

3Q 2021 Market and Portfolio Commentary

Summary

U.S. corporate credit markets inched higher in the third quarter, led by bank loans and high yield bonds. Bank loans and high yield bonds gained 1.13% and 0.89% as measured by the Credit Suisse Leveraged Loan Index and the Bloomberg U.S. Corporate High Yield Bond Index, respectively. Investment grade corporate bonds ended the quarter flat with the Bloomberg U.S. Corporate Bond Index returning 0.00%, erasing earlier gains as U.S. Treasury yields rebounded from the August lows.

Growth momentum began to slow in the third quarter as the more contagious Delta variant of COVID-19 spread throughout the country. In line with the uncertain backdrop, U.S. economic data painted a mixed picture. The August employment report showed the unemployment rate declining to 5.2%, its lowest level since the beginning of the pandemic, but nonfarm employment rose by only 235,000, significantly below expectations and a sharp decline from July's strong number. Inflation also came off the boil with Core CPI rising just 0.1% in August, the softest monthly increase since February. At the same time, the Federal Reserve (Fed) kept monetary policy unchanged at the September meeting but signaled that it could begin tapering bond purchases as soon as November. On the fiscal policy front, the \$3.5 trillion reconciliation bill and a \$1 trillion bipartisan infrastructure bill faced several setbacks. Adding further uncertainty to the global macroeconomic outlook, concerns over China's regulatory crackdown and domestic real estate issues also dominated the headlines during the third quarter.

Market Environment

U.S. Treasuries ended the quarter with a weaker tone, led by higher yields in the belly of the curve. The yield on the U.S. 5-Year Note climbed roughly 8 basis points, while the yield on the U.S. 10-Year Note inched a few basis points higher to end the quarter near 1.50% after falling as low as 1.13% in the first half of August. The yield curve flattened further in the quarter as longer duration bonds outperformed. The underperformance of U.S. Treasuries undermined broad bond markets as the Bloomberg U.S. Aggregate Bond Index returned just 0.05% for the quarter, bringing its year-to-date loss to 1.55%.

Corporate credit spreads were modestly wider at the end of the quarter but remain relatively tight by historical standards. After touching the tightest level since 2007 in the first week of July, high yield bond spreads ended the quarter roughly 20 basis points wider, as measured by the Bloomberg U.S. Corporate High Yield Bond Index. Investment grade corporate bond spreads were relatively stable, widening roughly 3 basis points as measured by the Bloomberg U.S. Corporate Bond Index.

With corporate credit spreads and yields at historically low levels for much of the quarter, corporate bond offerings and loan deals continued to surge at a near-record pace. Year-to-date supply in the high yield bond market topped \$400 billion in the quarter and is on pace to surpass 2020's record total. Investment grade corporate bond issuance is on pace to surpass \$1 trillion for the full year but remains below 2020's record total.

On the demand front, institutional investors continued to absorb record supply as risk appetite remained strong. While high yield bond retail funds experienced their first quarterly inflow for the year, retail investors continued to favor investment grade corporate bonds and bank loans.

Within the high yield bond market, higher quality bonds outperformed by a narrow margin as 'BB's (+1.09%) outperformed 'CCC's (+0.75%) and 'B's (+0.61%). From an industry perspective, the continued rally in commodity markets helped Energy (+1.70%) to outperform for a second quarter in a row, while Real Estate Investment Trusts (REITs) (+0.10%) trailed the broader high yield bond market.

Corporate credit default rates experienced a further decline in the third quarter with high yield bond and loan default rates both falling below 1%. The default rates for high yield bonds and leveraged loans are now on pace to end 2021 at the lowest levels since 2007 and 2011, respectively.

Performance and Attribution Summary

High Yield Bond

The Aristotle High Yield Bond Composite returned 1.10% gross of fees (1.05% net of fees) in the third quarter, outperforming the 0.94% return of the ICE BofA BB-B U.S. Cash Pay High Yield Constrained Index.¹ Security selection was the primary driver of relative performance.

