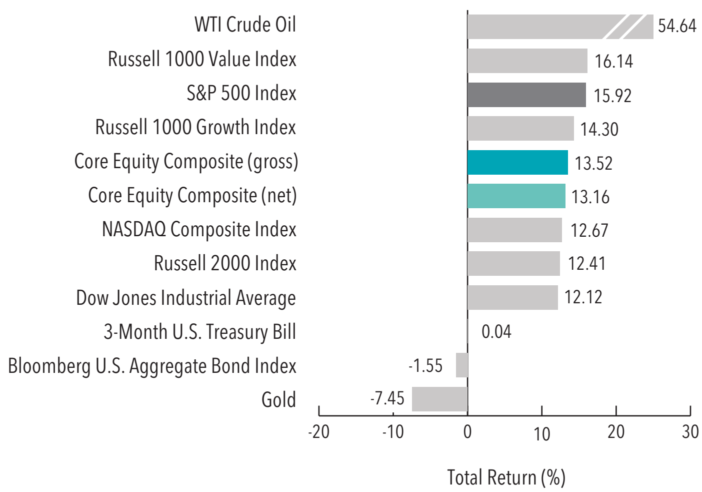
Core Equity

3Q 2021 Commentary

Markets Review

Markets (total return) performed as follows:

Year to Date Returns



Sources: SS&C Advent, Bloomberg
Past performance is not indicative of future results. Aristotle Core Equity Composite returns are presented gross and net of investment advisory fees and include the reinvestment of all income. Aristotle Atlantic Composite returns are preliminary pending final account reconciliation. Please see important disclosures at the end of this document.

While most U.S. equity indices declined during the quarter, the S&P 500 continued its ascent, posting its sixth consecutive quarter of positive performance. Overall, the S&P 500 Index gained 0.58% during the period. Concurrently, the Bloomberg U.S. Aggregate Bond Index finished flat for the quarter. In terms of style, the Russell 1000 Value Index underperformed its growth counterpart by 1.94%.

On a sector basis, seven out of eleven sectors within the S&P 500 Index finished higher for the period, led by Financials, Utilities and Communication Services. The worst performers were Industrials, Materials and Energy.

After making significant progress against the spread of COVID-19 in the first half of the year, Delta, a more contagious variant of the virus, spread throughout the country (and the world) during the quarter. According to the CDC, only ~64% of the total U.S. population (compared to ~54% at the end of June) has received at least one dose of the vaccine. The deceleration in vaccination uptake rates since the spring, coupled with the surge in the Delta variant, resulted in the number of new daily cases rising to as high as ~190,000.

Nevertheless, instead of imposing new restrictions, strategies to encourage vaccination, such as employer vaccine mandates, were utilized. Furthermore, the U.S. Food and Drug Administration amended the emergency use authorization for Pfizer's vaccine to allow for the use of single booster doses in individuals 65 years of age and older and high-risk individuals between the ages of 18 and 64.

In line with the uncertain backdrop caused by the Delta variant, economic data was mixed. The unemployment rate continued to decline, falling to 5.2%, which was the lowest level since the pandemic began. However, nonfarm payroll figures in August fell well below expectations after strong numbers in July. While inflation remains elevated, with core CPI up 4.0% on a 12-month basis, it rose just 0.1% in August, the softest monthly increase since February. Correspondingly, the Federal Reserve kept monetary policy intact but indicated that a tapering of its $120 billion per month asset-purchase plan may soon be warranted.

On the fiscal policy front, conversations surrounding a $3.5 trillion reconciliation bill that would fund social policy and climate initiatives dominated headlines. Corporate, individual and capital gains tax increases are likely required to fund the large spending package. However, disagreements within the Democratic Party have stalled discussions, which could also further delay the passage of a $1 trillion bipartisan infrastructure bill.

Despite the uncertainty regarding the COVID environment, corporate earnings posted an impressive rebound, with year-over-year earnings per share (EPS) growth for S&P 500 constituents eclipsing 90%, the highest figure since the fourth quarter of 2009, with 87% of S&P 500 companies beating EPS estimates. Companies across various industries highlighted strong demand, while topics such as supply constraints, labor shortages and rising input costs were also commonly cited.

Lastly, in geopolitical news, the U.S. completed its withdrawal from Afghanistan, ending its 20-year presence in the country. This has created uncertainty for world governments regarding the future of the country and stability of the region.

Performance and Attribution Summary

For the third quarter of 2021, Aristotle Atlantic's Core Equity Composite posted a total return of 0.84% gross of fees (0.73% net of fees), outperforming the S&P 500 Index, which recorded a total return of 0.58%. Since its inception on August 1, 2013, the Core Equity Composite has posted a total return of 16.13% gross of fees (15.58% net of fees), while the S&P 500 Index has reported a total return of 14.40%.

