Corporate Credit

ARISTOTLE CREDIT PARTNERS

2Q 2021 Market and Portfolio Commentary

Summary

U.S. corporate credit markets rallied across the board in the second quarter, supported by the strong global economic backdrop and falling U.S. Treasury yields. After sharply underperforming in the first quarter, investment grade corporate bonds benefited most from the lower, flatter yield curve as the Bloomberg Barclays U.S. Corporate Investment Grade Index gained 3.55%. High yield bonds added to the first quarter's gains with the Bloomberg Barclays U.S. Corporate High Yield Bond Index returning 2.74%. Bank loans lagged behind but still ended the quarter in positive territory as the Credit Suisse Leveraged Loan Index gained 1.44%.

Risk assets benefited from the acceleration in the global economic recovery, which was supported by continued progress of the vaccine rollout and the relaxation of quarantine restrictions. In the U.S., monetary and fiscal stimulus acted as tailwinds, as strong economic data and robust corporate earnings showed the extent of the recovery from the pandemic. Inflationary pressures surged during the quarter, as headline consumer prices increased 5.0% year-over-year in May, marking the biggest jump since August 2008. However, the reaction from fixed income markets was subdued as the Federal Reserve (Fed) continued its quantitative easing (QE) program while strongly messaging that inflationary pressures are largely transitory.

Market Environment

U.S. Treasuries partially reversed the first quarter's selloff and the yield curve flattened over the course of the second quarter. While the yield on the U.S. 5-Year Treasury Note declined 5 basis points, the yield on the 10-Year Note fell 27 basis points as longer duration bonds outperformed. Despite the second quarter retracement, the yield on the 10-Year Note ended the quarter more than 50 basis points above where it started the year.

Corporate credit spreads continued to fall, ending the quarter not far from the all-time lows. High yield bond spreads as measured by the Bloomberg Barclays U.S. Corporate High Yield Bond Index fell roughly 41 basis points, ending the quarter at the lowest level since 2007, while the overall yield on high yield bonds fell to an all-time low near 3.75%. Investment grade corporate bond spreads continued to slowly grind tighter as the spread on the Bloomberg Barclays U.S. Corporate Investment Grade Index ended the quarter near 80 basis points, the tightest level since March 2005.

Corporate issuers continued to take advantage of the attractive funding environment as high yield bond issuance capped off another record quarter and issuance in the first half of the year topped a record-breaking $282 billion. Issuers focused on refinancing existing debt as nearly two-thirds of high yield bond issuance this year has been earmarked for debt repayment and refinancing. Issuance in the investment grade corporate bond market remained robust but fell short of 2020's record-breaking first half issuance.

Institutional demand remained strong across the corporate credit universe, while retail fund flows favored investment grade corporate bonds. High yield retail fund flows turned positive towards the end of June, but remained negative for the quarter as overall retail fund outflows for the first half of the year topped $12 billion.

Within the high yield bond market, lower quality bonds outperformed but by a much narrower margin than in the first quarter as 'CCC's (+3.49%) outperformed 'B's (+2.16%) and 'BB's (+2.86%). Cyclicals also outperformed with Energy (+6.10%) leading the way on the back of the commodity rally and Utilities (+1.40%) underperforming.

Corporate credit metrics continued to improve as credit rating upgrades have outnumbered downgrades by a 4:1 ratio so far this year and "fallen angels" have been replaced by "rising stars", credits that have been upgraded from high yield to investment grade. Additionally, defaults continue to decline as the trailing 12-month high yield default rate fell below 6% and many expect it to end the year below 2%.

Performance and Attribution Summary

High Yield Bond

The Aristotle High Yield Bond Composite returned 2.19% gross of fees (2.14% net of fees) in the second quarter, underperforming the 2.57% return of the ICE BofA BB-B U.S. Cash Pay High Yield Constrained Index.[1] Sector rotation was the primary detractor from relative performance.

Sector rotation detracted from relative performance led by the allocation to bank loans and cash. Industry allocation also detracted from relative performance led by underweights in Energy and Food, Beverage & Tobacco, which was partially offset by the positive effect of an overweight in Technology and an underweight in Pharmaceuticals. Additionally, security selection marginally detracted from performance led by holdings in Energy and Pipelines & Distributors. This was partially offset by positive selection in Building Materials & Home Construction and Technology.

