ARISTOTLE FUNDS

ARISTOTLE PORTFOLIO OPTIMIZATION AGGRESSIVE GROWTH FUND COMMENTARY

DECEMBER 31, 2023

MANAGED BY PACIFIC LIFE FUND ADVISORS LLC

Class A		Class C		Class I-2	
Ticker	**Fund Number**	**Ticker**	**Fund Number**	**Ticker**	**Fund Number**
POEAX	145	POCEX	345	POEDX	045

Market Review

Equity markets bounced higher over the fourth quarter of 2023 with the S&P 500 Index up 11.69% for the period as market breadth widened, benefiting recently out-of-favor styles. In terms of size and style, small-cap value performed well after struggling over the prior few quarters. Among the domestic equities, large-cap value lagged other styles. Real estate, which had struggled throughout the year, also performed well over the final quarter of 2023. Like much of the year, international equities continued to lag behind domestic stocks, particularly as Chinese stocks continued to face multiple challenges.

Within fixed income, longer-duration bonds outperformed their shorter-duration counterparts, as the yield on the 10-year Treasury plunged over the quarter. Among the credit-spread sectors, emerging-markets debt and high yield performed relatively well, while bank loans struggled to keep up pace.

Fund Performance

The fund returned 10.82% during the fourth quarter of 2023 and 18.52% for the trailing 12-month period (Class A at NAV).

Performance Review

Overall, the fund performed relatively well, ranking in the 44th percentile (based on risk-adjusted returns) versus peers over the trailing 12-month period as of Dec. 31, 2023, according to Morningstar.

Among the domestic equity group, exposure to large-cap growth predominantly contributed to performance over the fourth quarter and trailing 12-months. Exuberance over AI significantly benefitted a handful of large tech companies for much of the year. However, Aristotle Growth Equity underperformed its benchmark over the quarter, which detracted from performance for the fourth quarter. Over the trailing 12-month period, value stocks and real estate detracted from performance, as concerns over tighter financial conditions dragged those asset classes. Nonetheless, Aristotle Core Equity outperformed its benchmark over the quarter and contributed to performance.

Within the international equity group, exposure to emerging markets detracted from performance over the fourth quarter and trailing 12 months. Chinese stocks primarily detracted from performance, as the country struggled with its housing market and weak consumer confidence.

Among the fixed-income group, exposure to high-yield bonds contributed to performance as they outperformed the Bloomberg US Aggregate Bond Index over the trailing 12 months. However, Aristotle Core Income underperformed its benchmark and detracted from performance over the fourth quarter. While exposure to short-term bonds hurt performance over the quarter, Aristotle Short Duration Income outperformed its benchmark and helped offset some of the downside.

Outlook

The Federal Reserve paused hiking rates during the last three Federal Open Market Committee (FOMC) meetings as we entered 2024. Unless inflation pressures resurface, the Fed is likely finished with its rate-hiking cycle. Currently, the market consensus suggests that the Fed will pursue interest-rate cuts sooner than later, with the first cut coming as early as March 2024. However, this is based on core inflation heading toward the Fed's target of 2% over the next several months.

According to real-time data tracked by the Fed's Inflation Nowcasting, the core Personal Consumption Expenditures (PCE) Price Index appears to be on track to hit the Fed's target within the next several months–unless inflation turns out to be stickier than anticipated. Nonetheless, this is further verified by market rent prices having normalized already.

Market rent price data (which tends to lead Consumer Price Index or CPI shelter data by roughly a year) indicates housing inflation has already normalized in real-time, implying that core CPI and PCE should soon follow.

While shelter inflation is set to decelerate and normalize, wage growth remains well above normal levels–though it looks to have peaked about a year ago. Wage growth impacts non-shelter service inflation, which should be the last piece of the puzzle that is keeping inflation elevated. Latest labor market data shows that employment remains quite strong, suggesting that the market might be too optimistic about early rate cuts.

The U.S. economy continues to remain relatively resilient despite 11 rounds of interest-rate hikes since 2022. Unemployment continues to be well below 4%. One of the reasons for the resiliency stems from all the government spending aimed to drive infrastructure, electric-vehicle, and semiconductor production. Additionally, enthusiasm over AI will likely attract considerable amount of private capital toward its development as well. This spending could support the economy and add pressure to inflation.

