SMALL/MID CAP EQUITY

ARISTOTLE CAPITAL BOSTON

4Q 2023 Commentary

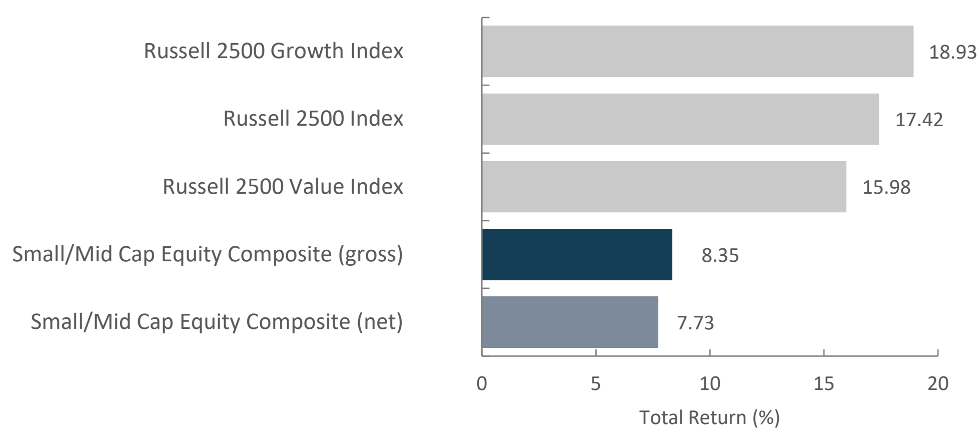
Markets Review

As we've highlighted several times throughout the year, volatility was a recurring theme for most of 2023 and the fourth quarter was no exception. Following a sluggish start to the quarter, SMID cap stocks rallied off their October lows and ended the period with a double-digit gain. For the quarter, the Russell 2500's gain of 13.35% outpaced the 11.96% total return of the Russell 1000 Index, marking the only quarterly outperformance period for the SMID cap index for the calendar year. Overall equity performance continued to be tightly correlated to 10-year US Treasury bond yields. When yields rose in October, stocks fell sharply. Yields collapsed in November and December, and stocks rallied. The Federal Reserve's dovish commentary was a primary catalyst for the 'everything-rally' that ensued into year end. At the mid-December meeting, Chairman Powell made public comments that suggested the Fed had interest rate cuts on its mind, saying cuts were "a topic of discussion" among Federal Reserve members. At the time of this writing, markets are currently pricing in several rate cuts in 2024, however, the situation remains fluid as a host of uncertainties could potentially alter the pace and direction of policy moves throughout the year.

Stylistically, value stocks outperformed their more expensive growth counterparts during the quarter as evidenced by the Russell 2500 Value Index returning 13.76% compared to 12.59% for the Russell 2500 Growth Index. For 2023 as a whole, however, the Russell 2500 Growth Index led, gaining 18.93% versus 15.98% for the Russell 2500 Value. Factor performance was decidedly mixed during the fourth quarter although companies with negative earnings, high short interest, and low ROE & ROIC were among the strongest performers at year end, indicating a lower quality skew to the Russell 2500 rally during the period.

At the sector level, ten of the eleven sectors in the Russell 2500 Index recorded positive returns during the fourth quarter, led by robust returns in the Financials (+18.16%), Consumer Discretionary (+16.60%) and Real Estate (+16.52%) sectors. Conversely, Energy (-5.78%), Consumer Staples (+7.94%) and Utilities (+10.34%) all underperformed. For the full year, Industrials, Information Technology, and Consumer Discretionary fared best. Utilities was the lone sector to finish in negative territory while Health Care and Energy also lagged.

2023 Calendar Year Returns



Sources: CAPS Composite Hub, Russell Investments
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. Net returns are presented net of actual investment advisory fees and after the deduction of all trading expenses. Aristotle Small/Mid Cap Equity Composite returns are preliminary pending final account reconciliation. Please see important disclosures at the end of this document.