Top Five Contributors	Top Five Detractors
Bausch Health	Occidental Petroleum
QTS Realty Trust	Kraft Heinz
Dell	Apache
U.S. Concrete	**Penn National Gaming**
Lions Gate Capital	**AmeriGas**

*Bold securities held in representative account

[1]The primary composite benchmark changed from the FTSE BB/B Excluding B/CCC Splits Index to the ICE BofA BB-B U.S. Cash Pay High Yield Constrained Index effective September 30, 2020

Investment Grade Corporate

The Aristotle Investment Grade Corporate Bond Composite returned 3.58% gross of fees (3.52% net of fees) in the second quarter, nearly in line with the 3.55% return of the Bloomberg Barclays U.S. Corporate Investment Grade Index. Security selection was the primary driver of relative performance, while duration and yield curve positioning was the primary detractor from relative performance.

Security selection contributed to relative performance led by holdings in Banking and Technology, which was only partially offset by negative selection in Insurance and Utilities. Additionally, industry allocation contributed to relative performance led by overweights in Pipelines & Distributors and Real Estate Investment Trusts (REITs) & Real Estate-Related. This was partially offset by the negative effect of underweights in Aerospace & Defense and Energy.

The portfolio's short duration positioning detracted from relative performance, although its impact was partially offset by the positive effect of an overweight in 'BBB'-rated credits. Sector rotation detracted slightly from relative performance led by the allocation to cash.

Top Five Contributors	Top Five Detractors
Wells Fargo	**PG&E**
Corning	**Southern California Edison**
VEREIT	**MetLife**
Enterprise Products	**Marathon Petroleum**
Brookfield	Energy Transfer

*Bold securities held in representative account

Strategic Credit

The Aristotle Strategic Credit Composite returned 1.91% gross of fees (1.91% net of fees[2]) in the second quarter, performing in line with the 1.91% return of the 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. Security selection was the primary detractor from relative performance, while sector rotation was the primary driver of relative performance.

Security selection detracted from relative performance led by holdings in Energy and Pipelines & Distributors, which was partially offset by positive selection in Banking & Transportation. Industry allocation had an overall neutral effect on relative performance as the positive effect of an overweight in Pipelines & Distributors and an underweight in Utilities was largely offset by the negative effect of underweights in Industrials and Diversified Manufacturing & Construction Machinery.

Sector rotation contributed to relative performance led by an overweight in high yield bonds and an underweight in bank loans, while the allocation to cash detracted from relative performance.

Top Five Contributors	Top Five Detractors
Wells Fargo	**Sally Capital**
United Airlines	**Kennedy Wilson**
AMC Networks	**Safeway**
Dell	**Murphy Oil**
American Airlines	**AmeriGas**

*Bold securities held in representative account

Outlook and Strategy

Our outlook for corporate credit markets heading into the second half of 2021 remains much the same; we believe strong global economic growth should continue to be supportive of markets but several risks, led by the specter of inflation, remain on the horizon.

The U.S. led the global economic recovery in the first half of 2021 as the economy benefited from an accelerated pace of vaccinations, additional fiscal stimulus and continued easy policy from the Fed. We do not expect to see the same rate of growth in the latter part of the year and believe growth has now peaked in the U.S. While Europe has the potential to pick up some slack, the lack of coordinated monetary and fiscal policy will keep the region from seeing the same sharp increase in growth that the U.S. experienced, and we therefore believe global growth has peaked for the current cycle.

After the volatile steepening of the U.S. yield curve in the first quarter, the subsequent stabilization and reversal in yields during the second quarter caught many by surprise. We believe technical factors have played a significant role in the reversal and will continue to drive core fixed income markets. While the supply of Treasuries should pick up from the lower-than-expected pace over the past few months, there has been unrelenting institutional demand for fixed income as the Fed continues with its QE program, foreign investors turn to U.S. fixed income for yield and select fully funded corporate pensions seek to lock in gains and add duration.

