

## 1Q 2025 Commentary

### Markets Review

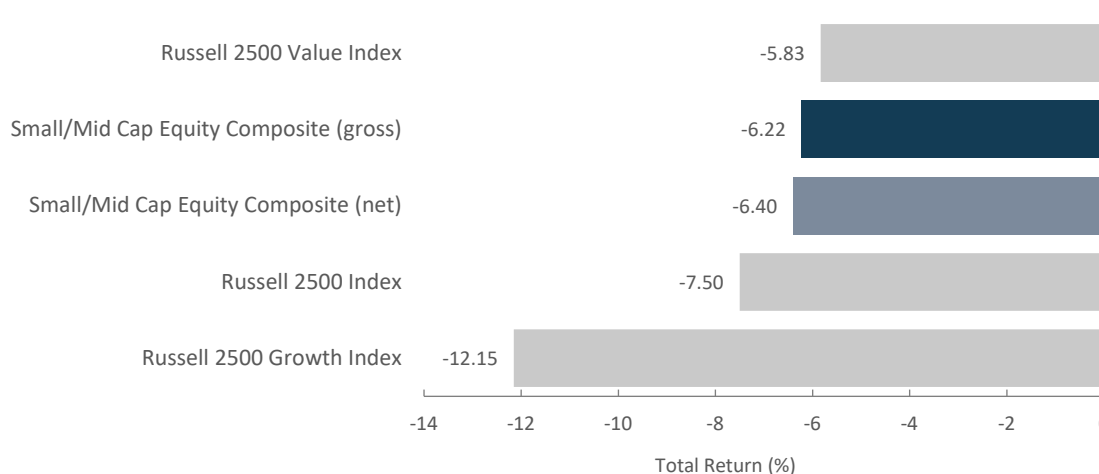
The volatility observed throughout 2024, persisted into the first quarter of 2025. The Russell 2500 Index declined -7.50% during the quarter, following a strong 2024 with the index returning 11.99%. After a moderately positive start to the quarter, February and March were a more challenging market environment due to uncertainty surrounding the precise parameters and implementation of the new administration's policies, geopolitical tensions and a higher for longer rate environment. Continued economic growth, a stable labor market and firmer inflation data kept the Federal Reserve (Fed) on the more hawkish course they took in December. Chairman Powell held rates steady at the March FOMC meeting and indicated the Fed will maintain a more measured approach going forward, updating their economic projections and forecasts to two rate cuts in 2025.

Stylistically, value stocks outperformed their growth counterparts during the quarter as the Russell 2500 Value Index returned -5.83% compared to the -10.80% return of the Russell 2500 Growth index. This is a reversal from last year where growth significantly outperformed value.

From a factor performance perspective, the quarter saw a change in market preference to higher-quality companies, favoring dividend-paying, defensive stocks. This change in sentiment was due in part to level interest rates, moderating US economic activity, and an increase in recession risk.

At the sector level, defensive sectors outperformed cyclical sectors, with Utilities (+8.37%), a sector often perceived as a bond proxy, being the only sector in the Russell 2500 Index to post a positive return during the quarter. The worst performing sectors were Information Technology (-16.57%), Consumer Discretionary (-11.77%), Industrials (-10.16%), and Health Care (-8.38%) while Utilities (+8.37%), Materials (-4.92%), Communications (-4.57%), Financials (-3.42%), Energy (-1.92%), Real Estate (-1.67%) and Consumer Staples (-1.02%) performed best.

### 2025 Q1 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 first quarter, the Aristotle Small/Mid Cap Equity Composite generated a total return of -6.40% net of fees (-6.22% gross of fees), outperforming the -7.50% total return of the Russell 2500 Index. Outperformance was driven by security selection in the Health Care, Materials and Information Technology sectors coupled with an underweight allocation to Consumer Discretionary. An underweight to the Utilities sector, along with security selection in Consumer Staples, Consumer Discretionary and Energy detracted from performance.

