ARISTOTLE FUNDS

Strategic Credit Fund

2Q 2018 Commentary

Summary

Bank loans and high yield bonds posted gains in the second quarter, while the investment grade credit market declined amid rising interest rates and elevated equity volatility, leading to wider investment grade credit spreads. The Aristotle Strategic Credit Fund (ARSSX) returned -0.14% at NAV, outperforming the -0.16% quarterly return of the Bloomberg Barclays U.S. Aggregate Index (Aggregate Index). However, the Fund underperformed the 0.43% return of its custom benchmark. The custom 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 Aristotle Strategic Credit Fund (ARSSX) has outperformed the Aggregate Index, reporting an annualized total return of 3.49% at NAV, compared to 1.44% for the Aggregate Index and 3.89% for the custom benchmark. Furthermore, while the Fund's returns has been more volatile than those of the Aggregate Index, the Fund has produced stronger risk-adjusted returns, as measured by the Sharpe ratio (0.85% vs 0.31% for the Aggregate Index). Also, the Fund has been able to achieve its strong relative performance with less volatility 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

Trade policy uncertainties, combined with interest rate volatility, led to wider credit spreads, especially for higher-quality and longer-duration securities.

U.S. Treasury yield volatility remained elevated throughout the quarter as the market grappled with trade policy uncertainties. The 10-year Treasury yield rose from 2.74% on March 31 to an intra-quarter high of 3.13% (a seven-year high) in May, before settling at 2.85% at the end of June. Meanwhile, the 2-year note, which ended last quarter at 2.27%, rose more sharply, closing at 2.52%. The spread between 10- and 2-year yields reached its narrowest level since 2007. Curve flattening continues to be led by Federal Reserve (Fed) rate increases on the short end and the relative attractiveness of U.S. risk-free rates on the long end. In other news, Fed Chairman Powell reiterated that the pace of rate hikes will continue to be gradual, although there likely will be two more rate hikes by the end of 2018, with the Fed on track to reach its equilibrium rate in 2019.

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

The Credit Suisse Leveraged Loan Index gained 0.78% for the quarter. Issuer fundamentals remained solid, and investors continued to favor floating rate securities, whose coupons have been rising along with LIBOR and Fed funds.

High yield bonds performed almost as well as floating rate bank loans, with the Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index returning 0.61% for the second quarter. Domestic economic optimism helped high yield perform well, despite increased market volatility and uncertainties regarding trade policies. From a quality standpoint, higher-quality high yield bonds that had more interest rate exposure underperformed. According to Bloomberg Barclays, Caa-rated bonds returned 2.87% during the period, compared to a 1.42% return for B-rated bonds and -0.17% for Ba-rated bonds.

Investment grade credit, as measured by the Bloomberg Barclays U.S. Intermediate Corporate Index, returned -0.10% for the quarter, driven by rising interest rates and elevated volatility. While corporate credit spread weakness in the first quarter was mainly due to higher interest rates, credit spread weakness in the second quarter was due more to trade-related economic uncertainties. Lower-rated bonds generally underperformed, with AAA-rated bonds the best-performing quality tier and BBB-rated bonds the biggest laggards based on excess returns.

Performance and Attribution Summary

The Aristotle Strategic Credit Fund (ARSSX) returned -0.14% at NAV, underperforming the Bloomberg Barclays U.S. Aggregate Index's -0.16% return and the 0.43% return of its blended benchmark.

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 offset, however, by negative security selection within the Technology and Automotive & Captive Finance industries, which outweighed positive selection in Media Entertainment and Pipelines & Distributors. Industry allocation modestly detracted from relative performance.

Outlook and Strategy

We believe the corporate credit market will continue to be well supported by solid credit fundamentals, a healthy global economy and a favorable technical environment. However, a number of risks, including higher volatility, upward pressure on interest rates, valuation levels and liquidity, are beginning to emerge.

We believe the trend of healthy global economic growth remains intact. Strength in the U.S. economy is being led by rising corporate profits, a tight labor market, and buoyant consumer and business confidence. While we are in the early stages of a shift toward tighter monetary policy across the globe, overall financial conditions remain 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 strong, and default rates are expected to remain low and well below their long-term averages. These factors should also contribute to a favorable outlook for high yield.

From a technical standpoint, high yield and bank loans have positive technicals based on low net new issuance. Additionally, the strong fundamental environment may lead to more upgrades, which could further reduce supply as issuers are upgraded from high yield to investment grade. Although retail outflows remain a headwind, we believe strong institutional demand for yield will persist, leading to favorable supply/demand dynamics for high yield bonds in the near to intermediate future.

From a relative value perspective, we prefer domestic credits, even if the U.S. is moving toward late-cycle expansion (albeit currently in a very strong fiscal policy-induced surge). We are much less concerned with deteriorating credit ratios or defaults. While companies have more debt on their balance sheets, most are generating solid coverage of interest expenses and have aggressively extended debt maturities, thereby reducing the likelihood of refinancing risk, giving most companies the chance to ride out a slowing economy, whenever that occurs.

The portfolio 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 June 30, the Fund was composed of 48.1% bank loans, 28.5% high yield bonds and 20.5% investment grade corporates, with the balance in cash. These allocations are consistent with our goal of positioning the portfolio 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 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. Additionally, we remain 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 Automotive & Captive Finance, Telecommunications, Transportation and Gaming & Lodging industries and underweights in the Banking, Media Entertainment, Retailers & Restaurants and Pharmaceuticals industries.

Aristotle Strategic Credit Fund (Class I)

Performance Update June 30, 2018

Total Return	2Q18	1 Year	3 Years	Annualized Since Inception (12/31/14)	Gross/Net Expense Ratio
ARSSX Class I	-0.14%	1.22%	3.42%	3.49%	2.96%/0.62%
Blended Benchmark*	0.43%	2.01%	3.82%	3.89%	N/A
Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index	0.61%	1.80%	4.78%	4.87%	N/A

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The Fund's advisor has contractually agreed to waive certain fees and/or absorb expenses, through April 30, 2019, 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.

Credit quality ratings are sourced from Standard & Poor's (the "S&P"), Moody's and Fitch's. Ratings values are based on the higher of either S&P, Moody's or Fitch's. If none of the rating agencies have assigned a rating the Fund will assign a rating of NR (non-rated security). The ratings represent their (S&P, Moody's, Fitch's) opinions as to the quality of the securities they rate. The ratings from AAA (S&P, Fitch's) or Aaa (Moody's) (extremely strong capacity to meet its financial commitment) to D (S&P, Fitch's) or C (Moody's) (in default). Ratings are relative and subjective and are not absolute standards of quality. The ratings provided relate to the underlying securities within the fund and not the fund itself.

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 June 30, 2018, the Fund's top 10 holdings and their weight as a percent of total net assets were: Communications Sales & Leasing, Inc. Loan, 3.13%; Marketo, Inc. Term Loan, 3.02%; Rackspace Hosting, Inc. Loan, 2.99%; Concentra Inc. Loan, 2.84%; CSC Holdings, LLC Loan, 2.83%; XPO Logistics, Inc. Loan, 2.81%; USI, Inc. Loan, 2.81%; Enterprise Products Operating LLC, 2.79%; Penn National Gaming, Inc. Loan, 2.77%; Astro AB Borrower, Inc. Loan, 2.57%.

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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