With corporate credit spreads ending the quarter not far off the historic tights, overall valuations are not as attractive as they were at the beginning of the year. However, the technical backdrop should remain supportive, as we expect a slowdown in new-issue supply in the second half of the year. We believe a lot of corporate issuance was front-loaded this year as companies worried about higher interest rates. Issuance on the back of an increase in mergers and acquisitions (M&A) and leveraged buy-outs (LBOs) will be the wild card in the latter part of the year.

In our view, overall inflation risks remain elevated and will continue to be the biggest concern for fixed income markets. We have been watching inflation measures closely and positioning our portfolios for the possibility of higher inflation by adding credits of companies

[2] As of June 30, 2021, 96% of the Composite consisted of a non-fee paying account.

we believe will either not be affected by or will benefit from higher inflation. This is very much a name-by-name process; we are focusing on companies with pricing power and solid management teams that have control over their margins while avoiding companies that are unable to absorb higher costs.

High Yield Bond Positioning

Adjustments to our high yield bond portfolios consisted largely of tweaking existing positions. Overall, we rotated further into cyclical "reopening" trades across industries. We continue to hold a duration underweight in our full duration portfolios and believe shorter duration credits should outperform as we expect interest rates to rise again in the second half of the year.

We continued to reduce the weight of investment grade corporate bonds we opportunistically added over the past year. We also marginally increased our exposure to 'B'-rated credits. We further increased our exposure to cyclicals, reducing an underweight in Energy while selectively increasing exposure to Travel & Leisure. At the end of the quarter, we held overweights in Building Materials & Home Construction, Media & Entertainment and Transportation alongside underweights in Energy, Telecommunications and Food, Beverage & Tobacco.

Investment Grade Corporate Positioning

In our investment grade corporate bond portfolios, we further rotated into cyclicals while marginally reducing our overall duration positioning. We have also rotated into subordinated Banking securities for yield pick-up.

We favor Financials (Banking, Insurance, REITs), cyclicals (Transportation, Pipelines) and select Utilities. We further reduced our allocation to Healthcare, as we believe spreads are quite tight after benefiting from the shutdown in 2020. We also continue to hold underweights in Pharmaceuticals and Food, Beverage & Tobacco.

Strategic Credit Positioning

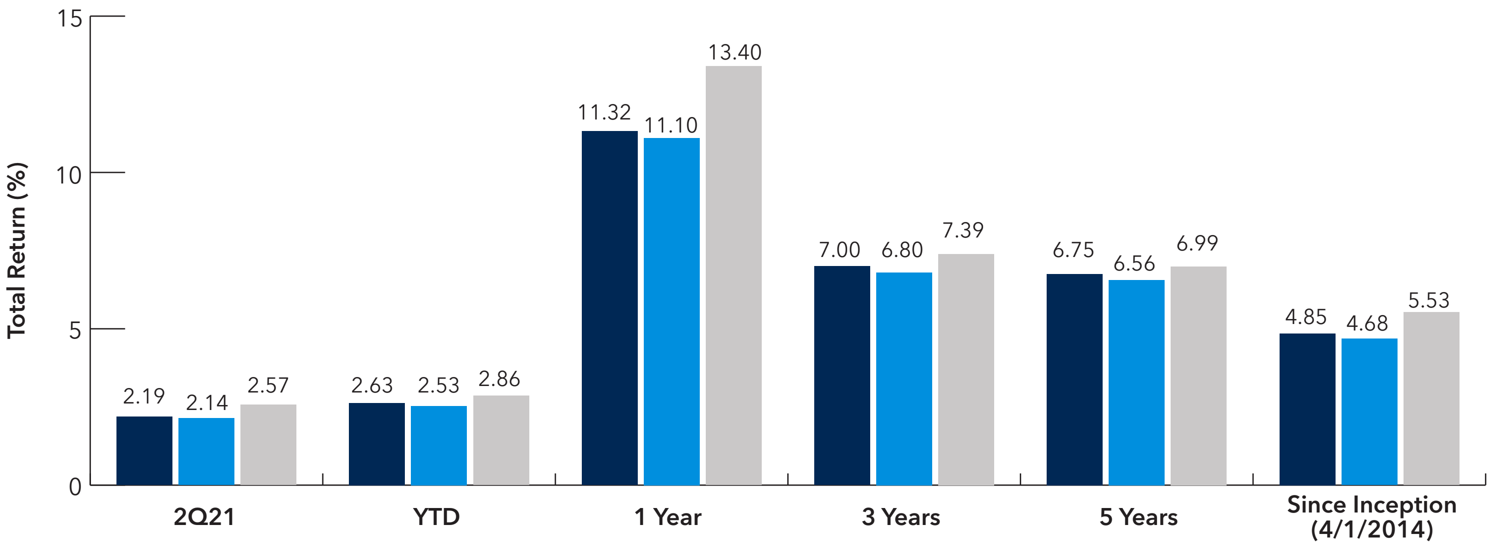
As with our other strategies, we only made marginal changes to positioning in our Strategic Credit portfolios. We slightly increased the allocation to high yield bonds, while further reducing exposure to investment grade corporate bonds and holding exposure to bank loans nearly constant. As a result we slightly decreased duration but to a much smaller extent than we did in the first quarter.

