



STRATEGIC CREDIT FUND

4Q 2018 Commentary

Summary

A weakening global macro environment led to increased volatility and risk aversion in the fourth quarter, and thus weak performance across the corporate credit markets. Bank loans and high yield fared the worst, ending the quarter in decisively negative territory, while investment grade corporate securities were essentially flat. The Aristotle Strategic Credit Fund (ARSSX) returned -2.94% at NAV, underperforming both the 1.64% quarterly return of the Bloomberg Barclays U.S. Aggregate Index and the -2.04% return of the custom benchmark (mainly due to weakness in the high yield and bank loan markets). 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 the Aggregate Index, reporting an annualized total return of 2.70% at NAV, compared to 1.68% for the Index, while underperforming the 3.29% for the custom benchmark. The Fund has stronger risk-adjusted returns relative to the Aggregate Index, as measured by the Sharpe ratio, and much 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

Worries about global trade and economic growth were the dominant influences on corporate credit during the quarter.

The ongoing trade dispute between the U.S. and China, uncertainty surrounding Brexit, slowing economic growth in Europe and China, and, to a lesser extent, moderating U.S. economic growth were all responsible for the weakness in corporate credit. A modestly dovish turn in mid-December by Federal Reserve (Fed) Chairman Powell did little to quell the weak market tone.

Meanwhile, the risk-off environment led to lower U.S. Treasury yields, especially in the belly of the curve as the market began to price in fewer future Fed rate increases. The 2-year note, which began the quarter at 2.81%, fell more than 30 basis points to close the year at 2.48%. The 10-year Treasury yield also fell during the time period, declining from 3.05% to 2.69%. The spread between

the 10-year Treasury note and the 3-month Treasury compressed materially. It ended December at a positive curve of just 24 basis points, the tightest level since September 2007, after compressing 62 basis points during the quarter. Portions of the front end of the Treasury curve actually modestly inverted.

Below-investment grade bonds were hit particularly hard by the market turbulence. The Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index dipped 3.61% in the fourth quarter. Bank loans declined 3.08% during the period, as measured by the Credit Suisse Leveraged Loan Index, while investment grade corporate bonds added just 0.58%, as measured by the Bloomberg Barclays U.S. Intermediate Corporate Index. Finally, driven by the flight-to-quality trade that boosted higher-quality bonds, the Treasury-heavy Bloomberg Barclays U.S. Aggregate Bond Index rose 1.64% during the quarter.

Performance and Attribution Summary

The Aristotle Strategic Credit Fund (ARSSX) returned -2.94% at NAV, underperforming the Bloomberg Barclays U.S. Aggregate Index's 1.64% return and the -2.04% return of its blended benchmark.

The Fund's negative performance relative to the benchmark was due to an underweight in investment grade corporates and an overweight in bank loans, as well as its overweight in BBB securities, which were the worst performing of the investment grade quality tiers.

Outlook and Strategy

While the U.S. economic backdrop and corporate fundamentals remain supportive of corporate credit, a slowing global economy and trade-related uncertainties continue to persist.

A notable downshift in global growth momentum has appeared, led by weakness in Europe and China. While the U.S. is certainly not immune from weakening overseas economies, tighter credit conditions and the effects of rising tariffs, we believe U.S. economic growth will still remain solid in 2019. However, we do expect weaker first quarter Gross Domestic Product (GDP) as the effects of the government shutdown, global uncertainties and seasonal factors restrain economic growth.

This weaker growth profile has also led to lower inflation expectations and more dovish comments from the Fed and other central banks. Powell's Fed may be on hold through the first half of the year, or perhaps even longer, and has become much more data dependent. These factors have led to lower U.S. Treasury rates, especially in the belly of the yield curve. However, at this point, we believe there is likely more room for rates to rise than to fall, as inflation expectations have already declined significantly, and technical pressures could gain in strength as the U.S. funds a growing budget deficit.

Credit fundamentals remain supportive, with a decent U.S. economic backdrop, good earnings and free cash flow generation, and a growing commitment by executives to reduce debt. The technical environment for corporate credit will likely be mixed, as strong demand for the currently attractive valuations will have to contend with the volatility associated with the current macroeconomic environment.

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 December 31, the Fund was composed of 41.9% bank loans, 35.8% high yield bonds and 19.4% investment grade corporates, with the balance in cash. We believe the back-up in credit spreads has led to attractive valuations, which has the potential to cause high yield and bank loans to outperform investment grade credit. Furthermore, the investment grade fixed income market will likely face the headwind of modestly rising risk-free rates.

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

December 31, 2018

Total Return	4Q18	1 Year	3 Years	Annualized Since Inception (12/31/14)	Gross/Net Expense Ratio
ARSSX Class I	-2.94%	-1.58%	4.49%	2.70%	2.96%/0.62%
Blended Benchmark*	-2.04%	-0.31%	4.69%	3.29%	N/A
Bloomberg Barclays Aggregate Bond Index	1.64%	0.01%	2.06%	1.68%	N/A
Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index	-3.61%	-1.88%	6.18%	3.88%	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 December 31, 2018, the ten largest holdings in the Fund and their weight as a percent of total net assets were: Communications Sales & Leasing, Inc. (CSL Capital, LLC) Shortfall Term Loan, 3.01%; XPO Logistics, Inc. Refinancing Term Loan (2018), 2.77%; Concentra Inc. Tranche B-1 Term Loan (First Lien), 2.77%; CSC Holdings, LLC January 2018 Incremental Term Loan, 2.76%; Rackspace Hosting, Inc. Term B Loan (First Lien), 2.73%; USI, Inc. (fka Compass Investors Inc.) 2017 New Term Loan, 2.70%; Penn National Gaming, Inc. Term A Facility Refinancing Loan, 2.69%; Astro AB Borrower, Inc. Tranche B Term Loan (First Lien), 2.55%; Univar USA Inc. Term B-3 Loan, 2.09%; Prudential Financial Inc, 1.96%.

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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