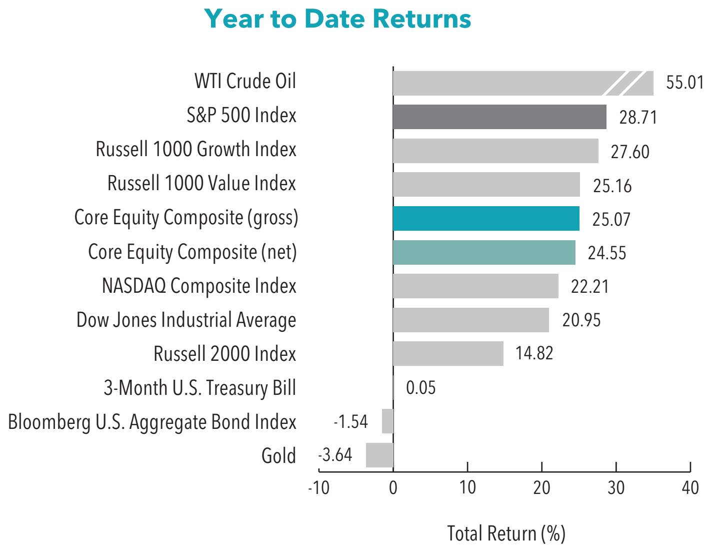
Core Equity

4Q 2021 Commentary

Markets Review

Markets (total return) performed as follows:



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.

The U.S. equity market finished the year strong, recording its seventh consecutive quarter of positive performance. Overall, the S&P 500 Index gained 11.03% during the period, which brings its full-year return to 28.71%. Concurrently, the Bloomberg U.S. Aggregate Bond Index finished flat for the quarter, which gives the Index a calendar-year return of -1.54%. In terms of style, the Russell 1000 Value Index underperformed its growth counterpart by 3.87% during the quarter, resulting in its full-year underperformance of 2.44%.

On a sector basis, ten out of eleven sectors within the S&P 500 Index finished higher for the quarter, led by Real Estate, Information Technology and Materials. The worst performers were Communication Services, Financials and Energy.

Economic data points were mixed during the period. Although the unemployment rate fell to 4.2%, inching to levels not seen since 2019, the U.S. economy created fewer jobs than expected, as November nonfarm payrolls increased just 210,000. Nonetheless, inflation garnered the most attention as the CPI, driven by energy, food, and used car and truck prices, rose 6.8% on a year-over-year basis—the fastest rate since 1982. Correspondingly, the Federal Reserve (Fed) ceased the use of "transitory" in reference to inflation and subsequently accelerated the tapering of its asset purchase program. Furthermore, new projections based on the median forecast by Fed officials signaled the possibility of three interest rate increases in the new year.

Meanwhile, fiscal policy also made headlines as the $1 trillion bipartisan infrastructure bill was signed into law. However, momentum for the now $1.7 trillion Build Back Better social spending and climate bill stalled, largely due to disagreements over the scope and size of the bill.

In terms of corporate earnings, labor shortages and supply-chain disruptions, specifically procurement issues and input price pressures, continued to impact businesses. Nevertheless, corporate earnings were robust, with year-over-year earnings per share (EPS) growth for S&P 500 constituents reaching nearly 40%, the third-highest figure since 2010, and 82% of S&P 500 companies beating EPS estimates. Additionally, nearly two out of three S&P 500 companies reported improving profitability since the start of the pandemic, citing pricing power and strong demand.

On the COVID front, the Omicron variant became the dominant strain in the U.S., with the number of new daily cases rising to upwards of 500,000, the highest reported figure during the pandemic.

Annual Markets Review

In a year filled with uncertainty, the U.S. economy proved resilient. Even in the face of inflation, supply-chain disruptions, labor shortages and COVID-19 variants, many businesses reported strong earnings growth and stable, if not improving, margins. Themes from 2020, such as fiscal and monetary policy actions, vaccine (and now booster) developments, and economic recovery persisted.

Although we are happy to report another strong year, the constant twists, turns and pivots of this past year are a reminder of the fragility of the short term. Factors such as the possibility of new variants, the timing of a full recovery, fiscal and monetary policy decisions, and market sentiment are topics better left for reporters. We believe investment managers (and their clients) are best positioned to create lasting value by minimizing distractions and focusing on the long term.

Performance and Attribution Summary

For the fourth quarter of 2021, Aristotle Atlantic's Core Equity Composite posted a total return of 10.17% gross of fees (10.06% net of fees), underperforming the S&P 500 Index, which recorded a total return of 11.03%. Since its inception on August 1, 2013, the Core Equity Composite has posted a total return of 16.95% gross of fees (16.40% net of fees), while the S&P 500 Index has reported a total return of 15.36%.