We hold an underweight in bank loans as short-term interest rates in the U.S. remain pinned to near the historic lows and the Fed shows few signs of abruptly shifting its current easy monetary policy stance. Additionally, as strong growth continues in the U.S., we expect to see a pick-up in LBOs and an increase in the number of lower quality issuers in the bank loan market.

As of June 30, the strategy was composed of 23.2% investment grade corporate bonds, 67.3% high yield bonds and 8.6% bank loans. Roughly 0.9% was held in cash. At the end of the quarter, we held overweights in REITs & Real Estate-Related, Retailers & Restaurants and Transportation alongside underweights in Healthcare, Technology and Food, Beverage & Tobacco.

Aristotle High Yield Bond Composite Performance

All Periods Ended June 30, 2021



Year	High Yield Bond Composite (Gross, %)	High Yield Bond Composite (Net, %)	ICE BofA BB-B U.S Cash Pay High Yield Constrained Index (%)
2021 YTD[1]	2.63	2.53	2.86
2020	6.01	5.81	6.32
2019	13.60	13.40	15.09
2018	-0.94	-1.12	-2.04
2017	6.42	6.24	6.98
2016	12.05	11.86	14.76
2015	-2.21	-2.37	-2.82
2014[2]	-1.21	-1.30	0.49
		Supplemental Performance	
2013	7.87	7.29	6.29
2012	14.32	13.70	14.58
2011	4.55	3.97	5.43
2010	14.77	14.15	14.25
2009[3]	27.88	27.31	39.81

Sources: SS&C Advent; FTSE

The primary composite benchmark changed from the FTSE BB/B Excluding B/CCC Splits Index to the ICE BofA BB-B U.S. Cash Pay High Yield Constrained Index effective September 30, 2020.

[1]Composite returns are preliminary pending final account reconciliation.

[2]2014 is a partial-year period of nine months, representing data from April 1, 2014 to December 31, 2014.

