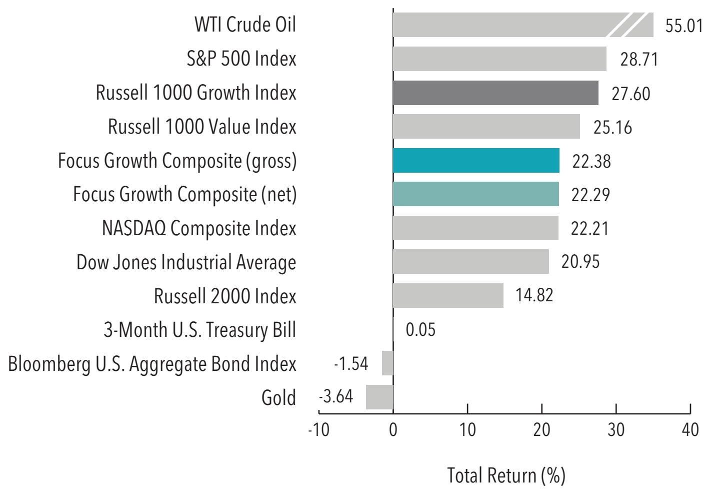
Focus Growth

4Q 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 Focus Growth 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, all eleven sectors within the Russell 1000 Growth Index finished higher for the quarter, led by Materials, Information Technology and Consumer Staples. The worst performers were Communication Services, Utilities and Financials.

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 Focus Growth Composite posted a total return of 7.70% gross of fees (7.70% net of fees), underperforming the 11.64% total return of the Russell 1000 Growth Index. Since its inception on March 1, 2018, the Focus Growth Composite has posted a total return of 22.40% gross of fees (22.06% net of fees), while the Russell 1000 Growth Index has reported a total return of 23.88%.

Performance (%)	4Q21	1 Yr	3 Yrs	Since Inception*
Focus Growth Composite (gross)	7.70	22.38	33.62	22.40
Focus Growth Composite (net)	7.70	22.29	33.34	22.06
Russell 1000 Growth Index	11.64	27.60	34.04	23.88

**The Focus Growth Composite has an inception date of March 1, 2018. 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 Russell 1000 Growth Index can be attributed to both security selection and allocation effects. Security selection in Information Technology and Health Care, as well as an overweight in Health Care, detracted the most from relative performance. Conversely, security selection in Real Estate, Industrials and Communication Services contributed the most to relative performance.

Relative Contributors	Relative Detractors
NVIDIA	Teleflex
Prologis	Twilio
Ametek	Global Payments
Norfolk Southern	Adobe
Costco Wholesale	Guardant Health

Top Contributors

NVIDIA Corporation

NVIDIA contributed to relative performance in the fourth quarter due to stronger-than-expected quarterly results and positive spending, announcements by hyperscale customers supporting an improving 2022-2023 outlook. The quarterly results benefited from record Data Center revenues, driven by hyperscale and enterprise spending, as anti-money laundering continues to be an investment priority. The Gaming segment also posted strong growth, driven by the continuing Ampere upgrade cycle and strong ASPs, as inventories remain very lean. The fourth quarter also saw investors embrace the market's enthusiasm for future spending on the metaverse and the perceived growth in demand for NVIDIA GPUs that will be required to support the buildout of this 3D universe. Company guidance for the next quarter was also ahead of consensus, with sequential growth still being driven by the Data Center and Gaming segments.

Prologis, Inc.

Prologis outperformed in the fourth quarter following better-than-expected earnings and revenue growth in its third quarter earnings report. Estimates for the full-year 2021 and 2022 increased during the quarter, and Prologis saw what we consider to be notable multiple expansion. Funds from operations (FFO) growth is expected to accelerate in 2022 to 13%.

Bottom Detractors

Teleflex, Inc.

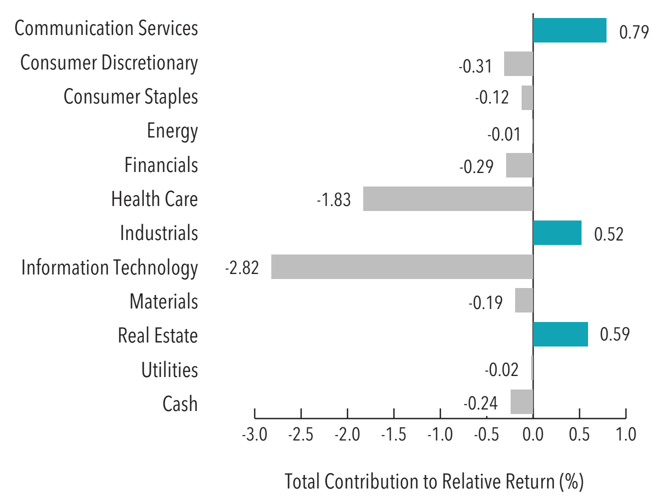
Teleflex shares were pressured during the quarter, despite the company reporting better-than-expected results for the third quarter. The results were overshadowed by a slowdown in growth of Urolift, the company's minimally invasive procedure for benign prostatic hyperplasia (BPH). The softness was blamed on the resurgence of COVID and procedure deferrals. Further weighing on shares was a decision by Centers for Medicare and Medicaid Services (CMS) to reduce Medicare reimbursement rates for in-office Urolift procedures, clouding the outlook for doctor acceptance and use in-office versus in-hospital utilization. In-office Medicare procedures represent about 21% of total Urolift volume.