Performance (%)	4Q21	1 Yr	3 Yrs	5 Yrs	Since Inception*
Core Equity Composite (gross)	10.17	25.07	29.13	20.14	16.95
Core Equity Composite (net)	10.06	24.55	28.60	19.66	16.40
S&P 500 Index	11.03	28.71	26.04	18.46	15.36

**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 fourth quarter, the portfolio's underperformance relative to the S&P 500 Index can be attributed to both security selection and allocation effects. Security selection in Health Care, Consumer Discretionary and Materials detracted the most from relative performance. Conversely, security selection in Financials, Consumer Staples and Industrials contributed the most to relative results.

Relative Contributors	Relative Detractors
Broadcom	Chart Industries
Norfolk Southern	Adaptive Biotechnologies
Home Depot	Comcast
Costco Wholesale	Guardant Health
Prologis	Teleflex

Top Contributors

Broadcom, Inc.

Broadcom contributed to relative performance in the portfolio in the fourth quarter following strong quarterly results in December. The results were driven by better-than-expected performance in the Networking and Server Storage segments, as enterprise and cloud spending trends continue to strengthen. Management provided strong guidance for the next quarter for both the Semiconductor Solutions and Infrastructure Software groups, supported by continued improving gross margin and operating margins. A $10 billion stock buyback also came as a positive surprise, on top of a mid-teens dividend increase. We continue to expect Broadcom to benefit from increased spending on semiconductors (~75% of company revenues) in 2022, as customers replenish depleted inventories while also fulfilling strong end-market demand.

Norfolk Southern Corporation

Norfolk Southern outperformed in the fourth quarter following a report of better-than-expected revenue and earnings growth for its fiscal third quarter. Consensus earnings estimates are being increased for fiscal year 2021 and fiscal year 2022. The company is making progress on its operating efficiency initiatives. Pricing remains strong for the railroad industry as shipping capacity remains tight.

Bottom Detractors

Chart Industries, Inc.

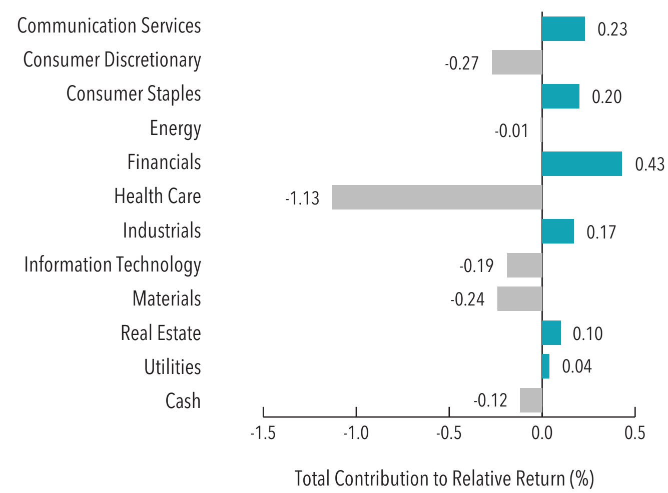
Chart Industries underperformed during the fourth quarter following a report of disappointing revenue growth and earnings for the company's third quarter. Earnings estimates were reduced for fiscal year 2021 and reduced slightly for fiscal year 2022. The failure of Congress to pass the most recent U.S. government package was a disappointment for Chart's clean energy and environmental businesses. The prices of oil and natural gas declined from recent peaks during the fourth quarter. Chart has exposure to liquified natural gas (LNG) production.

Adaptive Biotechnologies Corporation

Adaptive shares were weak in the fourth quarter, despite the company reporting better-than-expected results in early November. The company continues to be affected by the uptick in COVID cases, as oncology patients visit their doctors less and the sales force is unable to schedule in-person visits to showcase clonoSEQ. On a positive note, the company obtained Medicare coverage for its T-Detect COVID test in immunocompromised patients. Lastly, high-valuation growth companies in health care continued to be pressured 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

Fourth 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
Applied Materials	None

Buys

Applied Materials, Inc.

Applied Materials is a global company with a broad set of capabilities in materials engineering that provides manufacturing equipment, services and software to the semiconductor, display and related industries. With its diverse technology capabilities, Applied Materials delivers products and services that are designed to improve device performance, yield and cost. The company's customers include manufacturers of semiconductor chips, liquid crystal and organic light-emitting diode (OLED) displays, and other electronic devices. These customers may use what they manufacture in their own end products or sell the items to other companies for use in advanced electronic components. Applied operates in three reportable segments: Semiconductor Systems, Applied Global Services, and Display and Adjacent Markets.

