Strategic Credit Fund

1Q 2018 Commentary

Summary

Corporate credit markets were generally pressured in the first quarter, as elevated equity volatility and rising interest rates led to negative returns for high yield and investment grade corporate bonds, especially longer-maturity securities. The bright spot within corporate credit was bank loans, whose floating rate structures were buffeted their principal from the higher rates. The Aristotle Strategic Credit Fund (ARSSX) returned -0.12% at NAV, outperforming the -0.34 return of the Fund's custom 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 U.S. Intermediate Corporate Index and 1/3 Credit Suisse Leveraged Loan Index.

Since its January 1, 2015 inception, the Fund has underperformed the benchmark, reporting an annualized total return of 3.81% at NAV, compared to 4.06% for the benchmark. It is also worth noting that the Fund has significantly outperformed the Bloomberg Barclays Aggregate Bond Index, which reported an annualized total return of 1.61% over the same time period. Furthermore, the Composite's returns have been less volatile than the returns of even the high-quality high yield market, as measured by the annualized standard deviation of monthly returns of the Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap 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 current performance information to the most recent month-end, please call (844) 274-7868.

Market Environment

Corporate credit came under pressure during the first quarter, as elevated equity volatility and higher interest rates led to modestly wider spreads.

Last year could generally be characterized as one in which strong investor confidence and very accommodative central bank policies created a favorable environment for risk assets. This investor confidence, which was inspired by strong corporate earnings and fundamentals, economic growth both domestically and abroad, and low equity market volatility, not only led to new highs for equity prices in 2017 but also provided support for additional gains in corporate credit markets, most notably high yield bonds. As the calendar turned to 2018, this trend continued through most of January, with solid gains in both equity and corporate credit markets. However, market dynamics quickly changed in late January with a significant uptick in volatility, driven by growing inflation concerns, pressure from higher interest rates and fears of a global trade war following announced tariffs by the U.S. and China. This volatility spilled over to the corporate credit market, where high yield and investment grade corporate spreads increased by approximately 25 and 15 basis points, respectively, from year-end.

The U.S. Treasury yield curve also experienced volatility throughout the quarter. The 10-year Treasury yield rose from 2.40% at year-end to an intra-quarter high of 2.94% before settling at 2.74% at the end of March. This volatility was due to stronger-than-expected wage growth, which sparked concerns of higher inflation, and the Federal Reserve's more aggressive projections for rate increases in 2019 and 2020. While the Fed and select other central banks take steps to gradually scale back quantitative easing, global monetary policies have generally remained accommodative, which has helped to increase economic growth and support asset prices.

High yield bonds and investment grade corporates declined during the quarter, while bank loans generated positive total returns.

The Credit Suisse Leveraged Loan Index gained 1.58% for the quarter. Issuer fundamentals remained solid, although we believe the key drivers of bank loans' outperformance relative to high yield bonds were their ability to absorb rising rates and strong demand for bank loan mutual funds.

The Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index returned -1.10% for the quarter, as high yield bonds were negatively impacted by higher equity volatility and rising interest rates. Losses in the high yield market were broad-based, with most major credit tiers and most industries declining.

Investment grade credit, as measured by the Bloomberg Barclays U.S. Intermediate Corporate Index, returned -1.50% for the quarter, driven by rising interest rates and elevated volatility. Lower-rated bonds generally outperformed, with BBB-rated bonds the best-performing quality tier and AAA-rated bonds the biggest laggard.

Performance and Attribution Summary

For the first quarter of 2018, the Aristotle Strategic Credit Fund (ARSSX) returned -0.12% at NAV, outperforming the -0.34% return of its blended benchmark on the strength of positive sector allocation.

The Fund, which is designed to perform well in flat-to-rising interest rate environments, benefited from an overweight in bank loans and an underweight in investment grade corporates relative to the benchmark. This was partially offset by negative security selection relative to the benchmark. Negative security selection within the Industrials, Technology and Automotive & Captive Finance industries outweighed the positive selections in Telecommunications, Media Entertainment and Energy. Industry allocation was neutral to relative performance in the first quarter.