Security selection contributed to relative performance led by holdings in Media & Entertainment and Cable & Satellite. This was partially offset by negative selection in Pipelines & Distributors and Lodging & Leisure.

Sector rotation detracted from performance led by the allocation to investment grade corporate bonds, which was only partially offset by the allocation to bank loans. Industry allocation also detracted marginally from performance led by underweights in Technology and Energy. This was mostly offset by the positive effect of overweights in Insurance and Transportation.

¹The 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.

Top Five Contributors	Top Five Detractors
MetLife	Occidental Petroleum
Quad/Graphics	Apache
QTS Realty Trust	WW International
Level 3 Financing	Live Nation Entertainment
JetBlue	United Airlines

*Bold securities held in representative account

Investment Grade Corporate

The Aristotle Investment Grade Corporate Bond Composite returned 0.17% gross of fees (0.10% net of fees) in the third quarter, outperforming the 0.00% return of the Bloomberg U.S. Corporate Bond Index. Security selection was the primary driver of relative performance.

Security selection contributed to relative performance led by holdings in Banking and Utilities, which was only partially offset by negative selection in Brokerage and Technology. Industry allocation had a neutral effect on performance as overweights in Insurance and REITs & Real Estate-Related were offset by underweights in Healthcare and Finance Companies.

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 had a neutral effect on performance.

Top Five Contributors	Top Five Detractors
MetLife	Corning
PG&E	Brookfield
JetBlue	Prudential
HollyFrontier	Charter Communications
Ally Financial	Enterprise Products

*Bold securities held in representative account

Strategic Credit

The Aristotle Strategic Credit Composite returned 0.94% gross of fees (0.94% net of fees²) in the third quarter, outperforming the 0.71% return of the blended benchmark of one-third Bloomberg U.S. High Yield Ba/B 2% Issuer Capped Bond Index, one-third Bloomberg U.S. Intermediate Corporate Bond Index and one-third Credit Suisse Leveraged Loan Index. Security selection was the primary driver of relative performance.

Security selection contributed to relative performance led by holdings in Insurance and Media & Entertainment, which was partially offset by negative selection in Transportation and Pipelines & Distributors. Industry allocation had an overall neutral effect on relative performance as the positive effect of overweights in REITs & Real Estate-Related and Retailers & Restaurants was largely

offset by the negative effect of small overweights in Automotive & Captive Finance and Metals & Mining.

Sector rotation also had a roughly neutral effect on relative performance as the positive effect of an overweight in high yield bonds and an underweight in investment grade corporate bonds was largely offset by the negative effect of an underweight in bank loans and the allocation to cash.

Top Five Contributors	Top Five Detractors
MetLife	United Rentals
RR Donnelley & Sons	Allegheny Technologies
Quad/Graphics	Prudential Financial
Hughes Satellite Systems	PBF Logistics
JetBlue	Wells Fargo

*Bold securities held in representative account

Outlook and Strategy

We believe the global economy is entering a period of transition that could eventually negatively impact corporate credit markets, although we see both fundamental and technical factors supporting markets in the final quarter of 2021.

While global economic growth slowed from its peak in the second quarter, we continue to expect above-trend growth through the end of the year. With monetary and fiscal stimulus expected to slow from here, we believe global markets will face greater uncertainty going forward. However, we believe continued strong consumer spending in the U.S. will keep growth from falling sharply. We acknowledge persistent inflation could begin to cut into consumer spending and corporate profits, but not yet by enough to derail the economy.

We believe the path of least resistance for U.S. Treasury yields is to the upside, just as we observed in the final few weeks of the third quarter. With inflation proving to be more than just "transitory" in our opinion, we believe the Fed has no choice but to begin tapering before year-end. The absence of Fed buying should result in an upside bias for yields as rate-sensitive institutional demand steps in to replace the Fed. Nonetheless, the global rate environment should keep rates relatively well anchored as global central banks, including the European Central Bank (ECB), maintain expansionary monetary policy for the foreseeable future.