Relative Contributors	Relative Detractors
Alamos Gold	MACOM Technology Solutions
Huron Consulting Group	Wolverine World Wide
Merit Medical Systems	Ciena Corporation
Chemed Corporation	Chart Industries
AerCap Holdings	ASGN Incorporated

## CONTRIBUTORS

- **Alamos Gold (AGI-CA)**, engages in the exploration, development, mining and extraction of precious metals. We maintain our investment as we believe in the company's lower geopolitical risk profile, solid production growth plan from 600k oz to 1M oz per year over the next five years, and strong operational track record.
- **Huron Consulting Group (HURN)**, a specialty consulting company that provides financial, operational, and digital consulting services to health care, education and commercial clients, appreciated after delivering strong results highlighted by continued momentum within the company's health care and commercial segments, more than offsetting the education segment. We maintain our investment, as we believe the company remains well-positioned to capitalize on a demand backdrop aided by financial and operational pressures in its largest end-markets, along with secular tailwinds supporting digital transformation, analytics and cloud consulting.

## DETRACTORS

- **MACOM Technology Solutions (MTSI)**, a designer and manufacturer of high-performance semiconductor products, declined along with the broader semiconductor industry during the quarter. We maintain our position, as we believe the company's meaningful exposure to growing demand from Data Center and 5G end market applications along with the integration of recent acquisitions should drive additional shareholder value in periods to come.
- **Wolverine World Wide (WWW)**, engages in the design, manufacture, and sale of branded casual, active lifestyle, work, outdoor sport, athletic, uniform, footwear, and apparel. The company met expectations but guided lower for FY 2025, punishing the stock price. We maintain our position as we expect improved top-line growth and further net leverage reduction to support the Company's long-term financial objectives leading to increased shareholder value.



## Recent Portfolio Activity

Buys/Acquisitions	Sells/Liquidations
Agree Realty Corporation	Barnes Group
Old National Bancorp	Designer Brands
Valvoline	Nasdaq
	Summit Materials

### BUYS/ ACQUISITIONS

- **Agree Realty Corporation (ADC)**, is a real estate investment trust that owns, manages and develops primarily neighborhood community shopping centers and single tenant properties leased to major retail tenants such as Sherwin-Williams, Wal-Mart and TJX Companies. We believe the company's high-quality portfolio, recession resistant retail categories and strong balance sheet coupled with management's proactive tenant management and acquisition pipeline will benefit the company on a go-forward basis.
- **Old National Bancorp (ONB)**, is a regional bank serving clients primarily in the Midwest and Southeastern U.S. We believe the company's geographic location, strong balance sheet, increased loan growth and repricing of fixed-rate loans to higher rates will benefit NIMs on a go-forward basis.
- **Valvoline (VVV)**, is a pure-play auto quick lube and maintenance service provider with over 2,000 locations in the U.S. and Canada. The company provides quick and convenient stay-in-your-car automotive preventative maintenance through its full-service oil changes from skilled technicians in less than 15minutes. We believe the company will benefit from increased market share gains, driven by both corporate and franchise expansion, growing its scale, accelerating growth and increasing its moat.

### SELLS/LIQUIDATIONS

- **Barnes Group (B)**, is a globally recognized industrial and aerospace manufacturer and service provider that stands out for its highly engineered products, differentiated industrial technologies, and innovative solutions. The company was acquired and taken private by Apollo Funds.
- **Designer Brands (DBI)**, is a North American company which engages in the design, production, and retail of footwear and accessory brands. We sold the position due to what we believed were deteriorating corporate fundamentals.
- **Nasdaq (NDAQ)**, is a holding company, which engages in trading, clearing, exchange technology, regulatory, securities listing, information, and public and private company services. We sold the position as the stock had reached our valuation target.
- **Summit Materials (SUM)**, is a North American supplier of aggregates, cement, and ready-mix concrete for the construction industry. The company was acquired by Quikrete Holdings, Inc.



