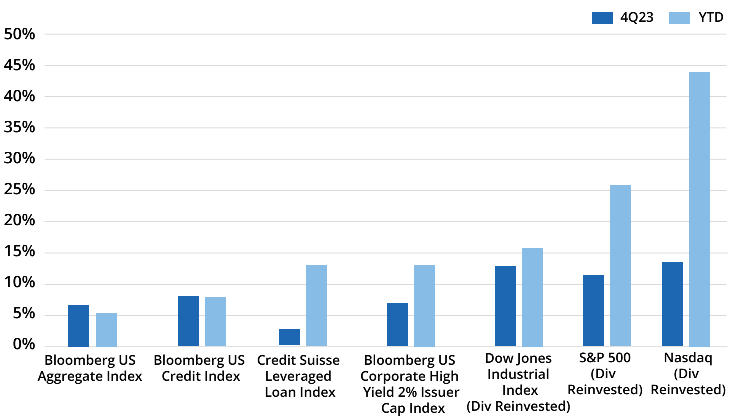
ARISTOTLE
STRATEGIC INCOME FUND COMMENTARY

DECEMBER 31, 2023

SUB-ADVISED BY ARISTOTLE PACIFIC CAPITAL, LLC

Class A	Class C	Class I-2
Ticker PLSTX	**Ticker** PLCNX	**Ticker** PLSFX

Index Returns



As of 12/31/23.

Market Review

- Bond and equity markets finished strong in 2023, with bond valuations standing out in the fourth quarter.
- Expectations of interest rate cuts drove returns in the fourth quarter. Softening inflation, a resilient economy – U.S. GDP expanded at a 3.3% annual rate in the fourth-quarter – and stronger-than-estimated corporate earnings also contributed to market performance.
- In the fourth quarter, yields in the 2-year, 10-year, and 30-year Treasury markets decreased by 80, 71, and 70 basis points, respectively. The significant rate rally buoyed risk-based assets and fixed-income markets alike in the closing months of 2023.
- The rate path was volatile in 2023, but after seeing a swing of nearly 200 basis points during the year, the 10-year Treasury ended 2023 about where it began.
- In direct correlation to the move in rates, the Bloomberg US Aggregate Bond Index rallied 6.82% in the fourth quarter to finish the total return for the year at 5.53%. The Bloomberg US High Yield 2% Issuer Cap Index gained over 50% of its 2023 total return in the fourth quarter.

Rate cut expectations, and actual rate cuts, will continue to be key drivers of performance in 2024. Investors are hopeful for a rate cut as soon as March. There is reason for optimism as both the consumer price index (CPI) and the personal consumption expenditures (PCE) price index, which the Federal Reserve tends to favor, trended down in 2023. Core PCE (excluding food and energy) had dipped to 3.2% in November, getting close to the 2% range of the Fed's target for inflation (at the time of this writing the December PCE had not been released). Still, core CPI has been higher (3.9% in December), so March may be too soon for the first rate cut.

We see a strong argument for fixed-income investments and highlight the elevated starting yields seen in many asset classes. With expectations for only a mild economic slowdown, the yield pickup offered in liquid-credit asset classes remains attractive.

Reinforcing our stance from last year, we believe the substantial carry in corporate credit offers a buffer against potential market volatility and presents opportunities for total returns.

Asset Class Overview

The total return for investment-grade bonds (represented by the Bloomberg US Aggregate Bond Index or Agg) in the fourth quarter was 6.82%, bringing the 2023 total return to 5.53%.

Agg experienced its largest quarterly return in over two decades. As recently as the end of October, the index was nearly -3%. What had been a highly aggressive monetary policy by the Fed shifted to potentially more accommodative as inflation lowered and economic readings remained supportive. For context, over the quarter, 2-year Treasury note yields moved lower by 80 basis points, 5-year Treasury notes decreased 76 basis points, 10-year Treasury bond yields decreased 71 basis points, and 30-year Treasury bond yields moved 70 basis points lower. Coinciding with the move lower in rates as spread tightening as the index tightened 10 basis points quarter-over-quarter and 9 basis points on the year.

Specific to credit fundamentals, the overall picture for many investment-grade (IG) rated corporations remains resilient, even as some key metric and ratios have experienced declines.

