Strategic Credit Fund

2Q 2019 Commentary

Summary

Corporate credit markets continued their strong start to 2019 with positive returns in the second quarter as falling interest rates, expectations for additional stimulus from global central banks, steady credit fundamentals and optimism surrounding trade negotiations boosted investment grade corporate bonds, high yield bonds and bank loans.

Market Environment

Corporate credit benefited from increasingly dovish posturing by the Federal Reserve (Fed) and European Central Bank (ECB).

Both risky and safe-haven assets performed well during the quarter, driven by expectations that the Fed and other global central banks would respond to weakening economic data with additional stimulus via rate cuts or balance sheet expansion; the latter being more likely to occur outside of the U.S. While the Fed maintained the 2.25% to 2.5% federal funds target rate in the second quarter, the market began pricing in aggressive rate cuts this year after seven of the 17 participants of the most recent Federal Open Markets Committee meeting forecast a 50 basis point cut in the funds rate by the end of the year. While rising trade tensions in May led to pronounced declines for riskier areas of the market (such as high yield and bank loans), hope for a trade deal helped fuel strong performance in June. Additionally, company fundamentals remained generally positive in the period due to better-than-anticipated earnings and continuity of the low default rate environment, providing additional support to the corporate credit market.

Treasury yields fell during the quarter, following indications that the Fed and ECB would likely cut rates in the second half of 2019, and will likely maintain larger balance sheets than forecast (less quantitative tightening). The 10-year yield fell from 2.41% at the end of the first quarter to 2.00% at the end of June, while the 2-year yield fell from 2.27% to 1.75% and the 3-month yield fell from 2.40% to 2.12%. While many have historically viewed an inverted yield curve as a reliable predictor of a recession, the Federal Reserve and other central banks appear committed to providing the stimulus necessary to support the economy and financial markets if economic data fails to improve.

Given the greater interest rate sensitivity of investment grade corporates and longer duration of this benchmark compared to lower-rated high yield bonds and bank loans, investment grade corporates fared the best as rates declined. Investment grade corporates, as measured by the Bloomberg Barclays U.S. Corporate Investment Grade Index, returned 4.48% in the second quarter; high yield bonds, as measured by the FTSE BB/B Ex B/CCC Splits Index, returned 2.72%; and bank loans, as measured by the Credit Suisse Leveraged Loan Index, returned 1.58%. Government bonds also performed well as markets have priced in interest rate cuts, with the Treasury-heavy Bloomberg Barclays U.S. Aggregate Bond Index returning 3.08% in the second quarter.

Performance and Attribution Summary

The Aristotle Strategic Credit Fund (ARSSX) returned 2.98% at NAV, outperforming the 2.53% return of its blended benchmark but underperforming the 3.08% return of the more Treasury-heavy Bloomberg Barclays U.S. Aggregate Bond Index. Positive performance relative to the Fund's blended benchmark was driven primarily by positive security selection, with industry allocation also adding value.

Security selection was the largest contributor to relative performance, driven by strong performance of holdings within the Technology and Food & Beverage industries. This overshadowed the negative security selection within the Transportation and Building Materials industries.

Industry allocation also added value during the second quarter, as the Fund benefited from an underweight to Energy and an overweight to Building Materials. Underweights to Media Entertainment and Industrials detracted from performance.

Sector rotation was neutral to relative performance. On the positive side, the Fund's underweight to bank loans was additive, while the allocation to cash in a strong return environment detracted during the quarter.

Top Five Contributors	Top Five Detractors
Windstream Services	Tri Pointe Homes
RR Donnelley & Sons	Prudential Financial
Ortho-Clinical Diagnostics	Boardwalk Pipelines
CVS Health	Capital One Financial
Enterprise Products	AECOM

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.

Outlook and Strategy

We believe accommodative central bank policies, positive credit fundamentals, and relatively low supply remain supportive of corporate credit, though we are somewhat cautious on valuations for lower quality credit.

Following the significant rally in the corporate credit market in the first six months of the year, our outlook is for a "coupon-like" return over the remainder of 2019. We believe modestly positive economic and earnings growth, low inflation, easy monetary policies and an expectation of some form of trade agreement should maintain demand for the attractive relative yield offered in the U.S. corporate bond market. We believe that higher quality tiers of the credit market will continue to perform relatively well, given the current interest rate environment and global growth concerns, which should continue to govern risk appetite. Importantly, we believe that equity and bond investors will increasingly favor companies with low or declining leverage, providing positive support for valuations.

That being said, given the dearth of assets with the yield around the globe, we believe demand for corporate credit should persist. Overall, with a reasonably favorable fundamental backdrop and supportive market technicals, we believe the yields offered in the corporate credit market are attractive relative to other sectors in the fixed income market.

Strategic Credit Positioning

The Fund remains overweight in high yield bonds. We have recently increased our exposure to investment grade corporates, while slightly reducing our exposure to floating-rate bank loans.

As of June 30, 2019, the Fund was composed of 38.0% high yield bonds, 33.8% investment grade corporates and 24.8% bank loans, with the balance in cash. We have recently reduced our exposure to bank loans and increased our allocation to investment grade corporates, given our views on relative value and the current interest rate environment.

The Fund's significant active exposures at quarter-end included overweights in the Insurance, REITs and Real Estate Related, Telecommunications and Healthcare industries and underweights in the Banking, Technology, Industrials and Retailers & Restaurants industries.

Aristotle Strategic Credit Fund (Class I)

Performance Update June 30, 2019

Total Return	2Q19	YTD	1 Year	3 Years	Since Inception (12/31/14)	Gross/Net Expense Ratio
ARSSX Class I	2.98%	8.23%	6.79%	5.17%	4.22%	4.03%/0.62%
Blended Benchmark*	2.53%	7.60%	7.16%	5.27%	4.61%	N/A
Bloomberg Barclays U.S. Aggregate Bond Index	3.08%	6.11%	7.87%	2.31%	2.84%	N/A
Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index	2.88%	10.31%	8.77%	7.09%	5.73%	N/A

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The Fund's advisor has contractually agreed to waive certain fees and/or absorb expenses, through April 30, 2020, 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 Bond Index is an unmanaged index of domestic investment grade bonds, including corporate, government and mortgage-backed securities.
- The Bloomberg Barclays U.S. Corporate Investment Grade Index measures the performance of investment grade corporate bonds that are U.S. dollar-denominated and have a remaining maturity of greater than one year.
- The FTSE BB/B Ex B/CCC Splits Index is a high yield market index, which includes BB-rated and B-rated bonds. This is a sub-index of the U.S. High Yield Market Index excluding bonds rated B/CCC and below.
- 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, 2019, the ten largest holdings in the Fund and their weight as a percent of total net assets were: Rackspace Hosting, Inc. Term B Loan (First Lien), 2.62%; CSC Holdings, LLC January 2018 Incremental Term Loan, 2.60%; Concentra Inc. Tranche B-1 Term Loan (First Lien), 2.59%; USI, Inc. (fka Compass Investors Inc.) 2017 New Term Loan, 2.56%; Penn National Gaming, Inc. Term A Facility Refinancing Loan, 2.49%; Astro AB Borrower, Inc. Tranche B Term Loan (First Lien), 2.38%; Prudential Financial Inc, 1.85%; Eldorado Resorts, Inc. Term Loan, 1.75%; Change Healthcare Holdings, Inc. (fka Emdeon Inc.), 1.72%; Sprint Communications, Inc. Initial Term Loan, 1.65%.

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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