Performance Review

For the fourth quarter of 2023, the Aristotle Small/Mid Cap Equity Composite generated a total return of 9.52% net of fees (9.67% gross of fees), trailing the 13.35% total return of the Russell 2500 Index. Underperformance was driven by a combination of security selection and allocation effects. Overall, security selection was weakest within the Health Care, Industrials, and Information Technology sectors and strongest in Financials, Utilities, and Real Estate. From an allocation perspective, underweights in Consumer Discretionary and Real Estate detracted from relative returns but were partially offset by underweights in Consumer Staples and Utilities which contributed.

Relative Contributors	Relative Detractors
BankUnited	Belden
Gartner	Oceaneering International
HASI	Patterson-UTI Energy
Dycom Industries	Range Resources
ACI Worldwide	Huron Consulting Group

CONTRIBUTORS

- **BankUnited (BKU)**, a bank holding company that provides commercial and consumer banking services in select regions nationally, appreciated alongside the broader regional banking sector during the quarter as deposits continued to stabilize, net interest margins expanded, and credit trends remained relatively strong. We maintain our investment given the company's favorable geographic footprint, expansion into new markets, and improving underlying fundamentals.

- **Gartner (IT)**, a global research and advisory firm, helping senior executives in IT, Finance, HR, and other areas make better business decisions, appreciated after delivering strong fundamental performance within the company's Research and Consulting departments along with continued cost discipline driving favorable margin performance. We continue to maintain a position given the company's subscription-based, highly cash generative business model and our expectations for continued underlying demand for the company's IT Research and Consulting as they support their client's mission-critical priorities.

DETRACTORS

- **Belden (BDC)**, a manufacturer and seller of connectors, cables, and networking gear to help its customers acquire, transmit, manage, and orchestrate data, declined during the period amid a weaker demand environment, pauses in capital spending, and channel de-stocking. Despite these near-term pressures, we maintain our position as we believe the company's ongoing transition from being mostly a commoditized component supplier to a complete solutions provider can drive margin expansion. Furthermore, we believe the company's focus on serving secularly attractive end markets of Industrial Automation, Cybersecurity, Broadband & 5G, and Smart Buildings will position the company favorably over the long term.

- **Oceaneering International (OII),** a global technology company delivering engineered services, products and robotic solutions to the offshore energy, defense, aerospace, manufacturing, and entertainment industries, declined during the period amid a pullback in energy prices and conservative management commentary around the company's near-term outlook. We maintain a position, as we believe the company should continue to benefit from future increases in offshore activity along with continued growth within its industrial robotics business segment.

Recent Portfolio Activity

Buys/Acquisitions	Sells/Liquidations
Northern Oil & Gas	Coherus Biosciences
LKQ Corporation	

BUYS/ ACQUISITIONS

- **Northern Oil & Gas (NOG),** a leading non-operated working interest franchise in the premier shale basins across the United States was added to the portfolio. Overall, we believe the company's ability to opportunistically add high-quality acreage in multiple basins remains a key differentiator for the stock. Furthermore, we believe the company's scale and proprietary database built from participation in over 9,800 wells provides management with intimate knowledge and the ability to make swift and informed capital allocation decisions.

- **LKQ Corporation (LKQ),** a North American market leader in alternative collision repair parts with expertise stemming across used, recycled, refurbished, and remanufactured collision repair parts as well as the market for (new) aftermarket collision repair, was added to the portfolio. Overall, we believe the company maintains favorable scale advantages that allow for volume purchase discounts from suppliers and a wider distribution network, higher fill rates, and faster response times relative to competition. Furthermore, the company has made investments in improving its technology and logistics network beyond that of its smaller competitors, which we believe will further cement its market position through technological sophistication.

SELLS/LIQUIDATIONS

- **Coherus Biosciences (CHRS)**, a commercial-stage biopharmaceutical company engaged in the development and commercialization of biosimilar and immune-oncology therapeutics for major regulated markets, was removed from the portfolio. Despite the company's efforts to grow and diversify its revenue base through a series of upcoming product launches, a variety of factors contributed to our decision to step away from our investment including a shift in company focus, competitive pricing pressures, and a recent C-suite departure.