While high yield bond issuance is on pace for a record year, the majority (approximately 64%) has been used for refinancing activity. There has not been a significant increase in leveraged buyout (LBO) financings, and we do not believe the supply outlook is overly concerning. Nonetheless, companies are flush with cash and our outlook could change if we do see a pickup in mergers and acquisitions (M&A) and LBO-driven issuance. On the investment grade corporate bond side, we believe the supply picture should be more favorable going forward with issuance returning to more normal levels through year-end.

² As of September 30, 2021, 95% of the Composite consisted of a non-fee-paying account.

We believe both the high yield bond and investment grade corporate bond markets are close to being fully valued at current levels as the distressed ratio and default rate approach multi-year lows, but we also believe that many companies have shored up their balance sheets over the past year and a half. Thus, at this point in time, we are more concerned with interest rate risk than we are with credit risk. The transition to more normal economic conditions could lead to greater monetary policy uncertainty and higher interest rate volatility. In our opinion, a prolonged bout of high inflation with the possibility of “stagflation”, while not our base case, is the greatest risk facing corporate credit investors over the next few quarters.

High Yield Bond Positioning

Refinancing activity, resulting in the need to reinvest bonds that have been called and tendered, drove most of the activity in our high yield bond portfolios in the third quarter. We did not make significant changes to industry weightings and sought to keep positioning consistent with the prior quarter, while still favoring “reopening” credits. Consistent with our interest rate and credit risk outlook, we maintained our underweight in duration while also increasing our allocation to slightly lower quality credits.

We continue to see relatively more attractive yield on the front end and have adopted a barbell approach in our high yield portfolios with most positions on the front end of the curve alongside a select few longer duration positions. As spreads continue to compress, some higher quality high yield credits are now trading as if they have already crossed over to investment grade. Thus, we have increased our exposure to ‘B’-rated credits with a more attractive yield.

During the quarter, we marginally increased our exposure in Energy but remain underweight. At the end of the quarter, we held overweights in Media & Entertainment, Transportation and Automotive & Captive Finance alongside underweights in Telecommunications, Utilities and Food, Beverage & Tobacco.

Investment Grade Corporate Positioning

We made a few adjustments around the edges in our investment grade corporate portfolios during the quarter. We remain overweight ‘BBB’-rated credits but have adopted a slightly more defensive stance while also further reducing duration.

As with our high yield portfolios, we did not make any significant changes from an industry perspective. At the end of the quarter, we held overweights in Insurance, REITs & Real Estate-Related, and Brokerage & Asset Management alongside underweights in Pharmaceuticals, Banking and Food, Beverage & Tobacco.

Strategic Credit Positioning

In our strategic credit portfolios, big picture asset allocation remained consistent during the quarter. As with our other strategies, we only made marginal changes to positioning as we continue to hold an overweight in high yield bonds and underweights in investment grade corporate bonds and bank loans. We continue to hold a duration underweight as we have since the first quarter of 2021.

While we expect longer-term rates to grind higher, we expect shorter-term rates to remain well-anchored and therefore continue to hold an underweight in bank loans. Within our high yield bond allocation, our largest allocation, we continue to favor the front end of the curve.

As of September 30, the strategy was composed of 18.5% investment grade corporate bonds, 69.5% high yield bonds and 10.5% bank loans. Roughly 1.5% was held in cash. At the end of the quarter, we held overweights in Transportation, Lodging & Leisure and Insurance alongside underweights in Technology, Diversified Manufacturing & Construction Machinery and Food, Beverage & Tobacco.

Disclosures

The opinions expressed herein are those of Aristotle Credit Partners, LLC (Aristotle Credit) and are subject to change without notice. Past performance is not a guarantee or indicator of future results. This material is not financial advice or an offer to buy or sell any product. 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. The portfolio characteristics shown relate to the Aristotle Credit High Yield Bond strategy, the Aristotle Credit Investment Grade Corporate Bond strategy and the Aristotle Credit Strategic Credit strategy. Not every client's account will have these characteristics. Aristotle Credit reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and, in the aggregate, may represent only a small percentage of an account's portfolio holdings. Recommendations made in the last 12 months are available upon request.