Most trends seen pertaining to IG-rated corporations are reflected in a conservative balance-sheet focus. This is positive to see in a time where uncertainty appears to be certain. Per J.P. Morgan, positive ratings momentum continued in 2023 as upgrades outpaced downgrades by 3.5x. In 2023, $690 billion of debt was upgraded within the high-grade space alongside $101 billion of rising stars, which far exceeds the $200 billion of debt downgraded within high grade and $25 billion of fallen angels. High-grade gross issuance in 2023 was approximately $1.2 trillion, which is in line with the past several years. While IG spreads appear tight compared to the last 5- and 10-year periods, yields are historically attractive.

	YTD Return	OAS	OAS to Start Year	YTW	YTW to Start Year	Duration	Duration to Start Year
US Aggregate Index	5.53 %	42	51	4.53%	4.68%	6.24	6.17
AAA	4.36%	49	23	4.60%	4.41%	4.31	5.87
AA	5.82%	20	73	4.33%	4.89%	6.08	6.88
A	7.67%	87	111	4.93%	5.25%	7.06	6.87
BBB	9.40%	122	159	5.29%	5.70%	6.98	7.13

As of 12/31/23.

The Bloomberg US High Yield 2% Issuer Capped Bond Index returned 7.16 % in the fourth quarter, bringing the total return for 2023 to 13.44%. Over the past 30 years of index history, 2023 was the eighth best total return.

While concerns remain regarding elevated financing rates for high-yield rated companies, the market currently expects lower rates in a larger magnitude than previously anticipated this year. This may create a window of opportunity for companies to access capital markets to extend upcoming maturity walls. Another concern for non-investment-grade rated corporations is a wave of defaults. While further default activity is predicted for 2024, it is not expected to result in significantly high default rates and is thought to be more sector specific. Per J.P. Morgan, the par-weighted U.S. high-yield bonds (including distressed exchanges) ended 2023 at 2.84%, up from 1.65% for 2022. For context, the 25-year average high-yield default rate is 3.4%. In 2024, high-yield bond default rates are forecasted to be 2.75% and 3% in 2025—well within the historical norm.

Amid the massive decline in rates seen over the last months of 2023, the yield-to-worst (YTW) of the high-yield index (7.59%) is now the lowest since August 2022 and spreads moved tighter to 323 basis points, the lowest since April 2022. As of year-end, approximately 44% of issuers within the benchmark now trade inside of 200 basis points. As a point of reference highlighting the power of the selloff in rates, the index returned nearly two-thirds of the entire year's 13% total return in the fourth quarter.

	YTD Return	OAS	OAS to Start Year	YTW	YTW to Start Year	Duration	Duration to Start Year
US HY 2% Issuer Cap Index	13.44%	323	470	7.59%	8.97%	3.15	3.88
BB	11.56%	201	296	6.34%	7.21%	3.48	4.26
B	13.78%	310	490	7.52%	9.21%	2.90	5.56
CCC	19.84%	776	1008	12.11%	14.26%	2.77	3.36

As of 12/31/23.

Increased hopes of a soft landing for the economy—along with optimism that the Fed has reached its peak rate—buoyed risk-based assets in the quarter. The Credit Suisse Leveraged Loan Index (CSLLI) returned 2.85% in the quarter, bringing the total return for 2023 to 13.04%. This marks the second-best calendar year return since the inception of the index in 1992 and the best annual return since 2009.

Even considering the historic performance seen in the bank-loan asset class over the year, retail investors exhibited great caution. Per J.P. Morgan, while leveraged-loan fund outflows eased toward the end of the year, 2023's outflows for bank-loan funds total $17.7 billion compared with an outflow of $12.8 billion the year prior. For context, the retail buyer base represents 10 to 15% of the asset class, whereas the collateralized loan obligation (CLO) buyer base makes up two-thirds. Thankfully, offsetting the retail wave outflows was robust CLO issuance. Last year saw 322 U.S. CLOs price totaling $138.9 billion compared with 328 U.S. CLOs totaling $152.5 billion experienced in 2022. While this marks nearly a 9% decline year-over-year, it proved to be a more than sufficient supportive technical to the asset class.

Loan issuance remained muted as compared to prior years, which is helping support the asset class as well. Last year's leveraged loan issuance totaled $370.1 billion ($81.8 billion net of refinancing/re-pricing), compared to $252.5 billion ($163.1 billion net of refinancing/re-pricing in 2022), marking a 47%

Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest).

increase and 50% decrease, respectively. For the year, refinancing led by use of proceeds, accounting for nearly 60% of total volume, while repricing activity accounted for approximately 19% with acquisition usage amounting to 16% of use of proceeds.