Performance (%)	3Q21	1 Year	3 Years	5 Years	Since Inception*
Core Equity Composite (gross)	0.84	29.83	17.91	18.85	16.13
Core Equity Composite (net)	0.73	29.28	17.42	18.39	15.58
S&P 500 Index	0.58	30.00	15.98	16.89	14.40

**The Core Equity Composite has an inception date of August 1, 2013. 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. Aristotle Atlantic Composite returns are preliminary pending final account reconciliation. Please see important disclosures at the end of this document.*

During the third quarter, the portfolio's outperformance relative to the S&P 500 Index can be attributed to security selection, while allocation effects detracted modestly from relative returns. Security selection in Communication Services, Financials and Industrials, contributed the most to relative performance. Conversely, security selection in Information Technology, Energy and Health Care detracted the most from relative results.

Relative Contributors	Relative Detractors
Chart Industries	Phillips 66
Catalent	Adaptive Biotechnologies
Alphabet	Cigna
Marriott International	Norfolk Southern
Ameriprise Financial	Fidelity National Information Services

Top Contributors

Chart Industries, Inc.

Chart Industries had strong performance in the third quarter based on increasing earnings estimates for 2022. The company also announced several acquisitions that expand the long-term total addressable market for its product offering. The global increase in natural gas prices is a potential positive for Chart's exposure to the construction of liquified natural gas (LNG) terminals.

Catalent, Inc.

Catalent shares rose during the quarter, as the company reported strong results and investors realized that COVID vaccines and boosters may be relevant revenue drivers for longer than initially expected. Furthermore, the market reacted positively to Catalent's announced plans to acquire Bettera Wellness, a leading provider of gummies, soft chews and lozenges.

Bottom Detractors

Phillips 66

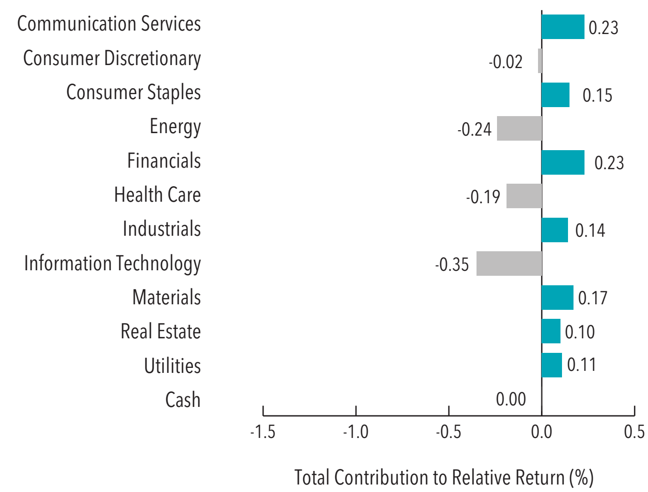
Phillips 66 detracted from performance in the third quarter due to ongoing weakness in its refining business segment, as reported in its second quarter result, and due to continuing headwinds throughout the third quarter. The headwinds in the quarter were elevated RIN prices, as well as continued pressure on gasoline crack spreads (from European imports) and distillate prices (from a renewed slump in air travel). Phillips 66 is focused on deleveraging its balance sheet and has paused its share buyback program, which caused further share price weakness.

Adaptive Biotechnologies Corporation

Adaptive shares were weak in the third quarter despite a solid quarterly report in which revenue exceeded estimates. The company backed off initial guidance of a doubling in clinical clonoSEQ volumes in 2022 as a result of slower patient visits due to the uptick in COVID surrounding the Delta variant. The company also reported additional collaborations with Moderna and Vaccibody. Lastly, high-valuation growth companies in health care were pressured in general during the quarter as investors weighed the risk of inflation and rising Treasury yields.

Total Contribution to Relative Return by Sector versus S&P 500 Index

Third Quarter 2021



Source: FactSet

Past performance is not indicative of future results. Attribution results are based on sector returns, which are gross of investment advisory fees and include the reinvestment of all income. Please see important disclosures at the end of this document.

Recent Portfolio Activity

The table below shows all buys and sells completed during the quarter, followed by a brief rationale.

Buys	Sells
Darling Ingredients	Skyworks Solutions

Buys

Darling Ingredients, Inc.

Darling Ingredients is the largest publicly traded rendering operation in the U.S. The company collects and recycles animal processing by-products and used restaurant cooking oil. The company also provides grease trap collection services to restaurants. Darling processes these raw materials into finished products, such as tallow, meat and bone meal, and yellow grease for sale in the U.S. and overseas. In addition, Darling is a 50% owner of a joint venture with Valero Energy Corporation called Diamond Green Diesel (DGD), which produces renewable diesel. The joint venture is expected to generate approximately $1.6 billion in EBITDA next year.

We believe Darling is focused on reducing CO2. The strong demand and government tax credits for renewable diesel makes this industry attractive. We expect the Biden administration's focus on green initiatives and the global focus on sustainability to further enhance DGD's business. Darling's large capital expenditures, such as its investment in DGD, should taper offering more free cash flow. The company expects to use this cash influx for M&A and shareholder return. The company also is experiencing increased demand in its base businesses.

Sells

Skyworks Solutions, Inc.