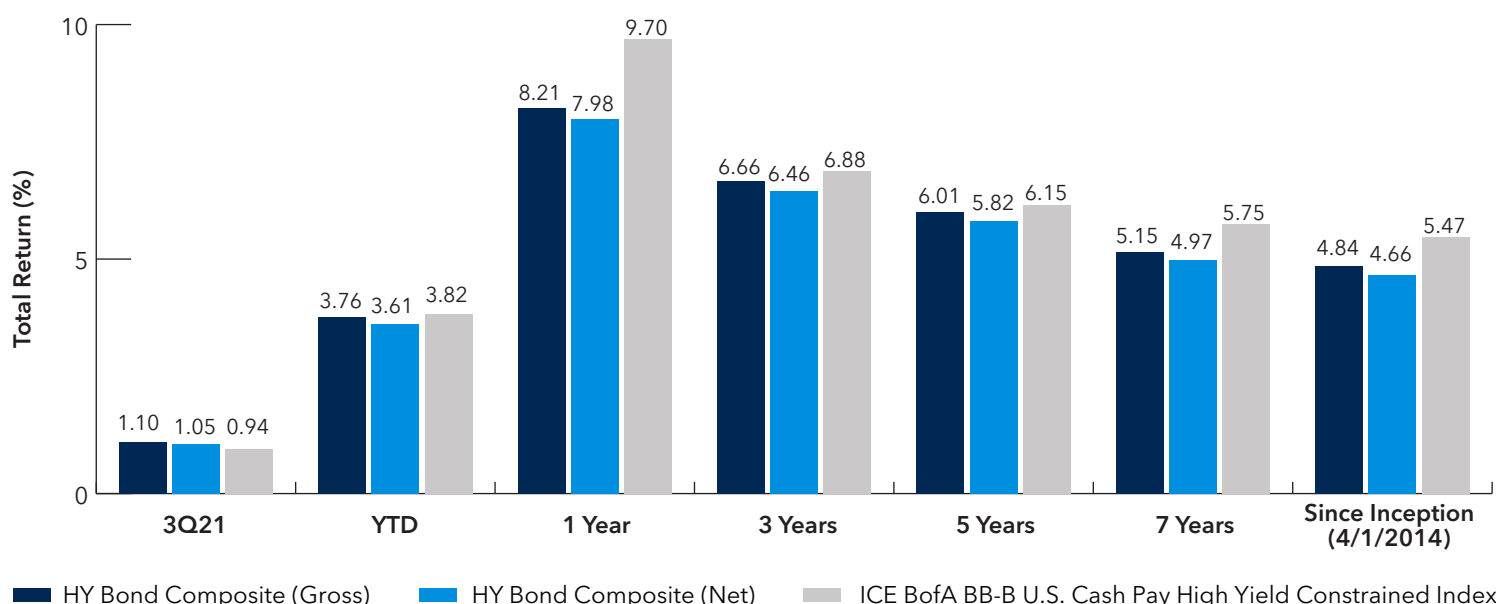
Returns are presented gross and net of investment advisory fees and include the reinvestment of all income. Gross returns will be reduced by fees and other expenses that may be incurred in the management of the account. For example, a 0.5% annual fee deducted quarterly (0.125%) from an account with a ten-year annualized growth rate of 5.0% will produce a net result of 4.4%. Actual performance results will vary from this example.

The Bloomberg U.S. Corporate Bond 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 U.S. Corporate Bond Index is a component of the Bloomberg U.S. Credit Bond Index. The Bloomberg U.S. Corporate High Yield Bond Index measures the U.S. dollar-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 Bloomberg EM country definition, are excluded. The ICE Bank of America (ICE BofA) BB-B U.S. Cash Pay High Yield Constrained Index measures the performance of the U.S. dollar-denominated BB-rated and B-rated corporate debt issued in the U.S. domestic market, a fixed coupon schedule and a minimum amount outstanding of \$100 million, issued publicly. Allocations to an individual issuer in the Index will not exceed 2%. 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 leveraged loan market. The Bloomberg U.S. High Yield Ba/B 2% Issuer Capped Bond 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 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 one 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 volatility (beta) of the Composites may be greater or less than the indices. It is not possible to invest directly in these indices. Composite and index returns reflect the reinvestment of income.