## Outlook

We remain optimistic about the long-term potential for the SMID-cap segment of the U.S. market. Valuations remain compelling relative to large caps, with the Russell 2500 Index trading near the lower end of its historical range. Potential tailwinds, including deregulation, lower corporate tax rates, increased M&A activity, continued reshoring of U.S. manufacturing, and infrastructure-related spending, could provide additional support for SMID-cap stocks. There may be some short-term volatility as the new administration's policies are implemented and absorbed by markets. We also remain mindful of risks such as inflation reaccelerating, increased geopolitical tensions, and potential U.S. economic weakness.

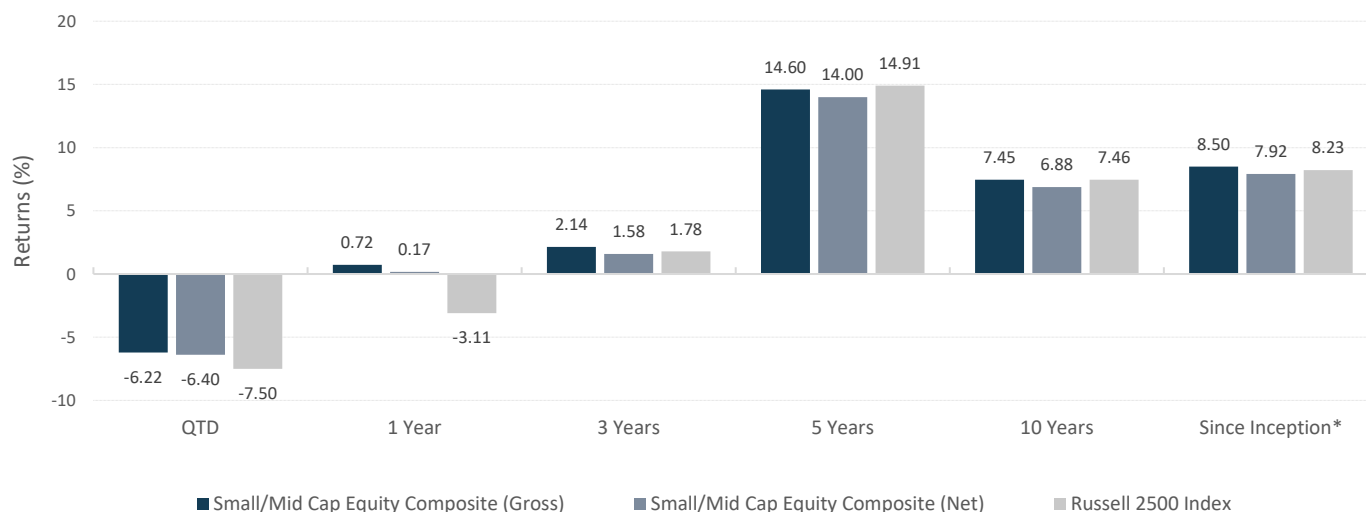
## Positioning

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 Information Technology and Industrials 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 underweight in Financials as those are the companies in that sector who meet our rigorous requirements on a fundamental basis. 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 March 31, 2025



Year	Small/Mid Cap Equity Composite (Gross %)	Small/Mid Cap Equity Composite (Net %)	Russell 2500 Index (%)
1Q 2025	-6.22	-6.40	-7.50
2024	14.04	13.47	11.99
2023	8.34	7.73	17.42
2022	-12.05	-12.52	-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 March 31, 2025, 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.

As of December 31, 2014, there were no non-fee-paying accounts in the Composite. 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.

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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.

The material is provided for informational and/or educational purposes only and is not intended to be and should not be construed as investment, legal or tax advice and/or a legal opinion. Investors should consult their financial and tax adviser before making investments.

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 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 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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