Outlook

Compared to late 2022, when the market seemed to be bracing for a recession, the end of 2023 seems to indicate a more optimistic tone as we move into the new year. Recent sentiment has been boosted by optimism of falling inflation and dovish messaging out of the Federal Reserve, although we acknowledge that the market's enthusiasm on this matter in recent months may be overly optimistic. Regardless of any forthcoming policy decisions, we are reminded that the days of zero interest rates and easy access to capital have likely come to an end. Our view is that an end to the 'public venture capital' mindset that has dominated SMID cap markets in recent years should give way to a renewed focus on profits, cash flows and balance sheet strength, which should be beneficial for fundamentally oriented active managers. In the near term, we continue to focus our efforts on the risks associated with individual investment positions under various potential scenarios instead of attempting to forecast Fed policy or interest rate moves. Based on our recent conversations with management teams, we believe the economic environment can be characterized as "good, not great" which is an improvement from this time last year, when many believed a recession was imminent both domestically and across the globe. In many ways, 2023 was another reminder that asset allocators must learn to expect the unexpected. We see that theme continuing into the new year, especially in the face of an uncertain economic backdrop and looming presidential election.

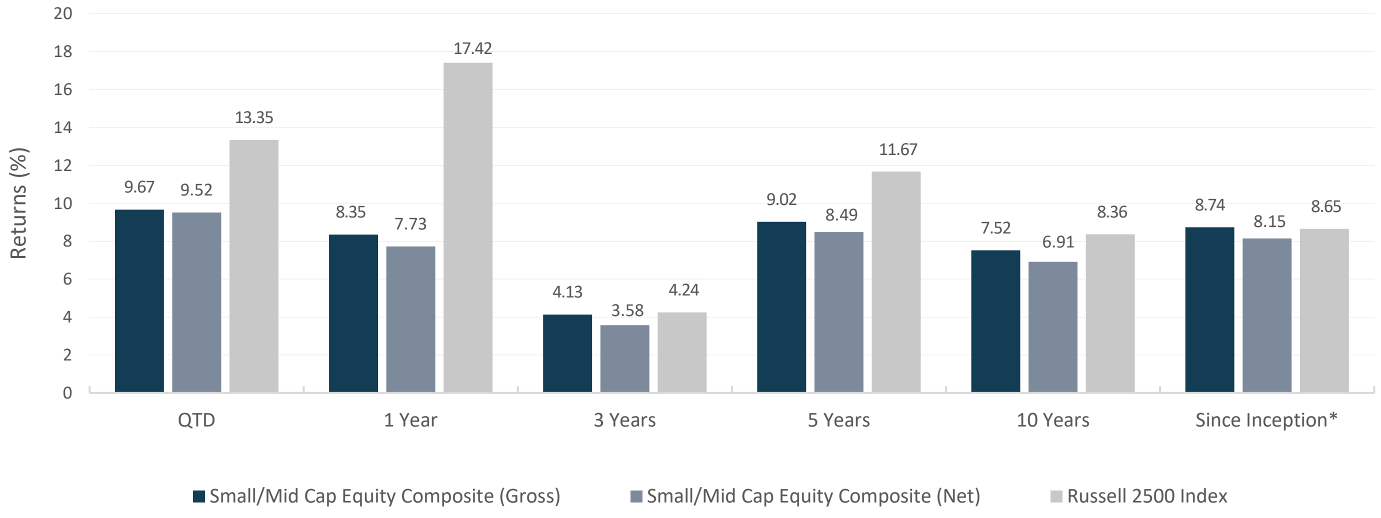
Regarding the impact on SMID caps, we believe macro concerns have been a drag on investor sentiment, which, once again, negatively impacted the asset class relative to large caps in 2023. Relief in this area and an improvement in the forward outlook could have the opposite effect and provide a relative boost for SMID caps in 2024. Valuations of SMID versus large continue to remain near multi-decade lows, which we believe suggests a more favorable setup for SMID caps relative to large caps in the periods to come (15.5x P/E for the Russell 2500 Index vs. 23.3x P/E for the Russell 1000 Index). Additionally, earnings and sales growth are expected to improve for small & mid caps in 2024 and outpace that of large caps, which we believe provides further fundamental support and potential upside for the asset class. Against a backdrop of moderating inflation, normalized interest rates, and a still growing U.S. economy, it looks to us that SMID cap's lengthy stretch of relative underperformance may be long in the tooth. If the economy continues to stabilize, our view is that valuations are likely to rise for those businesses that have largely sat out the mega cap performance regime. It also helps that the well-noted concentration in large caps is reaching 50-year highs and SMID cap valuation relative to large cap is at multi-decade lows, therefore any fundamentally driven repositioning is likely to benefit SMID caps more than larger companies, in our view. Lastly, large cap cycles have historically peaked at market tops crowded with mega caps, a scenario we find ourselves in today.

