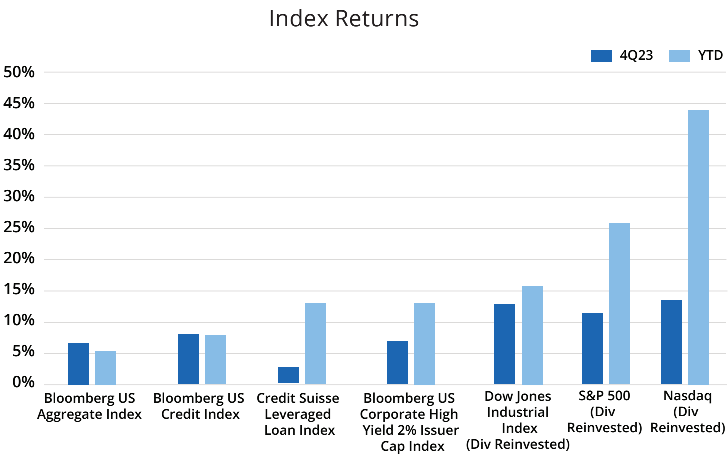
ARISTOTLE FUNDS

ARISTOTLE SHORT DURATION INCOME FUND COMMENTARY

DECEMBER 31, 2023

SUB-ADVISED BY ARISTOTLE PACIFIC CAPITAL, LLC

Class A	Class C	Class I-2
Ticker PLADX	**Ticker** PLCSX	**Ticker** PLDSX



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

	2023 Return	OAS	OAS to Start Year	YTW	YTW to Start Year	Duration	Duration to Start Year
US 1-3Yr Gov/ Credit Index	4.61%	18	18	4.52%	4.68%	1.83	1.86

As of 12/31/23.

Short-duration investment-grade bonds (represented by the Bloomberg 1-3 Year US Government/Credit Bond Index) returned 2.69% during the fourth quarter resulting in a 2023 total return of 4.61%.

Recent data has proven the U.S. economy to be far more resilient than anticipated. This has led the Federal Reserve to shift rhetoric and leave open the possibility of cutting rates sooner than previously anticipated. A downstream effect of this shift has been the market now pricing in several rate cuts in 2024, which resulted in a significant rate rally during the fourth quarter. The Treasury curve shifted lower in the last months of 2023. The rally in rates has been supportive of both government bonds and the overall credit markets. While concerns of corporate fundamentals have not abated, the hope of the Fed lowering rates in a more expeditious manner than previously thought is creating expectations of a more favorable environment for corporations.

Quarter-over-quarter, the 3-month Treasury bill fell 15 basis points; the 1-year Treasury bill moved 67 basis points lower; the 2-year Treasury note decreased by 80 basis points; and the 3-year Treasury note moved lower by 79 basis points. The Bloomberg 1–3 Year US Government/Credit Bond Index ended with an average price of $96.63, up from $95.09 at the start of the quarter.

Fund Performance

For the quarter, Aristotle Short Duration Income Fund (Class I-2) returned 3.23% versus the Bloomberg 1-3 Year US Government/Credit Bond Index return of 2.69%.

Portfolio Review

Both the fund's credit and government exposures were beneficiaries over the quarter due to the significant rally in rates. Stronger-than-anticipated economic data coupled with market expectations for robust future rate cuts resulted in strong returns in the closing months of 2024. The focus on spread products within the fund performed well given this backdrop. Additionally, we expect the elevated yields in corporate credit to provide a buffer from anticipated rate and spread volatility that may occur in 2024. As the curve normalizes over the coming quarters, the front end remains an attractive opportunity to capture historically lofty yields. We feel confident our credit selection will be beneficial in various rate and economic environments with an emphasis on credits that have enhanced sponsor backing, solid underlying collateral, and a generally higher quality tilt.

Fund Allocation

At quarter end, the fund's allocation was as follows: investment-grade bonds (46.56%), asset-backed securities (24.08%), floating-rate loans (15.17%), government bonds (13.05%), and high-yield bonds (1.02%). The fund reduced its exposure to high-yield fixed-rate bonds (this was in part due to Ford being upgraded to investment grade) while increasing its corporate and government bond exposures. Additionally, the fund reduced its A rated and BB rated credit exposures while increasing its AAA, AA, and BBB rated exposures. The fund slightly reduced its duration by approximately 0.11 years, ending the period at 1.85 years of duration.