As measured by the 4-year effective yield, the CSLL Index currently offers investors a yield of over 10% with a coupon of 9.36%—both of which remain supported by an elevated SOFR rate. The average price of the CSLLI ended the fourth quarter at $95.32, up from $94.83 to start the period and $91.89 to begin the year. According to J.P. Morgan, the par-weighted U.S. loan default rate (including distressed exchanges) ended 2023 at 3.15%, up from 1.65% at 2022. For context, the 25-year average loan default rate is 3%. Expected default rates for 2024 and 2025 are 3.25% and 3.75%, respectively.

	YTD Return	3Yr DM	3Yr DM to Start Year	3Yr Life Yield	3Yr Life Yield to Start Year
CSLL Index	13.04%	528	652	9.01%	10.76%
BB	10.05%	315	363	6.91%	7.89%
B	14.41%	496	691	8.71%	11.15%
CCC	16.13%	1378	1605	17.34%	20.26%

As of 9/30/23.

Fund Performance

For the quarter, Aristotle Strategic Income Fund (Class I-2) returned 6.49% versus the Bloomberg US Aggregate Bond Index return of 6.82%.

Portfolio Review

Declining interest rates and a strong risk-on market sentiment in the fourth quarter contributed to positive portfolio returns. The fund's fixed-rate high yield and investment-grade corporate bond positions had the benefit of both spread tightening and attractive carry. Floating-rate holdings were positive for the quarter but trailed relative to their fixed-rate counterparts. Portfolio changes during the quarter included a moderate reduction in longer-duration corporates and an increase in investment-grade collateralized loan obligation (CLO) debt. Portfolio duration shortened by approximately .5 years. The broad portfolio theme from recent quarters, however, remains largely intact. This includes higher-than-average exposure to investment-grade securities and lower allocation to high-yield bonds. While the economy continues to perform well, opportunities to add risk at more attractive levels may evolve as tighter monetary conditions take hold and consumer surplus savings are depleted. We are ready to take advantage of opportunities in high yield should they materialize. Investment-grade corporate bonds continue to provide reasonable compensation given the uncertainties that remain. Floating-rate bank loans and senior CLO debt provide attractive yield and pair well with the portfolios fixed-rate exposures. We continue to favor BBB rated securities within the investment-grade corporate sleeve. On a sector basis, we have found value in U.S. money center banks as well as in higher-yielding manufacturing issues.

Fund Allocation

At quarter end, the fund's allocation was as follows: investment-grade corporate bonds (46.7%), floating-rate bank loans (20.6%), high-yield bonds (20.3%), and asset-backed securities (5.93%). The allocation to investment-grade corporate bonds declined by 2.9% during the quarter. High yield and bank loans were also marginally lower quarter-over-quarter. Duration declined by 0.54 to end the quarter at 3.62 years. The quarter ending cash position was 4.98%

Contributors/Detractors

Fixed-rate investment-grade corporate bond and high-yield bond exposures were positive relative return contributors for the quarter. Floating-rate exposures across bank loans and CLO debt securities detracted from relative returns. An underweight to mortgage-backed securities (MBS) and to longer-duration Treasuries also detracted. On a sector basis, banking, midstream, and technology were positive contributors. Retailers, media and entertainment, and construction machinery sectors detracted.

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 through 7/31/25. Please see the current prospectus for detailed information.*

Manager Outlook

U.S. credit markets finished 2023 with very strong rallies, supported by a rapid decline in rates across the Treasury curve. In December, the Federal Reserve gave its strongest indication yet we may have seen the last rate hike of this hiking cycle. Additionally, the Fed has openly discussed a willingness to lower the fed funds rate solely based on subdued inflation, even if the economic data remains strong. Given the consumer remains resilient, the labor market strong, and the U.S. government continues to run large deficits, the current environment remains in a sweet spot for now. It is still too early to declare soft landing success, but the markets have taken the recent rhetoric from the Fed in combination with the economic data and begun to more clearly price-in that scenario.

While we think the market may be pricing in Fed rate cuts too early in 2024, we are constructive on what the Fed has been able to accomplish. Our current thinking is for rate cuts to begin in mid-2024, and upcoming economic data will determine whether this is an adjustment to ensure the policy isn't overly restrictive or morphs into a full rate-cut cycle in response to economic weakness. We remain concerned about the lagged effect of the Fed hike cycle and the draining of the excess consumer savings in the system and will be vigilant in monitoring incoming data around those themes.

