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# Aristotle – IG U.S. Small Cap Equity Pool

## Annual Management Report of Fund Performance

FOR THE PERIOD ENDED MARCH 31, 2019

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

We stress that the above mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

### CAUTION REGARDING FUTURE PERFORMANCE

Sales commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the Fund’s offering documents before investing. The indicated rates of return are the historical annual compounded total returns including changes in security value and reinvestment of all distributions (except for fee rebates) and do not take into account sales, redemption, distribution or optional charges, advisory fees payable directly by securityholders in certain series, or income taxes payable by any investor that would have reduced returns. Mutual funds are not guaranteed. Their values change frequently and past performance may not be repeated.

This annual Management Report of Fund Performance contains financial highlights, but does not contain the complete audited annual financial statements of the investment fund. If the audited annual financial statements of your investment fund did not accompany the delivery of this report, you may receive a copy of them, at your request, and at no cost, by calling 1-888-746-6344 (1-800-661-4578 if you live in Québec) or by writing to us at 447 Portage Avenue, Winnipeg, Manitoba, R3B 3H5 (2001, boulevard Robert-Bourassa, bureau 2000, Montréal (Québec), H3A 2A6 if you live in Québec), or by visiting our website at [www.investorsgroup.com](http://www.investorsgroup.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also use one of these methods to request a copy of the investment fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Every effort has been made to ensure that the information contained in this Report is accurate as of March 31, 2019 (except when stated otherwise); however, the Fund cannot guarantee the accuracy or the completeness of this material. Please refer to the Fund’s Prospectus and audited annual financial statements for more information.

References to “Consultant” or “Consultants” mean “Representative” or “Representatives” in Québec.

**For current net asset values per security for the Fund and for more recent information on general market events, please visit our website at [www.investorsgroup.com](http://www.investorsgroup.com).**

## Management Discussion of Fund Performance

This management discussion of Fund performance presents views of the portfolio management team about the significant factors and developments affecting the Fund's performance and outlook since its inception.

Please read the *Caution Regarding Forward-looking Statements* located on the first page of this document.

### Investment Objective and Strategies

The Fund aims to provide long-term capital growth by investing primarily in the common shares of small capitalization U.S. companies.

To achieve the Fund's investment objective, it will invest primarily in small capitalization U.S. corporations diversified geographically and by industry, and may invest in corporations with larger capitalizations if market conditions warrant, and hold securities in corporations which later achieve a larger capitalization.

### Risk

The overall level of risk of investing in the Fund remains as discussed in the Prospectus, and is not expected to have significantly increased or decreased as a result of operations during the period. Accordingly, the Fund also remains suitable for the same investors as discussed in the Prospectus.

### Results of Operations

#### CHANGES IN NET ASSETS

The Fund commenced operations on November 15, 2018. By March 31, 2019, net assets were \$113.1 million. This change was comprised primarily of gains from operations of \$1.7 million and an increase of \$111.4 million due to net securityholder activity. This level of securityholder activity relative to net assets is often typical in recently launched funds. The Manager does not believe that this level of activity had a material impact on the Fund's operations.

#### FEES AND EXPENSES

Total expenses paid vary period to period as a result of changes in average assets. Average net assets of the Fund for the period were \$81.3 million.

#### INVESTMENT PERFORMANCE

Performance information for the Fund is not provided for the period ended March 31, 2019, because the Fund is less than one year old.

### Recent Developments

(BASED ON INFORMATION AS AT APRIL 19, 2019)

The portfolio management team remains optimistic about the prospects for small-capitalization stocks after the equity market rally in the first quarter of 2019. At this late stage of the market cycle, fundamentals of small-cap companies are likely to continue to drive share prices going forward. While the portfolio management team believes equity markets will continue to be driven by economic and geopolitical issues in the short term, it believes business and company fundamentals will ultimately determine long-term share values. Recent signals that the U.S. Federal Reserve (the Fed) will exercise patience when it comes to future rate increases and optimism surrounding trade negotiations between the U.S. and China are expected to bode well for small-cap stocks.

### Other Developments

#### CHANGE IN THE INVESTORS GROUP INDEPENDENT REVIEW COMMITTEE

Effective April 30, 2019, Hon. Otto Lang retired from the Investors Group Funds Independent Review Committee.

### **Related Party Transactions**

I.G. Investment Management, Ltd. is the Manager, Trustee and Portfolio Advisor of the Fund. The Fund is only available for purchase by other Investors Group Funds and is not available for purchase by retail investors. The Manager, Portfolio Advisor and Trustee are, indirectly, wholly owned subsidiaries of IGM Financial Inc.

