

STRATEGIC CREDIT FUND

4Q 2016 Commentary

Summary

Bank loans and high yield bonds posted gains in the fourth quarter, while the investment-grade credit market declined amid rising risk-free rates. In the rising rate environment, the Aristotle Strategic Credit Fund returned 1.06% at NAV, outperforming the 0.50% return of the benchmark due to positive sector allocation and security selection. In 2016, the Fund returned 11.07% at NAV, exceeding the 9.59% return of the benchmark. The benchmark represents a blend of 1/3 Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index, 1/3 Bloomberg Barclays Intermediate Corporate Index and 1/3 Credit Suisse Leveraged 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.

**Blended benchmark represents a blend of blend of 1/3 Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index, 1/3 Bloomberg Barclays Intermediate Corporate Index and 1/3 Credit Suisse Leveraged Loan Index. The Bloomberg Barclays U.S. High Yield Loans Index was retired on September 30, 2016 and was replaced with the Credit Suisse Leveraged Loan Index effective October 1, 2016.*

Market Environment

In the fourth quarter, domestic risk-free rates rose significantly as growth and inflation picked up, and as investors anticipated President-elect Trump's policy agenda.

Risk-free rates began rising early in the fourth quarter on signs of strengthening global growth and inflation (the latter led by higher commodity prices and a tightening U.S. labor market). The upward trend in rates accelerated after the U.S. presidential election on expectations that Donald Trump's fiscal policies would lead to stronger domestic growth, higher inflation and a steeper trajectory of future Federal Reserve (the Fed) policy actions. On December 14, the Fed increased its target rate 0.25%, pointing to favorable conditions in the labor market, which is nearing full employment, and inflation, which is moving closer to its 2% target. Forward guidance from Fed officials suggested that the central bank would raise rates three times in 2017.

Against this backdrop, yields rose across the U.S. Treasury curve, with long rates climbing faster than short rates in a classic "bear steepener." At the shorter end of the curve, the two-year Treasury yield started the quarter at 0.77% and finished at 1.20%. The benchmark 10-year rate began at 1.60% and settled at 2.45%—its largest quarterly jump since 1994. The improving economic backdrop, combined with higher yields, spurred demand for corporate credit. As a result,

credit spreads narrowed during the quarter, helping to cushion some of the rise in risk-free rates.

The bank loan and high yield bond markets generated positive returns; however, investment-grade corporates registered a loss.

The Credit Suisse Leveraged Loan Index gained 2.25% for the quarter. Issuer fundamentals remained solid, although favorable technical conditions were the key driver of returns. Fourth quarter CLO volume more than doubled from the third quarter, and loan funds experienced strong inflows due to investor concerns about rising interest rates. At the same time, new-issue supply started to decrease.

The Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index returned 1.13% for the quarter, as the combination of yield carry and spread tightening offset the negative impact of rising interest rates. Gains in the high yield market were broad-based, with all major credit tiers and most industries advancing. As commodities continued to rebound, the Energy industry generated the strongest return, and General Financials and Transportation also performed well. The relatively small number of industries that generated losses included Pharmaceuticals, Health Care and Utilities.

Investment-grade credit, as measured by the Bloomberg Barclays Intermediate Corporate Index, returned -1.84%, as the increase in domestic risk-free rates overwhelmed spread tightening and yield carry. On a relative basis, commodity-oriented industries were among the strongest performers in the investment-grade market, while notable laggards included Health Care and Home Construction.

Performance and Attribution Summary

The Aristotle Strategic Credit Fund returned 1.06% at NAV, outperforming the 0.50% return of its blended benchmark on the strength of sector allocation and security selection.

The Fund, which is designed to perform well in flat-to-rising interest rate environments, benefited from an overweight to high yield bonds and an underweight to investment-grade corporates relative to the benchmark. Favorable security selection in the high yield and bank loan markets also added a considerable amount to relative performance, led by holdings in the Pharmaceuticals and Automotive industries. These positive effects were partly offset by industry allocations, which detracted from results versus the benchmark. Underweights to Energy and Metals & Mining were particularly unfavorable.

Outlook and Strategy

In our view, demand for yield and stronger U.S. economic growth will help counter the effects of the rise in risk-free rates that we anticipate in 2017.

We believe risk-free rates will continue to increase in 2017, as

inflation expectations creep higher and the market distortions caused by global central banks, and, more specifically for domestic bonds, by the Federal Reserve, begin to dissipate, allowing real rates to move higher. The Fed will likely continue to tighten in 2017, bringing risk-free rates above 1% by the end of the year. However, the Fed has indicated that it will be cautious in its approach, and relatively low rates in developed foreign markets should continue to drive strong demand for U.S. bonds, thereby helping to contain the rise in risk-free rates that we are expecting. The potential for economic growth to pick up under the Trump administration would also be supportive of corporate credit.