We believe starting yields and spreads across the liquid-credit universe provide a healthy amount of cushion for potentially softer and more volatile times as the year progresses. In Strategic Income, given what we believe is current priced in, we maintain an up-in-quality theme with a higher allocation to investment-grade corporates and lower exposure to below investment-grade issues relative to history. After the recent rally in rates, we have reduced our overall portfolio duration, mainly through selling longer-maturity investment-grade positions. While our current expectation is still for lower rates over the medium term, we have a more favorable outlook on the short to intermediate portions of the curve, which we would expect to benefit from Fed rate cuts. In 2024, we have a large slate of global elections, and geopolitical risks remain high—all while the Fed is attempting to stick the landing, which has historically been challenging. We anticipate a volatile year and will look to use the flexibility of the fund to manage effectively through the volatility.

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	Total Returns (%)			Annualized Total Returns (%)			
	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Fund Inception
Class A—NAV	6.34	10.84	10.84	1.05	5.05	3.76	5.16
Class A—MOP	1.86	6.15	6.15	-0.39	4.14	3.31	4.79
Class I-2	6.49	11.20	11.20	1.30	5.33	4.02	5.41
Bloomberg US Aggregate Bond Index	6.82	5.53	5.53	-3.31	1.10	1.81	1.68

Top 10 Issuers	Weight (%)
Wells Fargo & Company	2.13
Morgan Stanley	2.06
JPMorgan Chase & Co.	2.03
Bank Of America Corp	1.94
Citigroup Inc.	1.94
Goldman Sachs Group, Inc.	1.88
Government Of The United States Of America	1.59
TransDigm Group Incorporated	1.51
Venture Global LNG, Inc.	1.43
SRS Distribution, Inc.	1.41
Total	**17.91**

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Class A shares at maximum offering price (MOP) reflect the deduction of the up-front 4.25% sales load. Performance reflects any applicable fee waivers and expense reimbursements. If a sales charge had been deducted, the results would have been lower. Gross/Net annual operating expenses for Class A are 0.94%/0.94%. Gross/Net annual operating expenses for Class I-2 are 0.69%/0.69%. Inception date 6/29/12.

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

One **basis point** equals 0.01%.

The **Bloomberg US Aggregate Bond Index** is composed of investment-grade U.S. government bonds, investment-grade 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 **Bloomberg US Corporate Bond Index** includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

The **Bloomberg US Credit Index** measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes non-US agencies, sovereigns, supranationals and local authorities.

The **Bloomberg US High-Yield 2% Issuer Capped Bond Index** measures the performance of high-yield bonds with a 2% maximum allocation to any one issuer.

The **Credit Suisse Leveraged Loan Index** is designed to mirror the investable universe of the U.S. senior secure-credit (leveraged-loan) market.

Discount Margin (DM) is a measure of a bond's yield in addition to the credit, market and liquidity risk associated with the bond.

The **Dow Jones Industrial Average index (DJIA)** tracks the share price of the top 30 large, publicly owned U.S. companies which is often used as an indicator of the overall condition of the U.S. stock market.

Duration is often used to measure a bond's or fund's sensitivity to interest rates. The longer a fund's duration, the more sensitive it is to interest-rate risk. The shorter a fund's duration, the less sensitive it is to interest-rate risk.

The **Nasdaq Composite** is a stock market index that consists of the stocks that are listed on the Nasdaq stock exchange.

Option adjusted spread (OAS) is the measurement of the spread of a fixed-income security rate and the risk-free rate of return.

Secured Overnight Financing Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.

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.

Yield to worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting.

Investing involves risk. Principal loss is possible. The Fund is subject to liquidity risk (the risk that an investment may be difficult to purchase, value, and sell particularly during adverse market conditions, because there is a limited market for the investment, or there are restrictions on resale) and credit risk (the risk an issuer may be unable or unwilling to meet its financial obligations, risking default). High-yield/high-risk bonds ("junk bonds") and floating-rate loans (usually rated below investment grade) have greater risk of default than higher-rated securities/higher-quality bonds that may have a lower yield. The Fund is also subject to foreign-markets risk.

This commentary represents the views of the portfolio managers at Aristotle Pacific Capital LLC as of the publication date and are presented for informational purposes only. These views should not be construed as investment advice, an endorsement of any security, mutual fund, sector or index, or to predict performance of any investment. Any forward-looking statements are not guaranteed. All material is compiled from sources believed to be reliable, but accuracy cannot be guaranteed. The opinions expressed herein are subject to change without notice as market and other conditions warrant. Sector names in this commentary are provided by the Fund's portfolio managers and could be different if provided by a third party.

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.

Foreside Financial Services, LLC, distributor.

Diversification does not assure a profit, nor does it protect against a loss in a declining market.