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Aristotle High Yield Bond Composite Performance

All Periods Ended September 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	3.76	3.61	3.82
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.

¹Composite returns are preliminary pending final account reconciliation.

²2014 is a partial-year period of nine months, representing data from April 1, 2014 to December 31, 2014.

³2009 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.

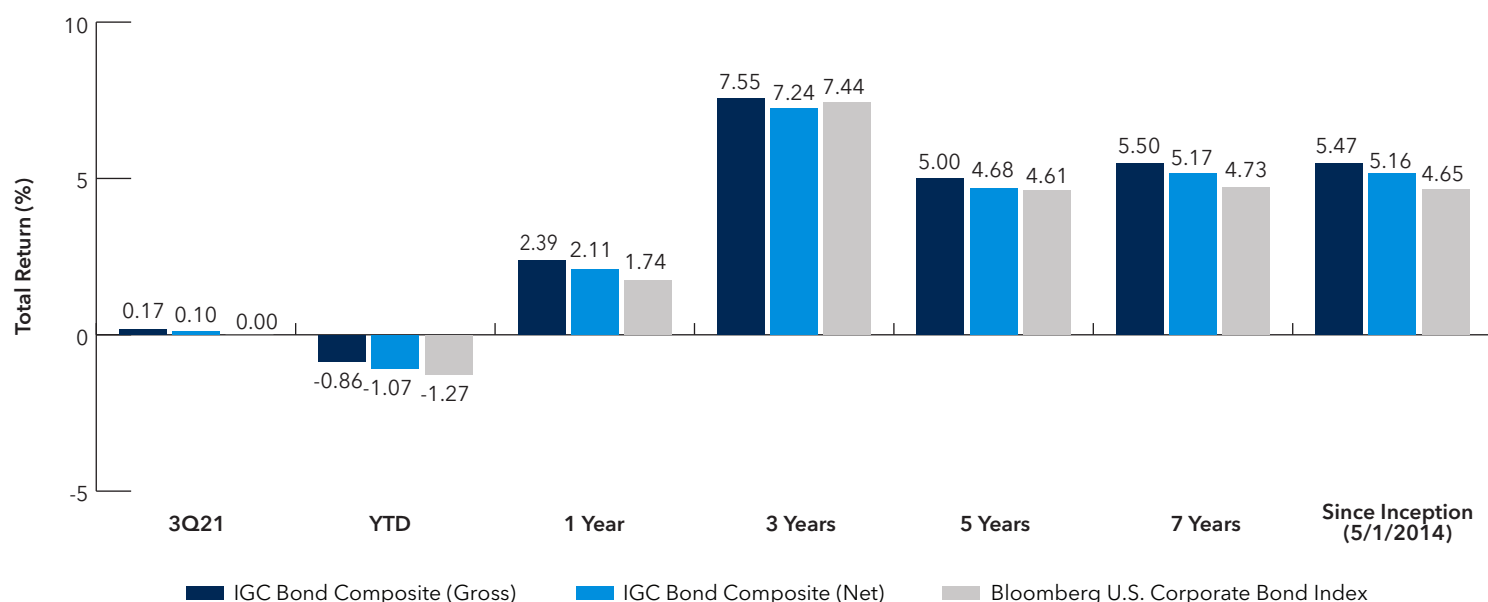
Past performance is not indicative of future results. Returns presented are gross and net of investment advisory fees and include the reinvestment of all income. Please refer to disclosures within this document.

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Aristotle Investment Grade Corporate Bond Composite Performance

All Periods Ended September 30, 2021



Year	Investment Grade Corporate Bond Composite (Gross, %)	Investment Grade Corporate Bond Composite (Net, %)	Bloomberg U.S. Corporate Bond Index (%)
2021 YTD ¹	-0.86	-1.07	-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

Sources: SS&C Advent, Bloomberg

¹Composite returns are preliminary pending final account reconciliation.

²2014 is a partial-year period of eight months, representing data from May 1, 2014 to December 31, 2014.