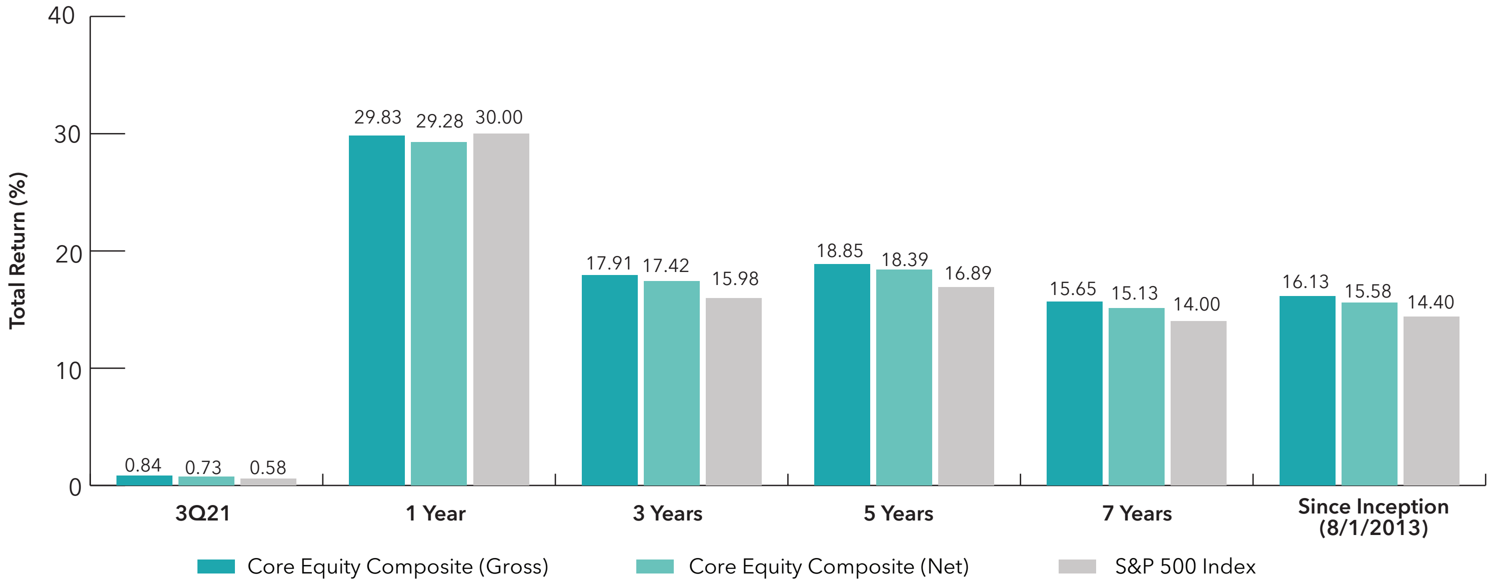
We sold our position in Skyworks Solutions, as we think at these levels the stock already reflects the increased expectations around the upcoming release of the Apple iPhone 13. In addition, with continued capacity constraints, we believe the downside risk exceeds the upside risk.

Outlook

The U.S. large cap equity market is facing a U.S. Treasury debt limit deadline. As we witnessed in 2011, a discussion of a potential default can put significant pressure on equity markets. There will most likely be some type of resolution to the debt ceiling by year-end. Meanwhile, we believe the market will once again shift its focus to the start date for Federal Reserve tightening. The initial tightening will come in the form of lowering the amount of bond purchases made by the Federal Reserve. This could well happen late in the fourth quarter, but it is on the horizon and will most likely put a cap on the equity market's P/E ratio. The infrastructure and reconciliation spending packages have been delayed, with the latter most likely to be reduced well below the $3.5 trillion proposal. But even with a significant reduction, these fiscal packages will still be sizeable and could fuel further concerns about overheating the economy, adding to inflation fears. This could well put more pressure on P/E ratios. The fourth quarter will mark the last quarter of easy earnings comparisons with the prior year. It will also most likely be the last quarter in which value-oriented sectors' earnings growth rates outpace those of growth-oriented sectors. Given the scope and the magnitude of issues facing the markets, the fourth quarter could very well see increased volatility. Our focus will continue to be at the company level, with an emphasis on companies with secular tailwinds or strong product-driven cycles.

Aristotle Core Equity Composite Performance

All Periods Ended September 30, 2021



Year	Core Equity Composite (Gross %)	Core Equity Composite (Net %)	S&P 500 Index (%)
2021 YTD	13.52	13.16	15.92
2020	26.80	26.30	18.40
2019	35.85	35.30	31.49
2018	-4.96	-5.36	-4.38
2017	22.30	21.85	21.83
2016	10.51	9.97	11.96
2015	5.75	5.13	1.38
2014	12.30	11.61	13.69
8/1/13 - 12/31/13	13.81	13.51	10.68

Composite returns for all periods ended September 30, 2021 are preliminary pending final account reconciliation.
The Aristotle Core Equity Composite has an inception date of August 1, 2013 at a predecessor firm. During this time, Mr. Fitzpatrick had primary responsibility for managing the strategy. Performance starting November 1, 2016 was achieved at Aristotle Atlantic.