Some of these potential pressures could cause the Fed to hesitate cutting rates too early. Unless these inflationary factors dissipate, the Fed may end up disappointing the market by holding rates higher for longer (as Chair Jerome Powell has suggested). Additionally, both consumer and corporate confidence has not deteriorated enough to warrant significant cuts yet.

Furthermore, we cannot ignore geopolitical risks that could potentially reignite inflation. Tensions around the South China Sea has the potential to disrupt global trade, as China continues to flex its military authority in the region and seeks to reunite Taiwan with the mainland. Further decoupling between the U.S. and China would likely have inflationary effects. Additionally, the ongoing conflict in the Middle East and the Red Sea is forcing shippers to find alternative routes around that region, causing shipping costs to spike again.

Inflationary risks continue to linger, and it may be too early to celebrate. Current signs indicate that the Fed may refrain from aggressively easing monetary policy for the time being, unless FOMC members begin to worry about a hard-landing scenario for the economy. Although the Fed may be done raising rates, it may hesitate from cutting rates too early and aggressively given that deep recessionary risks have been waning. Given this outlook, it may seem too premature to aggressively dial up portfolio risk for now.

Total Returns–Class A

	Total Returns (%)		Annualized Total Returns (%)			
	YTD	1-Year	3-Year	5-Year	10-Year	Since Fund Inception 12/31/03
Class A—NAV	18.52	18.52	3.42	10.26	6.98	6.60
Class A—MOP	12.03	12.03	1.49	9.03	6.38	6.30
S&P 500® Index	26.29	26.29	10.00	15.69	12.03	9.69
MSCI EAFE Index	18.24	18.24	4.02	8.16	4.28	5.59
Bloomberg US Aggregate Bond Index	5.53	5.53	-3.31	1.10	1.81	3.17

Past Performance is not indicative of future results. *Returns reflect reinvestment of dividends/distribution. 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 quoted. Performance current to the most recent month end may be found at www.AristotleFunds.com/performance or by calling 1-844-274-7885. The investment advisor has contractually agreed to limit certain expenses and reevaluates them annually. Please see the current prospectus for detailed information. Net/Gross annual operating expenses for Class A are 1.09% and 1.09%.*

Returns shown at net asset value (NAV) have all distributions reinvested. Returns shown at maximum offering price (MOP) for Class A shares reflect payment of the maximum sales charge of 5.50%. When a sales charge is illustrated, it is applied at the beginning of the period.

Indexes are unmanaged and cannot be invested in directly. Further, they hold no cash and incur no expenses.

All share classes may not be available at all firms, and not all investors may be eligible for all share classes.

Definitions

The **Bloomberg US Aggregate Bond Index** is composed of investment-grade U.S. government and corporate bonds, mortgage pass-through securities, and asset-backed securities and is commonly used to track the performance of U.S. investment-grade bonds.

The **MSCI EAFE Index** is designed to measure the equity-market performance of developed markets in Europe, Australasia, and the Far East.

The **S&P 500 Index** is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the U.S. stock market.

Morningstar Category™ is a proprietary Morningstar data point. Percentile Rank in Category is the fund's total return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top performing fund in a category will always receive a rank of 1. Percentile Rank in Category is based on total returns which include reinvested dividends and capital gains. Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. The top 10% of funds in each category receive five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars, and the bottom 10% receive one star. Morningstar Ratings for other share classes may have different performance characteristics. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. For Overall, three-, five-, and ten-year Morningstar Ratings for other share classes, visit AristotleFunds.com/Performance. Morningstar Ratings are objective, based entirely on a mathematical evaluation of past performance. They're a useful tool for identifying investments worthy of further research but shouldn't be considered buy or sell recommendations.

Investing involves risk. Principal loss is possible. Asset allocation and diversification do not guarantee future results, ensure a profit or protect against loss. Although diversification among asset classes can help reduce volatility over the long term, this assumes that asset classes do not move in tandem and that positive returns in one or more asset classes will help offset negative returns in other asset classes. There is a risk that you could achieve better returns by investing in an individual fund or multiple funds representing a single asset class rather than using asset allocation. A fund-of-funds does not guarantee gains, may incur losses and/or experience volatility, particularly during periods of broad market declines, and is subject to its own expenses along with the expenses of the underlying funds. It is typically exposed to the same risks as the underlying funds in which it invests in proportion to their allocations.

Investors should consider a fund's investment goal, risk, charges and expenses carefully before investing. The prospectus contains this and other information about the fund and can be obtained at www.AristotleFunds.com. It should be read carefully before investing.

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