Following a strong 2016 performance across the U.S. credit markets, valuations on investment-grade corporate credit now appear in line with long-term averages, while valuations on bank loans and high yield bonds look relatively full. That said; with interest rates as low as they are globally, we think that fund flows coming into the United States will be focused on areas that have more yield and are less sensitive to interest rates, such as bank loans, high yield and lower-quality, investment-grade credit.

The Fund remains overweight higher yielding credit sectors and underweight investment-grade corporates. We continue to focus on U.S. credits and remain underweight commodity industries in favor of consumer-based cyclicals and select financials.

On December 31, 2016, the Fund was composed of 41.0% high yield, 35.7% bank loans and 20.2% investment-grade corporates, with the balance in cash. These allocations are consistent with our goal of positioning the Fund with less interest rate sensitivity and more credit risk than the benchmark. While we continue to favor high yield and bank loans, we are unlikely to reduce our exposure to investment-grade corporates in the near term because we think any short-term increases in rates will be relatively small compared to the rate move we saw in the fourth quarter. We continue to emphasize domestic issuers, since we believe the U.S. economy is on solid footing, particularly compared to other major economies, and we remain intensely focused on bottom-up opportunities given relatively full valuations in the credit markets. The Fund's significant active exposures at year-end included overweights to Finance Companies, Industrials and REITs & Real Estate Related companies and underweights to Banking, Media Entertainment and Food, Beverage & Tobacco companies.

Aristotle Strategic Credit Fund (Class I)

Performance Update

December 31, 2016

Total Return	4Q16	1 Year	Annualized Since Inception (12/31/14)	Gross/Net Expense Ratio
ARSSX Class I	1.06%	11.07%	4.07%	3.12%/0.63%
Blended Benchmark*	0.50%	9.59%	4.27%	N/A

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The Fund's advisor has contractually agreed to waive certain fees and/or absorb expenses, through April 30, 2017, to the extent that the total annual operating expenses do not exceed 0.62% 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.

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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. Recommendations made in the last 12 months are available upon request.

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 and emerging markets.

The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to changes in an issuer's credit rating or market perceptions about the creditworthiness of an issuer. High yield bonds are debt securities rated below investment grade (often called "junk bonds"). Junk bonds are speculative, involve greater risks of default, downgrade, or price declines and are more volatile and tend to be less liquid than investment-grade securities. The Strategic Credit Fund's investments in assignments of bank loans may create substantial risk. Although the Strategic Credit Fund expects it will invest in senior and secured bank loans, the Fund may invest in unsecured or subordinated loans. In addition, the Fund may invest in secured and unsecured participations in bank loans. These bank loans will generally be rated below investment grade. 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.

Definitions:

- The Fund is benchmarked to a blend of three indices: 1/3 Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index, 1/3 Bloomberg Barclays Intermediate Corporate Index and 1/3 Credit Suisse Leveraged Loan Index. The Bloomberg Barclays U.S. High Yield Loans Index was retired on September 30, 2016 and was replaced with the Credit Suisse Leveraged Loan Index effective October 1, 2016.
- The Bloomberg 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 Bloomberg 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 Credit Suisse Leveraged Loan Index is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market.
- The Bloomberg 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.
- 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.

The volatility (beta) of the Fund may be greater or less than the benchmarks. It is not possible to invest directly in these indices.

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.

As of December 31, 2016, the Fund's top 10 holdings and their weight as a percent of total net assets were: Dell Inc., 5.400% Due 09-10-40, 2.86%; Nord Anglia Education Finance LLC. Loan, 4.500% Due 03-31-21, 2.72%; Ineos US Finance LLC. Loan, 4.250% Due 03-31-22, 2.70%; Midas Intermediate Holdco II, LLC. Loan, 4.500% Due 08-18-21, 2.69%; NVA Holdings Inc. Loan, 4.750% Due 08-14-21, 2.68%; Ortho Clinical Diagnostics Inc. Loan, 4.750% Due 06-30-21, 2.64%; Presidio Inc. Loan, 5.250% Due 02-02-22, 2.53%; Allied Universal Holdco Loan, 4.750% Due 7-28-22, 2.32%; Royal Holdings Inc. Loan, 4.500% Due 06-20-22, 2.16%; Air Canada Loan, 3.614% Due 09-23-23, 2.04%.

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 1-844-274-7868, or by visiting aristotlefunds.com, and should be read carefully prior to investing.

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