The following sub-advisor provided investment services to the Fund:

- Aristotle Capital Boston, LLC

Certain other investment funds, distributed by IG Wealth Management, and other qualified investors may invest in Series P of this Fund. As at March 31, 2019, this series comprised 100.0% of the Fund's net assets. The Manager relied on standing instructions approved by the Investors Group Funds Independent Review Committee for the execution of all such transactions, which are based on the net asset value per security determined in accordance with the stated policies of the Fund on each transaction day.

### **Management Fees**

The Fund is only available for purchase by other Investors Group Funds and is not available for purchase by retail investors. In order to avoid duplication of fees in the other Investors Group Funds, the Fund does not pay a management fee.

## Summary of Investment Portfolio

AT MARCH 31, 2019

The largest positions of the Fund (up to 25) at the end of the period, and the major asset classes in which the Fund was invested, are indicated below. This summary of investment portfolio may change due to ongoing portfolio transactions. The Fund's summary of investment portfolio will be updated as at the end of the next quarter. Please see the front page for information about how it can be obtained.

### Summary of Top 25 Long Positions

|   | % of net assets |
|---|-----------------|
| Cash and cash equivalents                     | 4.9             |
| QTS Realty Trust Inc. Class A                 | 2.0             |
| Allele Inc.                                   | 2.0             |
| Monro Inc.                                    | 1.9             |
| Euronet Worldwide Inc.                        | 1.9             |
| Merit Medical Systems Inc.                    | 1.9             |
| Bottomline Technologies Inc.                  | 1.8             |
| National Bank Holdings Corp.                  | 1.8             |
| Carter's Inc.                                 | 1.7             |
| 1-800-FLOWERS.COM Inc.                        | 1.7             |
| Mercury Systems Inc.                          | 1.6             |
| HMS Holdings Corp.                            | 1.6             |
| AerCap Holdings NV                            | 1.6             |
| Novanta Inc.                                  | 1.6             |
| Genesee & Wyoming Inc. Class A                | 1.5             |
| iShares Russell 2000 ETF                      | 1.5             |
| SP Plus Corp.                                 | 1.5             |
| Chemed Corp.                                  | 1.4             |
| ASGN Inc.                                     | 1.4             |
| World Wrestling Entertainment Inc. Class A    | 1.4             |
| Rogers Corp.                                  | 1.4             |
| Casella Waste Systems Inc. Class A            | 1.4             |
| ACI Worldwide Inc.                            | 1.4             |
| Charles River Laboratories International Inc. | 1.3             |
| Quidel Corp.                                  | 1.3             |
|   | <b>43.5</b>     |

### Summary of Top 25 Short Positions

|     | % of net assets |
|-----|-----------------|
| n/a | -               |

## Summary of Composition of the Portfolio

|                                | % of net assets |
|--------------------------------|-----------------|
| <b>PORTFOLIO ALLOCATION</b>    |                 |
| Equities                       | 95.5            |
| Cash and cash equivalents      | 4.9             |
| Other net assets (liabilities) | (0.4)           |
| <b>Total</b>                   | <b>100.0</b>    |
| <b>COUNTRY ALLOCATION</b>      |                 |
| United States                  | 92.6            |
| Other                          | 2.9             |
|                                | <b>95.5</b>     |
| <b>SECTOR ALLOCATION</b>       |                 |
| Industrials                    | 21.9            |
| Information Technology         | 18.8            |
| Financials                     | 12.5            |
| Health Care                    | 12.3            |
| Real Estate                    | 6.7             |
| Consumer Discretionary         | 6.4             |
| Energy                         | 3.6             |
| Utilities                      | 3.0             |
| Consumer Staples               | 2.9             |
| Other                          | 7.4             |
|                                | <b>95.5</b>     |

## Series Information

AT MARCH 31, 2019

| Series   | Date operations commenced | Management fee (%) | Service fee (%) | Administration fee (%) | Trustee fee (%) |
|----------|---------------------------|--------------------|-----------------|------------------------|-----------------|
| Series P | 11/15/2018                | -                  | -               | -                      | -               |

The fee rates in the table above are rounded to two decimals.

## Past Performance

*Past Performance* has not been provided because the Fund is less than one year old.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five financial years.

Footnotes are presented after *Ratios and Supplemental Data*.