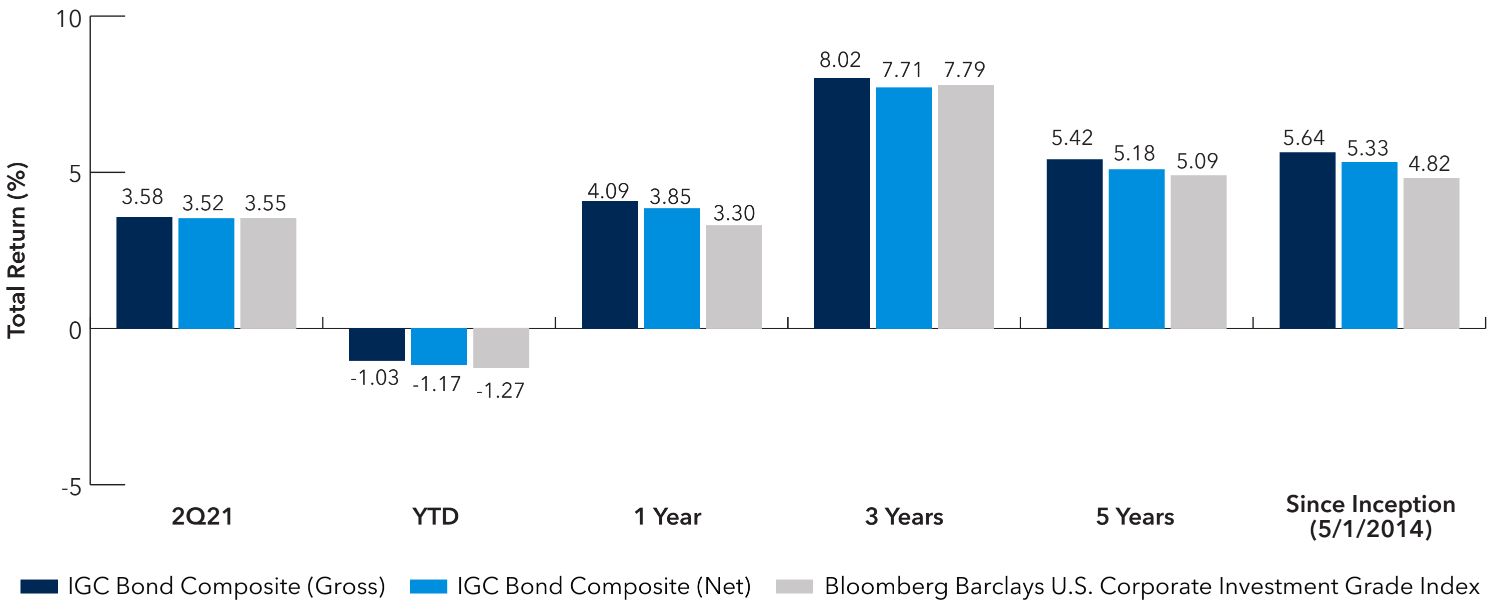
[3]2009 is a partial-year period of ten months, representing data from March 1, 2009 to December 31, 2009.

The Aristotle High Yield Bond strategy has an inception date of April 1, 2014; however, the strategy initially began at Douglas Lopez's predecessor firm. A supplemental performance track record from March 1, 2009 to December 31, 2013 (Mr. Lopez's departure from the firm) is provided. The returns are based on a separate account from the strategy while it was being managed at Doug Lopez's predecessor firm and performance results are based on custodian data. During this time, Mr. Lopez had primary responsibility for managing the account.

Past performance is not indicative of future results. Returns presented are gross and net of investment advisory fees and include the reinvestment of all income. Please refer to disclosures within this document.

Aristotle Investment Grade Corporate Bond Composite Performance

All Periods Ended June 30, 2021



Year	Investment Grade Corporate Bond Composite (Gross, %)	Investment Grade Corporate Bond Composite (Net, %)	Bloomberg Barclays U.S. Corporate Investment Grade Index (%)
2021 YTD[1]	-1.03	-1.17	-1.27
2020	8.64	8.41	9.89
2019	16.34	15.94	14.54
2018	-2.41	-2.76	-2.51
2017	6.93	6.56	6.42
2016	8.69	8.46	6.11
2015	0.58	0.08	-0.68
2014[2]	3.87	3.84	3.16

Supplemental Performance

2013	0.63	0.28	-1.53
2012	15.38	14.98	9.82
2011	8.48	8.10	8.15
2010	11.42	11.04	9.00
2009[3]	2.93	2.81	3.15

