Strategic Credit Fund

2Q 2017 Commentary

Summary

High yield bonds, bank loans and investment grade corporates all posted gains in the second quarter, as investors' risk appetites remained healthy against a backdrop of strong earnings, improving global economic growth and a supportive rate environment. The Aristotle Strategic Credit Fund (ARSSX) returned 1.42% at NAV, marginally underperforming the 1.48% return of the benchmark for the quarter. 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 (844) 274-7868.

**Blended 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. 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

A benign interest rate environment, improving global economic growth and strong corporate earnings led to a solid environment for corporate credit in the second quarter.

Corporate bond returns were stronger in April and May, before oil price volatility and increasingly hawkish central bank comments led to more muted performance in June. Overall, investor optimism during the quarter continued to be fueled by a strong corporate earnings environment. Additionally, the pro-European Union election outcomes in France and the United Kingdom on the heels of a similar result in the Dutch general election in March helped drive risk assets higher into June. General complacency around interest rates through mid-June was also supportive of tighter corporate credit spreads.

The interest rate environment was relatively benign throughout the quarter. The Federal Reserve (Fed) raised the federal funds target rate by 0.25% on June 14 and indicated it would likely hike at least one more time in 2017. Additionally, the Fed revealed its plans to scale back its balance sheet, which it dramatically expanded to lift the economy after the financial crisis of 2008, by gradually limiting the reinvestment of some of its maturing assets. While the Fed's actions and a less accommodative tone from the European Central Bank (ECB) and Bank of England led to a selloff in government bonds towards the end of June, long-term rates actually declined in the second quarter. This led to a flatter curve as short-term rates rose from their levels at the end of March. The two-year Treasury yield started the quarter at 1.27% and finished at 1.38%, while the benchmark 10-year rate began at 2.40% and settled at 2.31%.

The combination of relatively flat interest rates and modest spread tightening led to positive returns for high yield bonds, bank loans and investment grade corporates.

The high yield bond, bank loan and investment grade corporate markets generated positive returns in the favorable market environment.

The Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index returned 2.21% for the quarter, as the combination of yield carry and spread tightening contributed to absolute performance. Gains in the high yield market were broad-based, with all major credit tiers and nearly all industries advancing. Brokerage, Finance Companies and Banking led the market, while the Energy industry was the only negative performer. Utilities and Pharmaceuticals also lagged. BB-rated bonds outperformed B-rated bonds during the quarter.

The Credit Suisse Leveraged Loan Index gained 0.75% for the quarter. Issuer fundamentals remained solid, although technical conditions were the key driver of returns. U.S. gross collateralized loan obligation volume reached a record high in the second quarter, surpassing the previous record set in the prior quarter. A decline in long-term Treasury yields led to slowing demand for loan funds; however, the asset class still experienced positive inflows throughout the quarter. As a result, while bank loans generated positive performance, they lagged investment grade corporates and high yield bonds, as investors became less concerned with rate protection during the quarter.

Investment grade credit, as measured by the Bloomberg Barclays Intermediate Corporate Index, returned 1.49%, driven by yield carry and modest spread tightening. On an absolute basis, the Finance Companies, Gaming & Lodging and Cable-Satellite industries were among the strongest performers in the investment grade market, while the Energy, Environmental and Automotive & Captive Finance industries were the weakest performers.

Performance and Attribution Summary

The Aristotle Strategic Credit Fund returned 1.42% at NAV, marginally underperforming the 1.48% return of its blended benchmark. Security selection added value, while sector rotation and industry allocation detracted from relative performance.

Favorable security selection in the investment grade corporate and bank loan markets contributed to relative performance, led by holdings in the Energy, Technology and Telecommunications industries. These positive effects were partly offset by positions in the Transportation, Finance Companies and Consumer Products industries, which detracted from results versus the benchmark.

The Fund, which is designed to perform well in flat-to-rising interest rate environments, benefited from an overweight to high yield bonds, although this was offset by an overweight allocation to bank loans, which underperformed other corporate credits. An underweight to investment grade corporates relative to the benchmark also detracted. Underweights to Health Care and Media Entertainment marginally detracted but were partially offset by an overweight to Finance Companies, which benefited the Fund.

Outlook and Strategy

We continue to believe corporate credit offers attractive return potential relative to other fixed income sectors and that a positive U.S. economic outlook, improving global economic conditions and strong demand for yield could help counter the effects of modestly rising risk-free rates.

Following strong performance in 2016 and additional spread tightening through the first six months of the year, valuations on corporate credit appear to be in line with long-term averages. 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-rated tiers of investment grade credit.

Although perhaps marginally weaker as of late, our outlook for U.S. growth remains relative steady, with a strengthening corporate earnings environment. Importantly, global economic momentum looks to be accelerating, with broad-based evidence of improving economic outlooks from Europe to China and other emerging markets. This is a positive for risk assets, such as corporate credit.

The Fed raised the federal funds rate again in June and has indicated its plans to raise an additional time this year. We expect interest rates to rise, though they will likely rise only modestly as inflationary forces remain subdued and foreign central banks continue their aggressive easing policies (Quantitative Easing and negative rates). Despite the more hawkish tones from the U.S. central bank, the current interest rate environment remains historically low, and when combined with extremely low-to-negative rates in other advanced economies, we believe that demand for U.S. corporate bonds will remain strong.

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 June 30, the Fund was composed of 47.6% bank loans, 34.1% high yield bonds and 17.5% 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 bonds 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 likely be contained by the relatively low risk-free rates overseas and subdued inflationary forces. We continue to emphasize domestic issuers based on our positive outlook for the U.S. economy, and we remain intensely focused on bottom-up opportunities given relatively full valuations in the credit markets. Additionally, within our high yield allocation, we have raised the credit quality profile with slight increases to BB-rated issues based on our opinion of relative value versus that of the lower-rated segments of the market. On June 30, the Fund's significant active exposures included overweights to Finance Companies, Industrials and Telecommunications companies and underweights to Banking, Media Entertainment and Food, Beverage & Tobacco companies.

Aristotle Strategic Credit Fund (Class I)

Performance Update June 30, 2017

Total Return	2Q17	1 Year	Annualized Since Inception (12/31/14)	Gross/Net Expense Ratio
ARSSX Class I	1.42%	7.62%	4.41%	3.18%/0.62%
Blended Benchmark*	1.48%	6.71%	4.65%	N/A
Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index	2.21%	10.92%	6.13%	N/A

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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 0.62% 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 the Fund. Fund 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. Holdings are available within the last 12 months.

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.

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

Fund 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 June 30, 2017, the Fund's top 10 holdings and their weight as a percent of total net assets were: NVA Holdings Inc. Loan, 4.796%, due 08-14-21, 3.58%; Nord Anglia Education Finance LLC Loan, 4.702%, due 03-31-21, 2.75%; Ineos US Finance LLC Loan, 3.976%, due 03-31-22, 2.73%; Midas Intermediate Holdco II, LLC Loan, 4.046%, due 08-18-21, 2.73%; Ortho Clinical Diagnostics Inc. Loan, 4.783%, due 06-30-21, 2.70%; Dell Inc., 5.400%, due 09-10-40, 2.65%; Allied Universal Holdco Loan, 5.046%, due 07-28-22, 2.37%; Presidio LLC Loan, 4.398%, due 02-02-22, 2.29%; Royal Holdings Inc. Loan, 4.546%, due 06-20-22, 2.21%; Air Canada Loan, 3.460%, due 10-06-23, 2.07%.

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

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