Strategic Credit Fund

ARISTOTLE CREDIT PARTNERS

1Q 2020 Commentary

Summary

The global pandemic (COVID-19) has created great economic and social dislocations, as well as further unprecedented policy responses on both the fiscal and monetary fronts. Its historical impact will be weighed by the depth and breadth of the global recession, as well as by its long-lasting influences on behavioral changes of governments, businesses and consumers. Financial markets globally have never experienced this amount of volatility in this short of a period. Credit spreads have also experienced record-setting volatility. As the United States now leads the world in COVID-19 cases, desperate governmental policy measures are being created to support an economy now well into a deep recession.

Market Environment

Corporate credit suffered along with all other risk assets in the first quarter. The impact from locked-down consumers caused by the threat of the virus has essentially destroyed demand for goods and services across several key industries and has had significant negative impacts on many others. The VIX Index, also known to markets as the "fear index," reached its highest level ever on March 16. Interest rates plunged across the curve with the 10-year and 30-year reaching record lows of 0.54% and 0.99%, respectively.

Corporate credit valuations dropped precipitously in the first quarter due to the rapidly deteriorating economic conditions, unprecedented investor withdrawals, and forced selling by leveraged entities. Negative rates even came to the U.S. with 1-month and 3-month Treasury bills falling below zero. A tidal wave of stimulus in March from the Fed via multiple credit and liquidity facilities, as well as the federal government via the $2 trillion CARES Act, turned the tide of the weak technical environment and brought some stability to the financial markets and somewhat improved corporate credit valuations by quarter-end.

Corporate credit spreads widened substantially in March for high yield bonds, bank loans and investment grade corporate bonds. All three sectors reached spread levels not seen since the Great Recession. For instance, the Bloomberg Barclays U.S. Corporate High Yield Bond Index spread widened over 500 basis points in the first quarter, from +336 bps. on December 31, 2019 to +880 bps. on March 31, 2020. Defaults jumped significantly in the first quarter with 13 companies totaling $23.5 billion in bonds and loans. Although this ranks as only the 7th highest quarterly default volume on record, many more defaults are expected as the economic shutdown prolongs. Several forecasts, which we agree with, put defaults for 2020 between 8%-10%. This is over double the historical average and considers about half will come from the Energy industry. Following healthy issuance in the first two months of the year, March's high yield new-issue activity came to a virtual standstill with only five bonds pricing, four of which were in the first three days of the month. For the quarter, gross new issuance in high yield was up 11%; however, net issuance (excluding refinancing's) was very low at only $18.7 billion.

In an environment where risk-free rates fell substantially across the curve, many of the strongest performing bonds were rate-sensitive bonds of high-quality issuers. Therefore, investment grade corporates significantly outperformed high yield bonds and bank loans. The Bloomberg Barclays U.S. Corporate Investment Grade Index returned -3.63% versus the Bloomberg Barclays U.S. Corporate High Yield Bond Index return of -12.68%. Leveraged loans posted a -13.19% return in the first quarter, as measured by the Credit Suisse Leveraged Loan Index.

Performance and Attribution Summary

The Aristotle Strategic Credit Fund (ARSSX) returned -7.55% at NAV in the first quarter, outperforming the -9.32% return of its blended benchmark of one-third Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index, one-third Bloomberg Barclays U.S. Intermediate Corporate Index and one-third Credit Suisse Leveraged Loan Index. Relative performance was driven primarily by security selection, sector rotation and industry allocation.

Security selection was a slight overall detractor to relative performance, driven by negative selection within the Banking industry. This was partially offset by positive security selection within the Pipeline industry.

Sector rotation was the main contributor to outperformance, driven by an overweight in investment grade corporate bonds and an underweight in bank loans. A residual allocation to cash also slightly contributed to positive performance relative to the benchmark.

Finally, industry allocation was another slight detractor during the first quarter, driven by the Fund's overweight in Real Estate, which was partially offset by an underweight in Energy.

Top Five Contributors	Top Five Detractors
Northrop Grumman	Hertz
United Parcel Service	PBF Logistics
Southern California Edison	Brinker International
Verizon Communications	Penn National Gaming
Sprint Capital	Occidental Petroleum

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

As global financial markets continue to digest news at an unprecedented pace, numerous uncertainties hang over the investment world. What will the recovery look like? How will new stimulus policies affect consumers? What types of investments should investors be focused on? One thing we are certain of is that volatility will persist. In addition to all the uncertainty surrounding COVID-19 and the current healthcare crisis, the volatility in global economic data and financial markets is compounded by today's much smaller Wall Street balance sheets as compared to past crises. In times past, the Street was a significant provider of liquidity. Following the global financial crisis (GFC), the modern regulatory environment prevents banks from taking such risks which makes these events even more unprecedented.

Today, return projections are very much related to how deep a recession we go into. We expect the recession to last at least a few quarters and be fairly deep initially due to the complete shutdown of the economy. But with all the stimulus, and likely much more coming, we think we are looking through the other side within the next quarter or so, and thus twelve to eighteen months out could recoup the majority of price declines/widening of spreads.

The average yield-to-worst in Aristotle Credit's standard high yield portfolios is approximately 8% or 765 basis points over a comparable 5-year U.S. Treasury note. With this starting point, we believe that the high yield market has the potential to post strong performance in the coming twelve to twenty-four months, possibly in the mid- to high-20% range seen in past cycles where spreads reached approximately +1,000 off. Subsidized 30 Day SEC Yield: 3.22%; Unsubsidized 30 Day Yield: 0.67%

Over the very near term, we believe the high yield market will remain volatile and is likely to retrace some of the gains from the lows, with a small possibility of retesting the wides as downgrades persist and bankruptcies rise. We expect that the majority of bankruptcies will be focused in the Energy industry, where we have minimal exposure, as earnings were under significant pressure coming into the recent downturn and demand expected to fall precipitously due to the global economic shutdown.