Source: SS&C Advent, Bloomberg Barclays

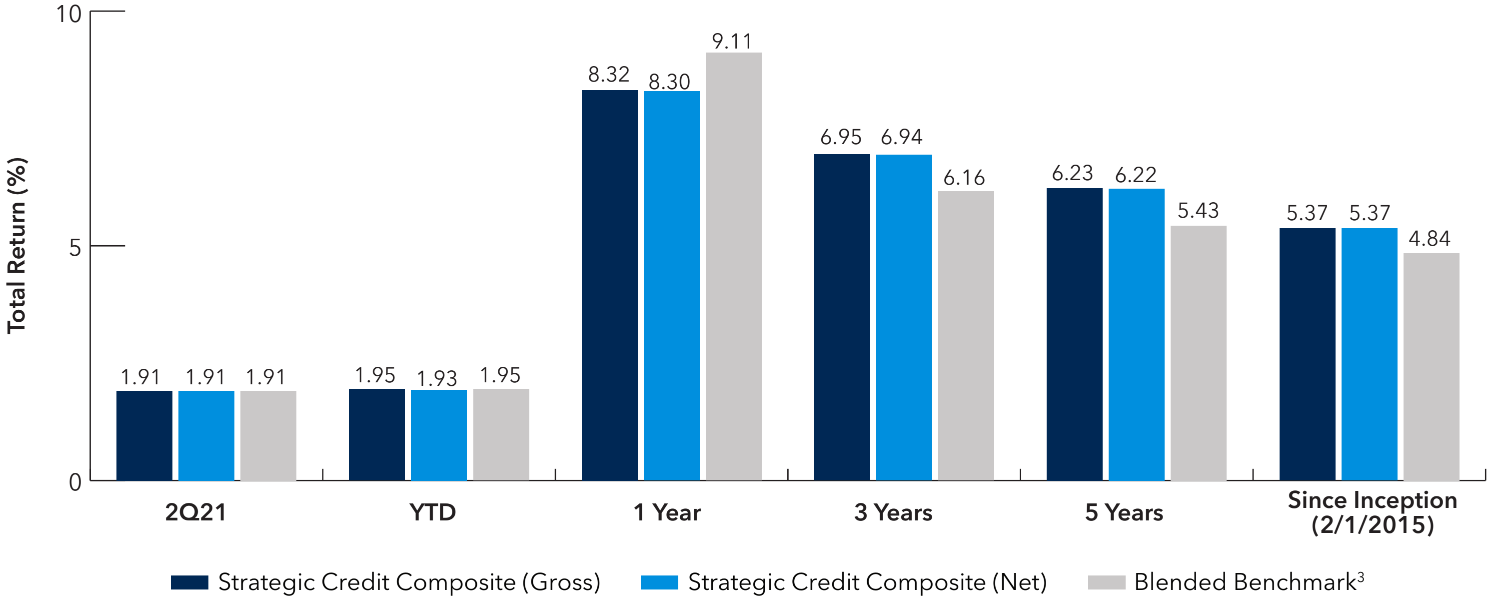
[1]Composite returns are preliminary pending final account reconciliation.

[2]2014 is a partial-year period of eight months, representing data from May 1, 2014 to December 31, 2014.

[3]2009 is a partial-year period of four months, representing data from September 1, 2009 to December 31, 2009.

Past performance is not indicative of future results. Returns presented are gross and net of investment advisory fees and include the reinvestment of all income. The primary benchmark was retroactively changed from Bloomberg Barclays U.S. Credit Index to Bloomberg Barclays U.S. Corporate Investment Grade Index effective March 31, 2017. The Aristotle Investment Grade Corporate Bond strategy has an inception date of May 1, 2014; however, the strategy initially began at Terence Reidt's predecessor firm. A supplemental performance track record from September 1, 2009 to December 31, 2013 (Mr. Reidt's departure from the firm) is provided. The returns are based on a separate account from the strategy while it was being managed at Terence Reidt's predecessor firm and performance results are based on custodian data. During this time, Mr. Reidt had primary responsibility for managing the account. Please refer to disclosures within this document.

Aristotle Strategic Credit Composite Performance
All Periods Ended June 30, 2021



Year	Strategic Credit Composite (Gross, %)	Strategic Credit Composite (Net, %)	Blended Benchmark[3] (%)
2021 YTD[1]	1.95	1.93	1.95
2020	7.77	7.77	6.02
2019	12.59	12.59	11.15
2018	-0.82	-0.82	-0.32
2017	4.99	4.99	5.03
2016	11.85	11.85	9.60
2015[2]	-2.88	-2.88	-1.84

Sources: SS&C Advent, Bloomberg Barclays, Credit Suisse
[1]Composite returns are preliminary pending final account reconciliation.
[2]2015 is a partial-year period of eleven months, representing data from February 1, 2015 to December 31, 2015.
[3]Blended benchmark represents a blend of 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.
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