We believe that strong demand for semiconductors from end-market growth of data centers, AI compute, 5G, electric vehicles and the Industrial Internet of Things (IIoT) will continue throughout the next two years. This demand growth will continue to support increasing capital expenditures by semiconductor (foundry/logic and memory) companies, driving increased wafer fabrication equipment (WFE). In 2021, WFE spend increased 40% to $85 billion, and we expect to see spending increase by 5% CAGR through 2023. We believe Applied Materials is well positioned to benefit from the broad-based increase in capital equipment spending, and we expect to see continued top-line growth from new orders translate into operating margin expansion from improving supply chains and attractive pricing. The company is also driving top-line growth and operating leverage through its services business, which has transitioned to a subscription model where customers pay a monthly fee to have Applied Materials monitor equipment and manufacturing processes and use AI to improve output and reduce downtime. Applied Materials currently trades at a P/E discount compared to its semi cap equipment peers, which we view as unwarranted based on its broad-based exposure to increasing semiconductor capacity expansion plans, continued share growth within the WFE sector, and further margin expansion, not only from operating leverage in the core WFE business but also continued growth in the services business, which we believe is underappreciated by investors.

Sells

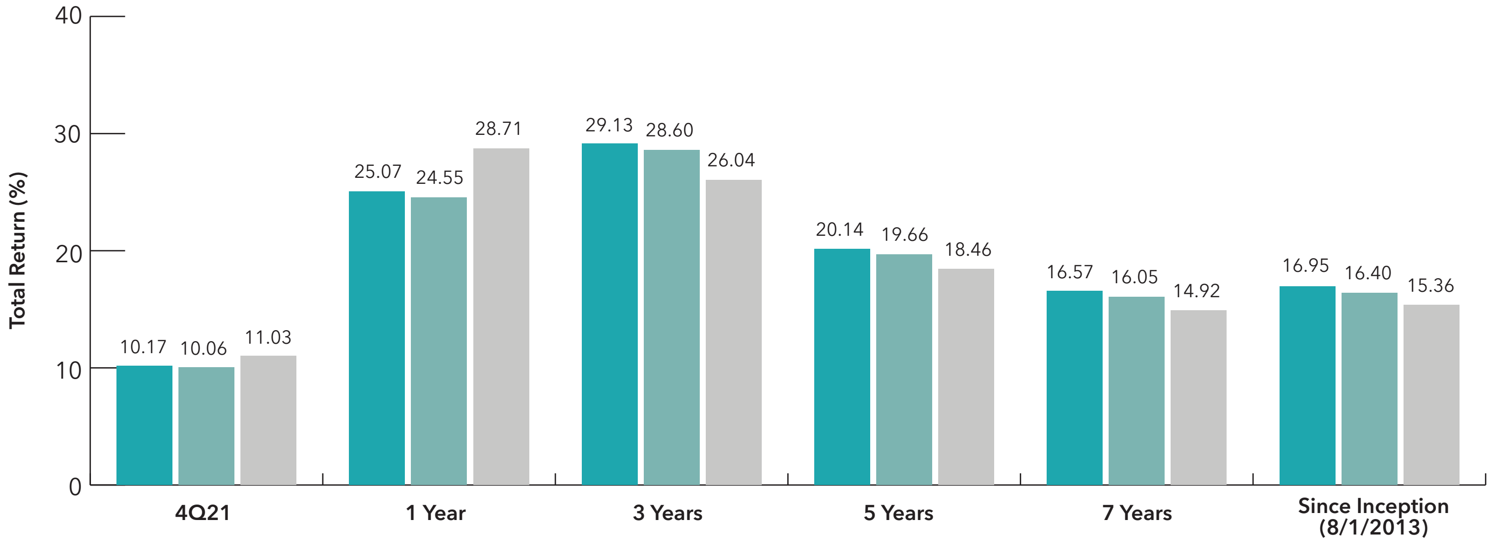
None

Outlook

The outlook for the U.S. large cap equity market in 2022 will likely be influenced by the tightening cycle by the Federal Reserve. We would agree with the consensus view that, in addition to tapering, we will most likely face two to three rate hikes by the Federal Reserve in 2022. Markets tend to rally at the start of Federal Reserve tightening cycles, and we would expect this to hold true in 2022. Price-to-earnings multiple compressions started this past year in anticipation of the tightening cycle. This will likely be less of an issue in 2022, as the market has already discounted multiple rate hikes. Inflation should start to peak, as many companies have commented on earnings calls that inflation and supply-chain issues have stabilized. We believe the opportunities within the equity market will be with companies that are able to price to offset inflationary pressures. As inflation abates, the companies that can maintain these price increases should have the added benefit of margin expansion. The risk for equities is a mistake by the Federal Reserve in when and how much to tighten. Also, as we have seen in the past two years, COVID variants can impact economic activity and the supply chain. With growing geopolitical issues across the globe, any one of them could result in a quick drop in equity prices if military escalation becomes an outcome. 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 December 31, 2021



Year	Core Equity Composite (Gross %)	Core Equity Composite (Net %)	S&P 500 Index (%)
2021	25.07	24.55	28.71
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 December 31, 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.

Past performance is not indicative of future results. Performance results for periods greater than one year have been annualized. 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. Please see important disclosures enclosed within this document.

FOR MORE INFORMATION, PLEASE CONTACT:

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