We have been re-underwriting balance sheet liquidity and stress testing earnings for our current holdings, while keeping an eye out for opportunities that are arising due to the severe dislocations taking place in virtually every industry. We believe these opportunities will arise in the coming months in both high yield rated and in the lower tiers of the investment grade market.

As in prior stressed credit cycles, we will deploy new capital first to higher quality issuers, as these bonds should recover first, and add to select issuers possessing higher yields that we hold the strongest conviction in. With so much uncertainty in a macro environment, we believe it prudent to focus first on finding value in more financially sound companies with the least idiosyncratic risks. As macro uncertainties lessen, we will trade into tier two companies with more manageable risk profiles that can benefit from the improving environment. As macro stability and certainty improves further, we will rotate into riskier and more "story" bonds, ones that we believe possess strong relative value and require broader economic strength and stability to prosper.

That is our playbook, one that we have utilized in past cycles in the mid-1990s, early 2000s and the GFC in 2008. Every cycle is different, and this one clearly is. We believe our focus on strong fundamental macro and micro analysis has positioned us relatively well going into the recent market move lower, and we expect will serve us well again as the market recovers. Picking companies with strong competitive positioning, more conservative financial practices and efficient management teams never goes out of style.

Strategic Credit Positioning

The Fund remains overweight in investment grade corporates and high yield bonds, with an underweight to floating-rate bank loans. Over the last year, we have shifted exposure from bank loans to investment grade corporates.

As of March 31, the Fund was composed of 46.1% investment grade corporates, 38.3% high yield bonds and 12.0% bank loans, with the balance in cash. The shift from bank loans to investment grade bonds remains in place as an extremely accommodative Fed keeps interest rates historically low. Additionally, we expect the deterioration of investable opportunities in the Bank Loan universe to continue and technicals to worsen as the quality of the Collateralized Loan Obligations (CLO) machine continues to go down due to structures reaching higher quality thresholds. Furthermore, the Fed's new corporate bond buying facilities add a strong technical bid to investment grade bonds, and to a lesser extent, high yield bonds.

The Fund's significant active exposures at quarter-end included overweights in the Insurance, Real Estate Investment Trusts (REITs) and Real Estate Related, Pipelines, Telecommunications, Brokerage and Utilities industries and underweights in the Chemicals, Technology, Media Entertainment and Energy industries. We also favor longer duration securities in high quality credits that we view as having a strong likelihood of spread compression, and thus, can present attractive total return opportunities in this dislocated environment.

Aristotle Strategic Credit Fund (Class I)

Performance Update March 31, 2020

Total Return	1Q20	YTD	1 Year	3 Years	5 Years	Since Inception (12/31/14)	Gross/Net Expense Ratio
ARSSX Class I	-7.55%	-7.55%	-1.74%	1.51%	2.47%	2.68%	4.03%/0.62%
Blended Benchmark*	-9.32%	-9.32%	-3.95%	1.29%	2.32%	2.66%	N/A
Bloomberg Barclays U.S. Aggregate Bond Index	3.15%	3.15%	8.93%	4.82%	3.36%	3.51%	N/A
Bloomberg Barclays U.S. High Yield Ba/B 2% Issuer Cap Index	-11.43%	-11.43%	-4.85%	1.53%	2.96%	3.34%	N/A

Performance data quoted here represents past performance. Past performance is no guarantee of future results. Returns over one year are annualized. 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.

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 in the Fund for the last 12 months are available upon request.

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. **Market Turbulence Resulting from COVID-19** – The outbreak of COVID-19 has negatively affected the worldwide economy, individual countries, individual companies and the market in general. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the Fund. To learn more about the Principal Risks of Investing in the Fund, please reference the prospectus.

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 a market-weighted index designed to track the performance of the investable universe of the U.S. dollar-denominated institutional 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 investment grade, fixed-rate, taxable corporate bond market. It includes securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers that are all U.S. dollar denominated. The Bloomberg Barclays U.S. Corporate Investment Grade Index is a component of the Bloomberg Barclays U.S. Credit Index.
- The Bloomberg Barclays U.S. Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.
- Treasuries are negotiable debt obligations of the U.S. government secured by its full faith and credit and issued at various schedules and maturities.
- Subsidized 30-Day SEC Yield is computed under an SEC standardized formula based on net income earned over the past 30 days. It is a "subsidized" yield, which means it includes contractual expense reimbursements and it would be lower without those reimbursements.
- Unsubsidized 30-Day SEC Yield is computed under an SEC standardized formula based on net income earned over the past 30 days. It excludes contractual expense reimbursements, resulting in a lower yield.
- Yield to Worst is the lowest potential yield expressed as a percent that can be received on a bond without the issuer actually defaulting.

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, 2020, the ten largest holdings in the Fund and their weight as a percent of total net assets were: CSC Holdings, LLC September 2019 Initial Term Loan, 2.00%; Brookfield Finance, Inc., 1.90%; Anheuser-Busch InBev Worldwide Inc., 1.83%; Prudential Financial, Inc., 1.81%; Dominion Energy, Inc., 1.69%; Astro AB Borrower, Inc. Tranche B Term Loan (First Lien), 1.63%; Southern California Edison Company, 1.59%; Bristol-Myers Squibb Company, 1.59%; Penn National Gaming, Inc. Term A Facility Refinancing Loan, 1.49%; and Dell Inc., 1.48%.

This material must be preceded or accompanied by a prospectus. An investor should consider the fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information about the Funds can be found in the fund's prospectus. To obtain more information, please call (844) 274-7868 or visit www.aristotlefunds.com. Please read the prospectus carefully before investing.

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