Positioning

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 mostly a function of our underlying company specific views rather than any top-down predictions for each sector. Conversely, we continue to be underweight in Consumer Discretionary, as we have been unable to identify what we consider to be compelling long-term opportunities that fit our discipline given the rising risk profiles of many retail businesses and a potential deceleration in goods spending following a period of strength. We also continue to be underweight in Real Estate as a result of structural challenges for various end markets within the sector. Given our focus on long-term business fundamentals, patient investment approach and low portfolio turnover, the strategy'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.

Aristotle Small/Mid Cap Equity Composite Performance

All Periods Ended December 31, 2023



Year	Small/Mid Cap Equity Composite (Gross %)	Small/Mid Cap Equity Composite (Net %)	Russell 2500 Index (%)
2023	8.35	7.73	17.42
2022	-12.11	-12.58	-18.37
2021	18.50	17.93	18.18
2020	10.23	9.71	19.99
2019	23.73	23.25	27.77
2018	-10.22	-10.55	-10.00
2017	13.98	13.24	16.81
2016	22.73	21.89	17.59
2015	3.77	3.17	-2.90
2014	2.91	1.78	7.06
2013	38.34	37.41	36.82
2012	16.49	15.27	17.88
2011	0.00	-1.11	-2.51
2010	28.17	28.07	26.70
2009	28.88	28.88	34.38
2008	-30.53	-30.53	-36.78

Sources: CAPS Composite Hub, Russell Investments
Composite returns for periods ended December 31, 2023 are preliminary pending final account reconciliation.
**The Aristotle Small/Mid Cap Equity Composite has an inception date of January 1, 2008 at a predecessor firm. During this time, Jack McPherson and Dave Adams had primary responsibility for managing the strategy. Performance starting January 1, 2015 was achieved at Aristotle Boston.*
Effective January 1, 2022, the Russell 2500 Value Index was removed as the secondary benchmark for the Aristotle Boston Small/Mid Cap Equity Strategy. Non-fee-paying accounts represented less than 5% of the SMID Cap Composite assets from December 31, 2010 to December 31, 2013. As of December 31, 2014, there were no non-fee-paying accounts in the Composite. In instances where non-fee paying accounts were included in the SMID Cap Composite, the highest model fee was applied to recalculate the net returns for composite purposes and the impact on the since inception return of the composite was deemed immaterial. 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. Net returns are presented net of actual investment advisory fees and after the deduction of all trading expenses. Please see important disclosures enclosed within this document.

DISCLOSURES:

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All investments carry a certain degree of risk, including the possible loss of principal. Investments are also subject to political, market, currency and regulatory risks or economic developments. International investments involve special risks that may in particular cause a loss in principal, including currency fluctuation, lower liquidity, different accounting methods and economic and political systems, and higher transaction costs.

These risks typically are greater in emerging markets. Securities of small- and medium-sized companies tend to have a shorter history of operations, be more volatile and less liquid. Value stocks can perform differently from the market as a whole and other types of stocks.

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The opinions referenced are as of the date of publication, may be modified due to changes in the market or economic conditions, and may not necessarily come to pass.

The firm's coverage of Signature Bank includes time at a predecessor firm.

The Russell 2500 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 2500 Growth® Index measures the performance of the small/mid cap companies located in the United States that also exhibit a growth probability. The Russell 2500 Value® Index measures the performance of the small/mid cap companies located in the United States that also exhibit a value probability. The Russell 1000 Index is a subset of the Russell 3000® Index, representing approximately 90% of the total market capitalization of that index. It includes approximately 1,000 of the largest securities based on a combination of their market capitalization and current index membership. The volatility (beta) of the composite may be greater or less than the benchmarks. It is not possible to invest directly in these indices.

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