### Net Assets per Security<sup>1</sup>

| Series P<br>(in \$)   | 2019   | 2018 | 2017 | 2016 | 2015 |
|---|--------|------|------|------|------|
| <b>Net assets, beginning of period</b>                        | 10.00  | n/a  | n/a  | n/a  | n/a  |
| <b>Increase (decrease) from operations:</b>                   |        |      |      |      |      |
| Total revenue   | 0.06   | n/a  | n/a  | n/a  | n/a  |
| <sup>2</sup> Total expenses                                   | (0.02) | n/a  | n/a  | n/a  | n/a  |
| Realized gains (losses) for the period                        | (0.03) | n/a  | n/a  | n/a  | n/a  |
| Unrealized gains (losses) for the period                      | 0.12   | n/a  | n/a  | n/a  | n/a  |
| <sup>3</sup> <b>Total increase (decrease) from operations</b> | 0.13   | n/a  | n/a  | n/a  | n/a  |
| <b>Distributions:</b>   |        |      |      |      |      |
| From net investment income (excluding dividends)              | (0.02) | n/a  | n/a  | n/a  | n/a  |
| From dividends  | -      | n/a  | n/a  | n/a  | n/a  |
| From capital gains  | -      | n/a  | n/a  | n/a  | n/a  |
| Return of capital   | -      | n/a  | n/a  | n/a  | n/a  |
| <sup>4</sup> <b>Total annual distributions</b>                | (0.02) | n/a  | n/a  | n/a  | n/a  |
| <b>Net assets at period end</b>                               | 10.12  | n/a  | n/a  | n/a  | n/a  |

### Ratios and Supplemental Data

| Series P   | 2019    | 2018 | 2017 | 2016 | 2015 |
|--|---------|------|------|------|------|
| Total net asset value (\$'000's)                           | 113,114 | n/a  | n/a  | n/a  | n/a  |
| Number of securities outstanding (000's)                   | 11,181  | n/a  | n/a  | n/a  | n/a  |
| <sup>5</sup> Management expense ratio (%)                  | 0.01    | n/a  | n/a  | n/a  | n/a  |
| Management expense ratio before waivers or absorptions (%) | 0.01    | n/a  | n/a  | n/a  | n/a  |
| <sup>6</sup> Trading expense ratio (%)                     | 0.46    | n/a  | n/a  | n/a  | n/a  |
| <sup>7</sup> Portfolio turnover rate (%)                   | 3.55    | n/a  | n/a  | n/a  | n/a  |

<sup>1</sup> These calculations are prescribed by securities regulations and are not intended to be a reconciliation between opening and closing net assets per security. This information is derived from the Fund's audited annual financial statements presented in accordance with IFRS. Net asset values presented are consistent with the net asset values calculated in accordance with securities regulations for the purchase and redemption of the Fund's securities (pricing net asset values) and as such, pricing net asset values are not separately disclosed.

<sup>2</sup> Commissions and other portfolio transaction costs are included in total expenses.

<sup>3</sup> Net asset value and distributions are based on the actual number of securities outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of securities outstanding over the financial period. In the period a series is established, the financial information is provided from the date of inception to the end of the period.

<sup>4</sup> Distributions were paid in cash, reinvested in additional securities of the Fund, or both.

<sup>5</sup> Management expense ratio (MER) is based on total expenses, excluding commissions and other portfolio transaction costs, income taxes, and withholding taxes, for the stated period and is expressed as an annualized percentage of daily average net assets during the period, except as noted. In the period a series is established, the MER is annualized from the date of inception to the end of the period. Where a Fund directly or indirectly via derivative contract invests in securities of another fund (including exchange-traded funds or ETFs), the MERs presented for the Fund include the portion of MERs of the other fund(s) attributable to this investment. Any income distributions received from ETFs managed by affiliates of the Manager, with the intention of offsetting fees paid within those ETFs but which are not considered to be duplicative fees under regulatory requirements, are treated as waived expenses for MER purposes. Certain expenses that are non-recurring and/or otherwise uncertain as to their future timing and amount have not been annualized.

<sup>6</sup> The trading expense ratio (TER) represents total commissions and other portfolio transaction costs incurred as an annualized percentage of daily average net assets during the period. Where a Fund invests in securities of another fund (including exchange-traded funds or ETFs), the TERs presented for the Fund include the portion of TERs of the other fund(s) attributable to this investment.

<sup>7</sup> The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. Generally, the higher a Fund's portfolio turnover rate in a period, the greater the trading costs payable by it in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund. Transactions incurred to realign the Fund's portfolio after a fund merger, if any, are excluded from the portfolio turnover rate.

# Memo

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