Twilio, Inc.

Twilio detracted from performance in the fourth quarter, as investors were disappointed by third quarter earnings and the fourth quarter outlook, with organic growth rates lower than expected. On the third quarter earnings call, management continued to reiterate the 30% organic growth rate over the next three years but did not provide further details on why the current environment is seeing a deceleration in growth trends from the prior three quarters. Twilio's underperformance during the quarter was also due to multiple compression amid the sell-off in high-growth technology names as concerns around rising inflation trends led to a sharp increase in 10-year yields.

Total Contribution to Relative Return by Sector versus Russell 1000 Growth 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
CrowdStrike Holdings	Qorvo
Iovance Biotherapeutics	Teleflex
Synopsys	

Buys

CrowdStrike Holdings, Inc.

CrowdStrike created the first multi-tenant, cloud native, intelligent security solution capable of protecting workloads across on-premise, virtualized and cloud-based environments running on a variety of endpoints, such as desktops, laptops, servers, virtual machines, cloud workloads, cloud containers, mobile and Internet of Things (IoT) devices. The company's platform supports 19 cloud modules via a SaaS subscription-based model that spans multiple large markets, including corporate workload security, security and vulnerability management, managed security services, IT operations management, threat intelligence services, identity protection, and log management.

CrowdStrike designed its platform to be rapidly deployable, easy to use and extensible, with the ability to consolidate point security products that have historically led to data silos and agent sprawl into one comprehensive and integrated solution.

Following a year of headline ransomware attacks and corporate infrastructure hacks, we are adding CrowdStrike, as we view the company as a key beneficiary of mandated increased spend on security software to protect IT infrastructure, especially as companies accelerate their digital transformation strategies. CrowdStrike continues to extend its protection capabilities through new security modules, and the company is seeing increased attach rates, with 68% of customers now using four or more modules, up from 52% only two years ago. We believe CrowdStrike's cloud native technology and expanding product platform will continue to resonate with customers seeking to replace legacy security products or upgrade from inferior cloud-based offerings. The company continues to demonstrate a frictionless go-to-market selling motion supporting expanding operating margins and free cash flow margins.

Iovance Biotherapeutics, Inc.

Iovance Biotherapeutics is a late-stage oncology company with the potential to bring the first novel autologous T-cell therapy to the market for solid tumors in patients with significant unmet needs. The company is focused on the development, manufacturing and commercialization of novel cancer immunotherapies based on tumor infiltrating lymphocytes (TIL).

We believe that TIL therapy offers a sound approach to enhancing efficacy with current immuno-oncology approaches. The approach is highly personalized, using a patient's own T-cells extracted from a tumor sample, then expanded and rejuvenated, then reinfused. This will be a one-time therapy. The company has strong intellectual property (IP), with over 30 granted or allowed U.S. and international patents, as well as pivotal programs in late-stage advanced metastatic melanoma and advanced cervical cancers. Iovance is in advanced negotiations with the FDA over a potency assay for the product, and we believe resolution of this issue could be a positive catalyst for the company. We believe that Iovance is attractively valued based on our view that peak sales in melanoma and cervical alone could reach $1.5 billion.

Synopsys, Inc.

Synopsys provides products and services used across the entire Silicon to Software™ spectrum to bring Smart Everything to life. Synopsys is a global leader in supplying the electronic design automation (EDA) software that engineers use to design and test integrated circuits (ICs), also known as chips. The company also offers semiconductor intellectual property (IP) products, which are pre-designed circuits that engineers use as components of larger chip designs rather than designing those circuits themselves. Synopsys provides software and hardware used to validate the electronic systems that incorporate chips and the software that runs on them. Synopsys is also a leading provider of software tools and services that can improve the security, quality and compliance of software in a wide variety of industries, including electronics, financial services, automotive, medical, energy and industrials.

We believe that Synopsys will be a key beneficiary of both the growth in end-market demand for semiconductors over the next few years, as well as the accelerating shift in semiconductor design to internal design groups at OEM technology companies and hyperscalers. The shift in internal development of semiconductor technology versus procurement from merchant semiconductor companies has accelerated over the past few years. This trend is benefiting the EDA and IP industry, which has seen industry growth accelerate from the high single digits to the low double digits. We expect this strong growth to continue as companies in the semi manufacturing process focus on leveraging EDA tools and IP technology from Synopsys to produce more efficient and powerful circuit and packaging designs. Synopsys can also benefit from the nationalization of the global semiconductor industry, with China seeking to develop its own national semiconductor companies. These companies will need to license both technology and tools as they build their own design and manufacturing capacity. We view this trend of fragmentation in the semiconductor design and development process as benefiting Synopsys and view the growing backlog at the company as a leading indicator of a multi-year growth trajectory for the company. As Synopsys continues to leverage its cloud and AI footprint for new technology and design capabilities, we believe margins will continue to expand, supporting high-teens earnings growth over the next few years.

