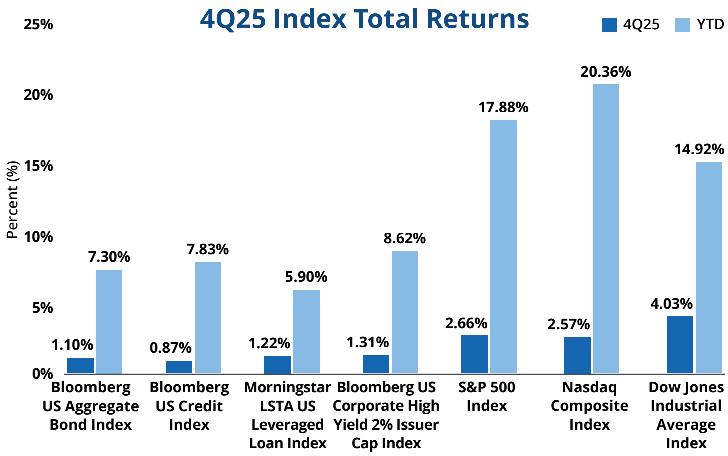
ARISTOTLE FUNDS

ARISTOTLE SHORT DURATION INCOME FUND COMMENTARY

DECEMBER 31, 2025

SUB-ADVISED BY ARISTOTLE PACIFIC CAPITAL, LLC

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



Index	4Q25	YTD
Bloomberg US Aggregate Bond Index	1.10%	7.30%
Bloomberg US Credit Index	0.87%	7.83%
Morningstar LSTA US Leveraged Loan Index	1.22%	5.90%
Bloomberg US Corporate High Yield 2% Issuer Cap Index	1.31%	8.62%
S&P 500 Index	2.66%	17.88%
Nasdaq Composite Index	2.57%	20.36%
Dow Jones Industrial Average Index	4.03%	14.92%

Source: Bloomberg as of 12/31/25.

Market Review

U.S. equity and fixed-income markets generated positive total returns in the final quarter of 2025, but softening macro data muddled the economic outlook heading into the new year. Domestic equity indices ended the period higher, while fixed income performance favored intermediate maturities and high yield sectors.

- The economy is expected to expand between 1.0%-1.5% real growth in the fourth quarter, which is in line with forecasts. Full-year growth is expected to be ~2%. Inflation, meanwhile, has proven more stubborn as the final Consumer Price Index (CPI) release of the year was 2.7% in December. Several tailwinds supported markets in 2025. With inflation being manageable, the Fed continued the rate-cutting cycle it began in 2024, lower financing costs. Companies in the S&P 500 grew earnings by roughly 12% last year, and capital expenditure on artificial intelligence continued at a robust pace.
- The Fed lowered the federal funds rate by 50 basis points (bps), with cuts in October and December, and ended the year with a target range of 3.5% to 3.75%. Fed Chair Jerome Powell looked to thread the needle of addressing labor softness without stoking inflation expectations, but the number of dissenting votes grew from one to three members by December.
- Artificial intelligence (AI) continued to captivate markets during the fourth quarter, but a dynamic of have and have not has developed among companies. One chip manufacturer briefly became the first company to cross the $5 trillion market cap threshold, while pessimism weighed on AI infrastructure builders in light of large debt issuance and spending plans.
- Energy and precious metals charted distinctly different paths during the quarter, raising questions about global growth and a diminishing reserve status of the U.S. dollar. Gold enjoyed a fourth consecutive quarterly gain, rising over 12%, while oil (as represented by West Texas Intermediate) fell 7.9% during the period to mark a full year of losses.

While the Fed kept rates steady for much of the year, the tempo of easing accelerated in the final months of 2025. In explaining the rate cut at the December press conference, Powell stated that most of the above target inflation seen today is driven by tariffs, while the labor market faces significant downside risks. Recently appointed Governor Stephen Miran continued to press for a 50-point cut, while Chicago Fed President Austan Goolsbee and Kansas City Fed President Jeffrey Schmid voted for no change in the target rate. Concurrently, the Fed announced a program to purchase $40 billion monthly in T-bills through April 2026 to ensure ample bank reserves going forward. These actions are supportive of risk assets in the near term. March 2026 will represent a full five years since we have seen the Fed's preferred inflation metric, core Personal Consumption Expenditures, at their target of 2%, and we are two to three years away from the Fed's own projections of 2% inflation.

