

STRATEGIC CREDIT FUND

3Q 2016 Commentary

Summary

In the third quarter, high yield bonds, bank loans and investment-grade credit all posted positive returns as spreads tightened amid a supportive macroeconomic and technical backdrop for credit. The Aristotle Strategic Credit Fund (ARSSX) returned 3.55% at NAV, roughly in line with the 3.04% return of its benchmark. Year to date, the Fund has returned 9.90% at NAV, outperforming the 9.05% return of its benchmark over the same time period. The benchmark represents a blend of 1/3 Barclays U.S. High Yield Ba/B 2% Issuer Cap Index, 1/3 Barclays Intermediate Corporate Index and 1/3 Barclays U.S. Bank Loan Index.

Performance data quoted here represents past performance. Past performance is no guarantee of future results. Investment return and principal value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain performance information current to the most recent month-end please call 1-844-274-7868.

Market Environment

A modest increase in domestic risk-free rates, a supportive macroeconomic backdrop and strong demand for U.S. corporate bonds led to a solid environment for corporate credit in the third quarter.

After the brief market correction driven by the Brexit vote at the end of June, fixed income markets quickly turned their attention back to trends in global monetary policy, with close attention being paid to the Federal Reserve by U.S. markets. Domestic economic data was generally positive, and stock and bond market returns continued their significant recovery since bottoming out in the middle of February. More supportive conditions for an interest rate hike in December led domestic risk-free rates higher throughout the quarter. While Treasury yields trended modestly higher, continued demand for credit from foreign and domestic investors alike (including the European Central Bank's corporate bond-buying program) provided support for the corporate credit markets and led to positive returns for high yield bonds, bank loans and investment-grade credit.

Continuing the trend from last quarter, commodity-related bonds contributed significantly to the performance of corporate credit once again in the third quarter. While commodity prices generally fell, industrial metals continued their strong performance. As such, bonds in the Metals & Mining industry were among the best performers in the period. Additionally, an agreement by the Organization of the Petroleum Exporting Countries to cut production sent oil prices, along with bond prices in the Pipelines & Distributors and Energy industries, up significantly near the end of the period. While commodity bonds generally outperformed, corporate credit's strong performance was more broad-based in the third quarter than it was in the prior period.

High yield bonds, bank loans and investment-grade corporates posted positive returns in the favorable market environment.

The Barclays U.S. High Yield Ba/B 2% Issuer Cap Index returned 4.95% for the quarter, boosted by significant returns in the Brokerage, Insurance and Pharmaceuticals industries. Consistent with the performance trends we saw in the second quarter, Metals & Mining, Pipelines & Distributors and Energy bonds also performed strongly amid a favorable backdrop for commodities. The improved market for commodities reduced the tail risk to the high yield market and this, in turn, led to broad-based gains in all industries. The same general trends held for bank loans, as the Barclays U.S. Bank Loan Index returned 3.30% over the same time period. Loans experienced a favorable technical environment with strong demand during the quarter. Loan fund inflows were at their highest level since the first quarter of 2014, and Collateralized Loan Obligation activity increased significantly in the third quarter, with the highest volume since the second quarter of 2015. Finally, investment-grade credit generated a total return of 0.89%, as measured by the Barclays Intermediate Corporate Index. Bond prices were boosted by continued demand for U.S. corporate paper and strong performance in the Metals & Mining and Pipelines & Distributors industries.

Performance and Attribution Summary

The Aristotle Strategic Credit Fund returned 3.55% at NAV, outperforming the 3.04% return of its blended benchmark led by favorable security selection and sector rotation.

Positive security selection in high yield and investment-grade bonds added value during the quarter, led by holdings in the Financials, Paper & Packaging and Industrials industries. From an allocation standpoint, the Fund's overweight to the higher-quality tiers of the high yield market aided absolute and relative performance, as high yield bonds outperformed both bank loans and investment-grade corporates during the quarter. These gains were offset by the Fund's underweight to commodity industries, particularly Metals & Mining and Energy.

Outlook and Strategy

We believe valuations in the corporate credit market are still attractive relative to historical spreads and especially attractive relative to other sectors of the fixed income market.

