Council led a firm-wide virtual backpack drive fundraiser to support School on Wheels, a Los Angeles-based non-profit focused on bringing academic resources, scholarships and free tutors to children experiencing homelessness which are disproportionately Latinx and Black in Southern California. Throughout the year Aristotle employees hosted and participated in a variety of additional philanthropic initiatives to raise money and awareness for their local communities and those affected by the ongoing pandemic as well as important health causes.

Looking Ahead

At Aristotle we feel truly blessed to be able to continue to work and serve our clients during this crisis. We would like to thank our employees for facing these times of adversity with resiliency and fortitude. 2020 took us out of our comfort zone and confronted us with challenges we did not anticipate or foresee both personally and professionally, yet we were able to swiftly adapt, evolve and grow stronger together both individually and as an organization.

To our clients, we would like to express our deep gratitude and appreciation for your continued confidence and trust in our organization. We work hard every day to uphold our commitment to you, and we are grateful for your partnership.

Sincerely,
Steve Borowski
President

Aristotle
877.478.4722
email: info@aristotlecap.com

Los Angeles	Newport Beach	Boston	New York
11100 Santa Monica Blvd., Suite 1700	840 Newport Center Drive, Suite 600	One Federal Street, 36th Floor	489 Fifth Avenue, 10th Floor
Los Angeles, CA 90025	Newport Beach, CA 92660	Boston, MA 02110	New York, NY 10017
T: 310.478.4005	T: 949.681.2100	T: 617.274.4300	T: 212.652.4150

The opinions expressed herein are those of Aristotle and are subject to change without notice. This material is not financial advice or an offer to purchase or sell any product. Aristotle reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs.

Past performance is not indicative of future results. Returns are presented gross and net of investment advisory fees and include the reinvestment of all income. Gross returns will be reduced by fees and other expenses that may be incurred in the management of the account. For example, a 0.5% annual fee deducted quarterly (0.125%) from an account with a ten-year annualized growth rate of 5.0% will produce a net result of 4.4%. Actual performance results will vary from this example. The companies identified above are examples of holdings and are subject to change without notice. The companies were selected to help illustrate the investment process described herein. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. It should not be assumed that any of the securities transactions, holdings or sectors discussed were or will be profitable, or that the investment recommendations or decisions Aristotle makes in the future will be profitable or equal the performance of the securities discussed herein. There is no assurance that any securities, sectors or industries discussed herein will be included in or excluded from an account's portfolio. Recommendations made in the last 12 months are available upon request.

The S&P 500 Index is the Standard & Poor's Composite Index of 500 stocks and is a widely recognized, unmanaged index of common stock prices. The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The MSCI ACWI captures large and mid cap representation across 23 developed markets and 26 emerging markets countries. With approximately 3,000 constituents, the Index covers approximately 85% of the global investable equity opportunity set. The volatility (beta) of the Composite may be greater or less than the benchmarks. It is not possible to invest directly in these indices.

Aristotle Capital Management, LLC, Aristotle Capital Boston, LLC, Aristotle Credit Partners, LLC, and Aristotle Atlantic Partners, LLC are independent investment advisers registered under the Investment Advisers Act of 1940, as amended. Registration does not imply a certain level of skill or training. More information about each adviser, including their investment strategies, fees and objectives, can be found in their respective Form ADV Part 2, which is available upon request. ACM-2101-118.