Outlook and Strategy

We believe that the corporate credit market will continue to be well supported by solid credit fundamentals and an improving global economic backdrop. Higher interest rates and valuation levels remain the chief concerns as we move throughout the year and contribute to our expectations of a coupon-like return environment in 2018 (although bank loans should provide greater protection from interest rate increases relative to bonds).

Despite softer-than-expected economic data out of Europe toward the end of the quarter, we believe the trend of improving global economic growth remains intact. Strength in the U.S. economy is being led by rising corporate profits, a tight labor market, and increasing consumer and business confidence. Although we are in the early stages of a shift toward tighter monetary policy across the globe, we view overall financial conditions as remaining stimulative and generally supportive of further economic growth and additional gains in risk assets, although perhaps in an environment marked by elevated near- to intermediate-term volatility.

At the micro level, we believe credit fundamentals remain supportive of corporate bonds. Aside from expected defaults from a few large capital structures in the high yield market, default rates are expected to remain low and well below their long-term averages. Additionally, the corporate earnings environment remains strong and should also contribute to the favorable backdrop for corporate credit going forward. From a technical standpoint, the low interest rate environment around the globe, in our opinion, will continue to support demand for assets with attractive yields, including corporate credit. Moreover, we expect net new issuance in the high yield market to remain low and refinancing activity to continue, which would provide a further technical boost to below investment grade issues.

While the overall backdrop for corporate credit remains supportive, we continue to view rising interest rates as a potential stumbling block for the corporate credit market. Interest rate volatility picked up in the first quarter due to concerns about rising inflation impacting the pace and magnitude of interest rate increases. We expect inflation expectations to creep higher as both labor market slack and production slack further tighten; however, we believe they will continue to be constrained by secular deflationary forces. This may allow the Fed to reach its equilibrium rate without significant disruptions to the capital markets. Over the longer term, we expect the curve to shift modestly higher as inflation expectations increase and real interest rates (which have been significantly distorted by global central bank actions) slowly rise as monetary policies around the globe move further down the path of normalization. We believe that, in this environment, credit risk has superior risk/reward characteristics relative to interest rate risk.

The Fund remains overweight higher yielding credit sectors, with a greater emphasis on floating rate loans, and underweight investment grade corporates. We continue to emphasize U.S. credits and remain focused on bottom-up opportunities given the market's overall valuation levels.

As of March 31, the Fund was composed of 39.1% bank loans, 37.9% high yield bonds and 20.8% 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. We continue to favor high yield bonds and bank loans but will likely continue to be more conservatively positioned within these two sectors. We continue to emphasize domestic issuers, since we believe the U.S. economy is on the most solid footing; however, stronger economic growth offshore has led us to slightly increase our allocation to issuers with overseas revenue exposure over the last few quarters. Additionally, we remain intensely focused on bottom-up opportunities given relatively full valuations in the credit markets. The Fund's significant active exposures at quarter-end included overweights in the Building Materials & Home Construction, Real Estate, Gaming & Lodging and Telecommunications industries and underweights in the Banking, Utilities, Media Entertainment and Pharmaceuticals industries.

Aristotle Strategic Credit Fund (Class I)

Performance Update March 31, 2018

Total Return	1Q18	1 Year	Annualized Since Inception (12/31/14)	Gross/Net Expense Ratio
ARSSX Class I	-0.12%	2.80%	3.81%	3.18%/0.62%
Blended Benchmark*	-0.34%	3.08%	4.06%	N/A
Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index	-1.10%	3.41%	5.06%	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.

**The blended benchmark represents a blend of 1/3 Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index, 1/3 Bloomberg Barclays* U.S. *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.*

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 U.S. 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 U.S. 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.
- 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 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 March 31, 2018, the Fund's top 10 holdings and their weight as a percent of total net assets were: Ortho Clinical Diagnostics Inc. Loan, 3.30%, Midas Intermediate Holdco II, 3.28%, Allied Universal Holdco Loan, 2.81%; Air Canada Replacement Term Loan, 2.52%; Presidio LLC Loan, 2.47%; Communications Sales & Leasing Loan 2.13%; Dynacast International LLC Loan, 1.93%; Astro AB Borrower, Inc., 1.74%; Univar USA Inc. Loan, 1.64%; Dell Inc., 1.56%.

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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ACP-18-087

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