Corporate credit spreads tightened somewhat in the third quarter, yet they are still attractive relative to previous non-recessionary periods, as well as relative to other fixed income sectors, in our opinion. We believe the market continues to offer attractive opportunities in select areas given our expectation that fundamentals will be supportive of the credit cycle remaining intact as we move into 2017. Furthermore, while leverage has ticked up as one would expect in the advanced stages of a recovery, we find corporate liquidity to be very

strong and refinancing risk to be relatively benign. Over the short term, headwinds related to global growth, the strong U.S. dollar and interest rate uncertainties could keep market volatility higher than normal and credit spreads wider than historical averages. However, we believe corporate credit will outperform other fixed income sectors due to favorable carry and relatively attractive spreads. Additionally, we believe corporate credit—specifically areas with less interest rate risk, such as high yield bonds and bank loans—has the potential to outperform longer-duration sectors as the Fed appears poised to raise rates in the coming months.

While the portfolio remains overweight in higher yielding credit sectors, we have recently increased our investment-grade allocation, given the extended rally in below-investment-grade issues and our expectation that higher-than-normal volatility will persist. We continue to focus on U.S. credits and remain underweight in commodity industries in favor of consumer-based cyclicals and select financials.

On September 30, the Fund was composed of approximately 42% high yield, 34% bank loans and 22% investment-grade corporates, with the balance in cash. As the credit markets continued to rally in the third quarter, we reduced our positioning in bank loans and increased our allocation to investment-grade corporates—moves that reflect our outlook for continued uncertainty and higher-than-normal volatility, as well as relative value between the two sectors. Holdings remained focused on domestic credits given the relative strength of the U.S. economy. The portfolio is overweight U.S. consumer-based cyclicals, as we believe these securities could continue to outperform due to the overall strength of the U.S. consumer, low gasoline prices and improvement in the labor market. At the industry level, we took advantage of relative value opportunities to add to our positions in select Financials, Energy and Transportation issues, while reducing allocations to Gaming & Lodging, Healthcare and Technology.

Aristotle Strategic Credit Fund (Class I) Performance Update

All Periods Ended September 30, 2016

	Q3 2016 (%)	1 Year (%)	Annualized Since Inception (12/31/14) (%)	Gross/Net Expense Ratio (%)
Total Return				
At NAV	3.55	8.24	4.04	3.12 / 0.63

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The Fund's advisor has contractually agreed to waive certain fees and/or absorb expenses, through April 30, 2018, to the extent that the total annual operating expenses do not exceed 0.63% of average daily net assets of the Fund. The Fund's advisor may seek reimbursement from the Fund for waived fees and/or expenses paid for three years from the date of the waiver or payment. Without these reductions, the Fund's performance would have been lower. A redemption fee of 1.00% will be imposed on redemptions of shares within 30 days of purchase.

Returns over one year are annualized; cumulative performance may not be indicative of the Fund's long-term potential. The Fund inception date is December 31, 2014. The Fund returns will fluctuate over long and short-term periods.

Important Information:

There can be no guarantee that any strategy (risk management or otherwise) will be successful. All investing involves risk, including potential loss of principal. The views in this commentary were as of the date stated and may not necessarily reflect the same views on the date this letter is first published or any time thereafter. These views are intended to help shareholders in understanding the Fund's investment methodology and do not constitute investment advice.

Past performance is not indicative of future results. You should not assume that any of the securities transactions, sectors or holdings discussed in this report are or will be profitable, or that recommendations Aristotle Credit makes in the future will be profitable or equal the performance of the securities listed in this report. There is no assurance that any securities, sectors or industries discussed herein will be included in or excluded from an account's portfolio. Portfolio composition will change due to ongoing management of the Fund. References to specific securities or sectors should not be construed as recommendations by the Fund, its Advisor or Distributor. The opinions expressed are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Aristotle Credit reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. This is not a recommendation to buy or sell a particular security.