Contributors/Detractors

On a total return basis, the fund's exposures to investment-grade corporate bonds, asset-backed securities, and government debt were the most positive contributors to total return. Additionally, the fund's bank-loan exposure was more beneficial than its fixed-rate high-yield bond exposure. By credit quality, the fund's BBB security selection had the greatest positive impact to return over the quarter.

Manager Outlook

Corporate fundamentals enter a slowing economic outlook in sound shape. Management teams seem more comfortable with a slowing-but-not-contracting growth picture. As a result, we are seeing a pickup in M&A activity and dividends across the corporate landscape. Although not necessarily a significant risk, this shift in priority is an overall negative for corporate fundaments. We are also witnessing a pickup in negative-rating actions, although mostly in well-known areas such as property-related sectors. We expect further slowing in the broad-based economy, but the U.S. consumer should continue to be a stabilizing force in overall U.S. macro trends. Many sectors continue to perform (utilities, consumer staples, and travel-related industries), and we do not expect that to change.

Investment-grade technicals strengthened during the fourth quarter as investors expect more of a soft-landing scenario. Falling inflation combined with positive-growth expectations created a constructive backdrop for longer-spread duration. Retail fund flows jumped in the quarter, which helped investment-grade spreads narrow to close the year. Technicals in Treasuries and agency mortgage-backed securities (MBS) have been impacted by the unwinding of the Federal Reserve's

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.*

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

balance sheet ($75 billion per month). This pace may fall as the Fed evaluates quantitative tightening (QT) and desired liquidity levels, which would be a positive technical for broader fixed income.

Corporate spreads experienced a strong rally to end the year, tightening by 18 basis points in the fourth quarter per the Bloomberg US Corporate Bond Index, resulting in a total of 27 basis points of spread tightening for the year. Strong technicals and a growing consensus around an economic soft landing were the catalyst for the rally. It now seems a soft landing is largely priced into corporate-credit spreads. This does not mean credit spreads lack value, but that sector and credit selection become more important drivers of excess returns. With all-in yields at5.06% and corporate spreads at 99 basis points, the index is in the 88th and 17th percentiles over the past 10 years. Current yield and price levels continue to offer a level of cushion against potential spread volatility in 2024. With a soft landing in sight and inflation falling, we think 2024 returns can see yield-plus-upside returns. If we do experience a recession, we believe there could be a more dramatic move lower in investment-grade yields.

We are finding value in industries that are seeing stability in the top line and/or cash flows, including lodging/leisure, airline related (AEETCs and aircraft lessors), utilities, U.S. global systemically important banks (G-SIBs), and food and beverage. Sectors we remain wary of include retail, office and retail REITS, regional banks and chemicals. M&A activities may pick up in 2024 with lower rates, especially in the tech and healthcare sectors. Those activities pose both risk and potential investment opportunities. Long term, we expect rates to continue to fall with inflation. However, with the large move lower, rates and spreads in the fourth quarter leave us thinking the market may have gotten ahead of itself. The move lower in fixed rates makes certain floating-rate asset classes (high-quality bank loans and senior CLOs) relatively attractive.

ARISTOTLE
SHORT DURATION INCOME FUND
COMMENTARY

DECEMBER 31, 2023

	Total Returns (%)			Annualized Total Returns (%)			
	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Fund Inception
Class A—NAV	3.18	6.47	6.47	1.02	2.43	1.90	2.33
Class A—MOP	0.06	3.24	3.24	-0.01	1.81	1.59	2.07
Class I-2	3.23	6.71	6.71	1.23	2.67	2.15	2.56
Bloomberg 1–3 Year US Government/Credit Bond Index	2.69	4.61	4.61	0.09	1.51	1.27	1.22

Top 10 Issuers	Weight (%)
Government Of The United States Of America	13.05
Bank Of America Corp	3.36
Navient Corp	3.34
JPMorgan Chase & Co.	3.07
Ford Motor Company	3.07
General Motors Company	2.19
Banco Santander, S.A.	2.16
Morgan Stanley	2.01
Goldman Sachs Group, Inc.	1.83
Citigroup Inc.	1.69
Total	**35.78**

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Class A shares at maximum offering price (MOP) reflect the deduction of the up-front 3.00% 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 0.75%/0.75%. Gross/Net annual operating expenses for Class I-2 are 0.50%/0.50%. 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 1–3 Year US Government/Credit Bond Index** is a performance benchmark of U.S. investment-grade government and corporate bonds with maturities of one to three years.

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.

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.

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.