Sells

Qorvo, Inc.

We sold Qovro to reduce our exposure to the mobile handset market, where we believe recent data points indicate slowing momentum for Android-based 5G handsets in China due to both slowing economic growth, as well as a slower-than-expected rollout of 5G consumer apps. We believe that this slower-than-expected growth of 5G penetration will continue in 2022, especially for Android handset makers, and are reducing our bullish outlook on mobile handset component makers. We are using the funds to initiate a position in Dynatrace, which we view as an industry leader in application and IT performance monitoring and observability, a key beneficiary of the acceleration of digital transformation initiatives by global enterprises.

Teleflex, Inc.

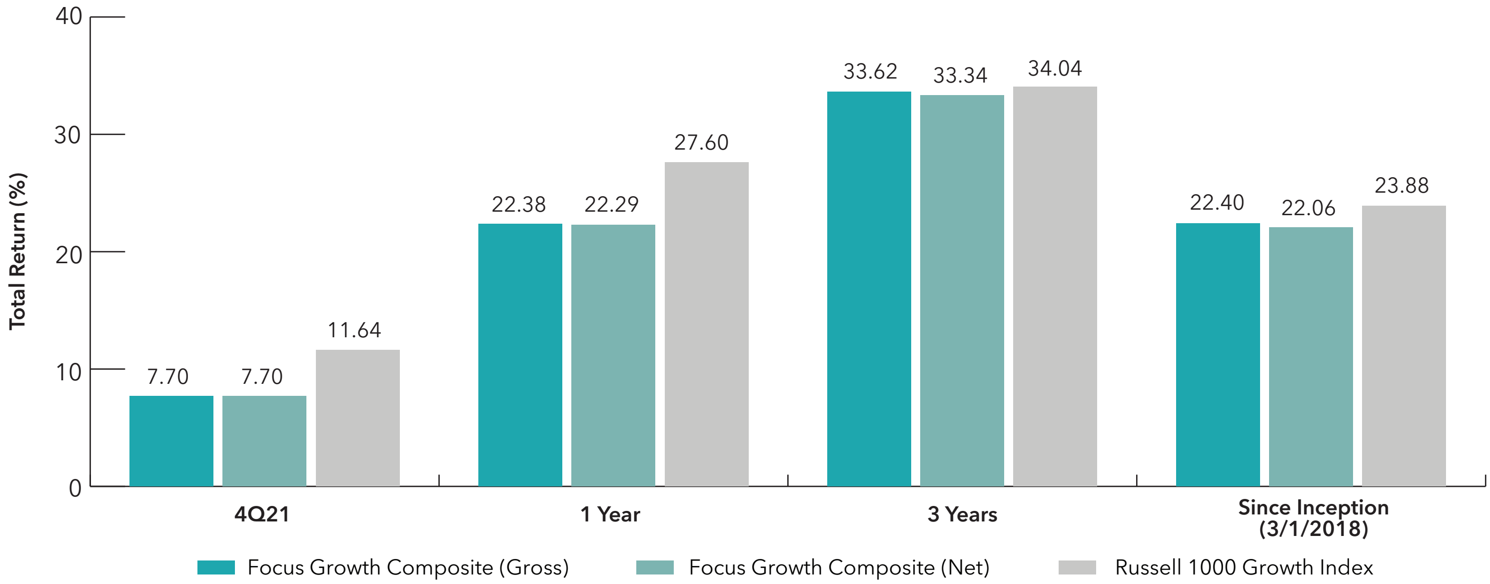
We sold Teleflex based on our concerns about the Omicron variant and the potential for additional disruption to hospital-based procedures, including elective procedures such as Teleflex's Urolift to treat benign prostatic hyperplasia. Furthermore, recent actions by Centers for Medicare and Medicaid Services (CMS) to reduce reimbursement around office-based Urolift procedures have caused some uncertainty around the potential growth of this important part of the Teleflex growth story.

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 Focus Growth Composite Performance

All Periods Ended December 31, 2021



Year	Focus Growth Composite (Gross %)	Focus Growth Composite (Net %)	Russell 1000 Growth Index (%)
2021	22.38	22.29	27.60
2020	41.80	41.70	38.49
2019	37.59	36.92	36.39
3/1/18 - 12/31/18	-8.97	-9.37	-5.55

Composite returns for all periods ended December 31, 2021 are preliminary pending final account reconciliation.
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.