

STRATEGIC CREDIT FUND

3Q 2018 Commentary

Summary

Bank loans, high yield and investment grade corporate securities all posted strong gains in the third quarter due to solid yield carry and credit spread compression. The Aristotle Strategic Credit Fund (ARSSX) returned 1.65% at NAV, outperforming the 0.02% quarterly return of the Bloomberg Barclays U.S. Aggregate Index. However, the Fund underperformed the 1.68% 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 and is a good proxy for risk over a market cycle.

Since its December 31, 2014 inception, the Fund has outperformed both the Bloomberg Barclays U.S. Aggregate Index and the custom benchmark, reporting an annualized total return of 3.70% at NAV, compared to 2.18% for the Bloomberg Barclays U.S. Aggregate Index and 4.09% for the custom benchmark. Furthermore, the Fund has far strong risk-adjusted returns relative to the Bloomberg Barclays U.S. Aggregate Index, as measured by the Sharpe ratio. Also, the Fund has been able to achieve its performance with less risk than 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

Credit spreads tightened during the quarter as robust economic growth, strong equity performance and subdued new corporate bond issuance more than offset trade policy uncertainties and higher rates.

Credit spreads tightened amid solid economic fundamentals, strong demand for U.S. equities and a lower supply of new corporate bonds, negating lingering concerns over additional rounds of tariffs and diminished central bank accommodation, with the Federal Reserve (Fed) now firmly adopting a more hawkish approach. In September, the Fed raised rates and dropped the word “accommodative” from its policy language. The 25-basis-point hike in its policy rate was the third this year and the eighth of the cycle that began in late 2015. The Fed has indicated there will likely be one more hike in December and three more in 2019 before it reaches its equilibrium rate.

The 2-year note, which began the quarter at 2.52%, rose 30 basis points to close at 2.82%. Meanwhile, over that same period, the 10-year Treasury yield increased 20 basis points from 2.85% before settling at 3.06%. The spread between 2- and 10-year yields stood at 24 basis points on September 30. Curve flattening continues to be led by Fed rate increases on the short end and the global relative attractiveness of U.S. risk-free rates.

High yield bonds outperformed other fixed income sectors. The Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index returned 2.30% for the third quarter. Further helping high-yield performance was historically low default activity. The total default volume for the period, including bonds and loans, was \$2.3 billion, the second-lowest quarterly amount since the fourth quarter of 2013. The high yield market also benefited from significantly lower new debt issuance and strong institutional demand. From a quality standpoint, lower-quality high yield bonds outperformed thanks to a continued, supportive fundamental credit environment, and their lower sensitivity to rising interest rates. According to Barclays, Caa-rated bonds returned 2.73% during the period, compared to a 2.29% return for B-rated bonds and 2.32% for Ba-rated bonds.

Floating rate bank loans performed almost as well as high yield bonds, with the Credit Suisse Leveraged Loan Index gaining 1.93% 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.

Investment grade corporate bonds, as measured by the Bloomberg Barclays U.S. Intermediate Corporate Index, returned 0.80% for the quarter, outperforming the 0.02% return of the Bloomberg Barclays U.S. Aggregate Index, as spreads tightened 17 basis points from 123 on June 30, 2018 to 106 on September 30, 2018. From a quality standpoint, BBB-rated bonds (+1.36%) had the best total returns, as the lower-rated tiers saw the majority of spread tightening.

Performance and Attribution Summary

The Aristotle Strategic Credit Fund (ARSSX) returned 1.65% at NAV, outperforming the Bloomberg Barclays U.S. Aggregate Index's 0.02% return but underperforming the 1.68% return of its blended benchmark.

The Fund benefited from an overweight to bank loans and an underweight to investment grade corporates, both relative to the custom benchmark. This was offset, however, by negative security selection mainly in bank loans within the Technology and Transportation industries. These outweighed positive selections in Media Entertainment and Pipelines & Distributors.

Outlook and Strategy

We believe the corporate credit market will continue to be well supported by solid credit fundamentals, a healthy U.S. economy and a favorable technical environment. However, a number of risks, particularly global growth concerns and trade tariffs, are emerging and could likely lead to increased market volatility.

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, we see 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. We expect rates to modestly rise further in the coming months. However, the aforementioned risks could likely restrain any significant near-term rise in rates.

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 have the potential to favor high yield and bank loans over investment grade.

From a technical standpoint, we believe 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 transition from the high yield market 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, due to the uncertain economic environments in Europe, China and much of the developing world.

The Fund remains overweight higher-yielding credit sectors with an overweight to floating rate bank loans, an underweight to investment grade corporates and a preference for U.S.-centric credits.

As of September 30, the Fund was composed of 47.4% bank loans, 32.4% high yield bonds and 18.2% investment grade corporates, with the balance in cash. Heading into the fourth quarter, we believe high yield and bank loan returns will more-or-less match their yields. We believe this should be enough to help these classes continue to outperform the investment grade fixed income market, which will likely continue to face headwinds from modestly rising risk-free rates. Our positioning within high yield and bank loans is somewhat more conservative than the market, as we believe valuations are relatively full.

Additionally, we remain focused on what we view as 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, Gaming & Lodging, Transportation and Telecommunications industries and underweights in the Banking, Media Entertainment, Retailers & Restaurants and Utilities industries.

Aristotle Strategic Credit Fund (Class I)

Performance Update

September 30, 2018

Total Return	3Q18	1 Year	3 Years	Annualized Since Inception (12/31/14)	Gross/Net Expense Ratio
ARSSX Class I	1.65%	2.26%	5.00%	3.70%	2.96%/0.62%
Blended Benchmark*	1.68%	2.36%	4.99%	4.09%	N/A
Bloomberg Barclays Aggregate Bond Index	0.02%	-1.22%	1.31%	1.33%	N/A
Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index	2.30%	2.20%	7.12%	5.17%	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.
- The Bloomberg Barclays U.S. Aggregate Index is an unmanaged index of domestic investment grade bonds, including corporate, government and mortgage-backed securities.
- 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 September 30, 2018, the ten largest holdings in the Fund and their weight as a percent of total net assets were: Communications Sales & Leasing, Inc. Loan, 3.07%; Marketo, Inc. Term Loan, 3.00%; Rackspace Hosting, Inc. Loan, 2.95%; Concentra Inc. Loan, 2.80%; XPO Logistics, Inc. Loan, 2.79%; CSC Holdings, LLC Loan, 2.78%; USI, Inc. Loan, 2.77%; Penn National Gaming, Inc. Loan, 2.68%; Astro AB Borrower, Inc. Loan, 2.53%; Univar USA Inc. Loan, 2.12%.

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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