³2009 is a partial-year period of four months, representing data from September 1, 2009 to December 31, 2009.

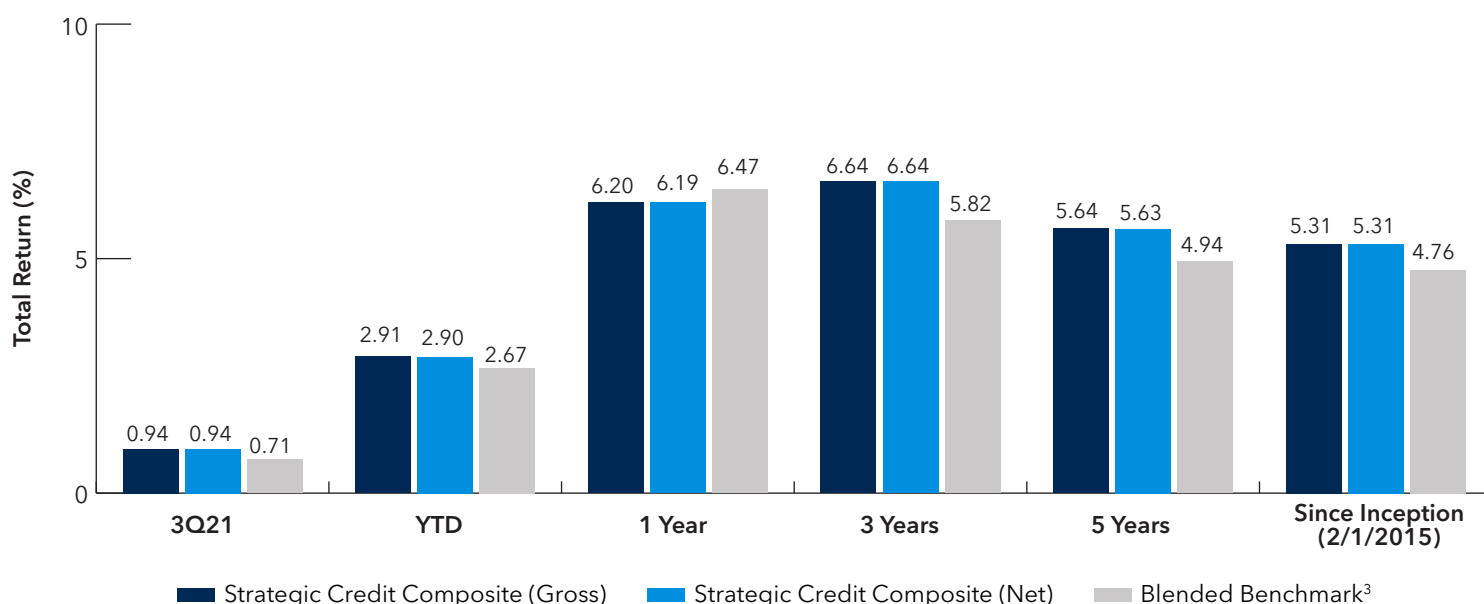
Past performance is not indicative of future results. Returns presented are gross and net of investment advisory fees and include the reinvestment of all income. The primary benchmark was retroactively changed from Bloomberg U.S. Credit Bond Index to Bloomberg U.S. Corporate Bond Index effective March 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.

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Aristotle Strategic Credit Composite Performance

All Periods Ended September 30, 2021



Year	Strategic Credit Composite (Gross, %)	Strategic Credit Composite (Net, %)	Blended Benchmark ³ (%)
2021 YTD ¹	2.91	2.90	2.67
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, Credit Suisse

¹Composite returns are preliminary pending final account reconciliation.

²2015 is a partial-year period of eleven months, representing data from February 1, 2015 to December 31, 2015.

³Blended benchmark represents a blend of blend of 1/3 Bloomberg U.S. High Yield Ba/B 2% Issuer Capped Bond Index, 1/3 Bloomberg U.S. Intermediate Corporate Bond Index and 1/3 Credit Suisse Leveraged Loan Index. The Bloomberg 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. 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.

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