An investment in the Fund is subject to risks and you could lose money on your investment in the Fund. The principal risks of investing in the Fund include, but are not limited to, investing in fixed income securities, high yield bonds, bank loans, foreign securities, emerging markets, short sales, derivatives, convertible securities and ETFs. Foreign securities have additional risks including currency rate changes, political and economic instability, lack of comprehensive company information, less market liquidity, less efficient trading markets, and differing auditing controls and legal standards. Investments in emerging markets involve even greater risks. The use of short sales and ETFs may cause the Fund to have higher expenses than those of other equity funds. Short sales are speculative transactions and involve special risks, including a greater reliance on the investment team's ability to accurately anticipate the future value of a security. The Fund's losses are potentially unlimited in a short sale transaction. The Fund's use of short sales and futures contracts leverages the Fund's portfolio. The Fund's use of leverage can make the Fund more volatile and magnify the effect of any losses. There is no assurance that a leveraging strategy will be successful. The Fund may invest in derivatives which can be highly volatile, illiquid, difficult to value, and changes in the value of a derivative may not correlate with the underlying securities or other securities held directly by the Fund. Such risks include gains or losses which, as a result of leverage, can be substantially greater than the derivatives' original cost. There is also a possibility that derivatives may not perform as intended which can reduce opportunity for gain or result in losses by offsetting positive returns in other securities the Fund owns.

As of September 30, 2016, the Fund's top 10 holdings and their weight as a percent of total net assets were: Nord Anglia Education Finance LLC Loan, 5.000% Due 03-31-21, 2.71%; Midas Intermediate Holdco II, LLC Loan, 4.500% Due 08-18-21, 2.70%; Ineos US Finance LLC Loan, 4.250% Due 03-31-22, 2.70%; NVA Holdings Inc Loan, 4.750% Due 08-14-21, 2.68%; Ortho Clinical Diagnostics Inc Loan, 4.750% Due 06-30-21, 2.62%; Presidio Inc Loan, 5.250% Due 02-02-22, 2.61%; NVLX, 6.000% Due 12-05-21, 2.42%; Allied Universal Holdco Loan, 4.750% Due 7-28-22, 2.32%; Carestream Health Inc Loan, 5.000% Due 06-07-19, 2.28%; and Royal Holdings Inc Loan, 4.500% Due 06-20-22, 2.17%.

Definitions:

- You cannot invest directly into an index. The volatility (beta) of the account may be greater or less than the benchmark.
- The Fund is benchmarked to a blend of three indices: 1/3 Barclays U.S. High Yield Ba/B 2% Issuer Cap Index, 1/3 Barclays Intermediate Corporate Index and 1/3 Barclays U.S. Bank Loan Index.
- The **Barclays U.S. High Yield Ba/B 2% Issuer Cap Index** is an issuer-constrained version of the U.S. Corporate High-Yield Index that measures the market of U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bonds rated Ba/B. The index limits the maximum exposure to any one issuer to 2%.
- The **Barclays Intermediate Corporate Index** is designed to measure the performance of U.S. corporate bonds that have a maturity of greater than or equal to 1 year and less than 10 years. The Index includes investment grade, fixed-rate, taxable, U.S. dollar-denominated debt with \$250 million or more par amount outstanding, issued by U.S. and non-U.S. industrial, utility, and financial institutions.
- The **Barclays U.S. Bank Loan Index** provides broad and comprehensive total return metrics of the universe of syndicated term loans. To be included in the index, a bank loan must be dollar denominated, have at least \$150 million funded loan, a minimum term of one year, and a minimum initial spread of LIBOR+125. The volatility (beta) of the Fund may be greater or less than the benchmark. It is not possible to invest in these indices.
- Treasuries are negotiable debt obligations of the U.S. government secured by its full faith and credit and issued at various schedules and maturities.
- The Federal Funds rate is the interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The Federal Funds rate is the most sensitive indicator of the direction of interest rates, since it is set daily by the market. A collateralized loan obligation (CLO) is a security backed by a pool of debt, often low-rated corporate loans.

Please consider the Fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus or summary prospectus that contains this and other information about the Fund is available by calling (844) ARISTOTLE (274-7868) or by visiting www.aristotlefunds.com and should be read carefully prior to investing. ACP-16-220

FOR MORE INFORMATION, PLEASE CONTACT

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