Economic data was choppy during the final quarter, and the outlook was complicated by the longest government shutdown in U.S. history (43 days), which prompted the cancellation of multiple reports. Non-farm payrolls oscillated with a gain of 108,000 in September, a negative print of roughly the same amount in October, and a return to modest growth of 64,000 in November. Softening was evident in the unemployment rate, which rose 20 bps to 4.6%, marking the highest reading since the fall of 2021. The University of Michigan Consumer Sentiment Survey, which measures confidence and future expectations, reflected the weakening job outlook and muted business conditions as well. Sentiment remains 30% below the year-end 2024 reading, and nearly 63% of consumers expect unemployment to rise in 2026. One bright spot among consumers was the easing of long-run inflation expectations, which fell from 3.4% to 3.2% at year end. This aligned with the 2.7% CPI in December. The future of tariffs and their knock-on effect to inflation remain to be seen as the U.S. Supreme Court is set to rule in 2026 if the Trump administration exceeded its authority to impose tariffs under the International Emergency Economic Powers Act (IEEPA).

Coupons and rate sensitivity were the deciding factors for performance during the quarter. The U.S. Treasury curve steepened as front-end yields fell in response to Fed easing, while the 30-year bond yield rose 11 bps. In 2025 the belly of the curve experienced the largest decline in yields, as yields on two and three-year notes fell 78 bps and 72 bps, respectively. Credit markets generated positive total returns, with high yield corporates and loans outpacing investment-grade securities largely on account of lower interest rate exposure as long-end yields rose in December. Credit spreads were flat to modestly wider during the quarter but stand near the lower band of history. Looking specifically at U.S. investment grade corporates, the 77 bps of option adjusted spread (OAS) as of year-end was 38 bps below the 10-year average as strong fundamentals, such as robust revenue and EBITDA growth, have underpinned the grind lower.

The U.S. dollar eked out a small gain of 0.56% during the fourth quarter but ended the year down 9.37% as lower Treasury yields and lingering effects from the spring trade war likely weighed on the reserve currency. Gold was a primary beneficiary of dollar weakness as central bank and retail buying drove spot prices for an ounce of gold up almost 65% to end 2025 at $4,431. Oil prices fell during the final months and chalked up a nearly 20% decline in 2025, in spite of dollar weakness and volatility leading up to the U.S invasion of OPEC member Venezuela in early January 2026.

Asset Class Overview

Fixed income delivered positive total returns during the fourth quarter across the majority of maturities and credit quality. While front-end yields have declined since the start of the Fed easing cycle in 2024, it is important to highlight that short-term bonds help to preserve capital and maintain liquidity for investors in varied market environments. Short-duration investment-grade bonds (represented by the Bloomberg 1-3 Year US Government/Credit Bond Index) benefitted from the decline in Treasury yields and ended the quarter with a yield-to-worst of 3.62% (down from 3.77% to start the period). Spreads widened one basis point (bp), and the index returned 1.16% during the fourth quarter of 2025. Quarter over quarter, the three-month Treasury bill fell 35 bps to end at 3.67%; the one-year Treasury bill moved 20 bps lower to finish at 3.48%; and the three-year Treasury note declined 6 bps to end at 3.55%. The Bloomberg 1-3 Year US Government/Credit Bond Index ended December with an average price of $99.36, up from $99.03 at the end of September.

	4Q25 Return	OAS	OAS to Start Year	YTW	YTW to Start Year	Duration	Duration to Start Year
US 1-3 Yr Gov/Credit Index	1.16%	12	14	3.62%	4.40%	1.85	1.84

Source: Bloomberg as of 12/31/25.

Fund Performance

For the quarter, the Aristotle Short Duration Income Fund (Class I-2) returned 1.11% versus the Bloomberg 1-3 Year US Government/Credit Bond Index return of 1.16%.

Portfolio Review

Two 25-basis-point cuts to the benchmark fed funds rate provided a positive backdrop for the quarter. Interest rates under one year in maturity were sharply lower and the Treasury yield curve steepened. We remain highly selective in our exposures and focused on sectors/credits that we believe can better withstand potential volatility.

Fund Allocation

At quarter end, the Fund's allocation was as follows: investment grade corporate bonds (51%), asset backed securities (28%), bank loans (6.5%), and Treasuries (14.2%). The allocation to Treasuries and asset-backed securities increased by 1.9% and 1.5%, respectively. The allocation to investment grade corporate bonds and floating rate bank loans decreased by 2% and 1.4%, respectively. The Fund's cash position at the end of the quarter was 0.20% and portfolio duration was 2.01 years.

Contributors/Detractors

Lower interest rates in the short to intermediate part of the Treasury yield curve contributed to positive returns for short duration fixed rate assets. An overweight to investment grade corporate credit was beneficial as 1-3 year corporates broadly outperformed Treasury bonds with similar maturities. Corporate spreads were marginally wider, but the impact was offset by carry and rate impacts. Floating-rate holdings, including bank loan and investment grade CLO debt allocations, were positive on an absolute and relative return basis. Asset-Backed Securities were slightly negative on a relative return contribution basis overall. Within the ABS allocation, MBS provided positive impact while Student Loan ABS detracted. Treasury exposure was a modest detractor primarily due to longer duration positioning relative to the benchmark. In terms of sector attribution, consumer non-cyclical, technology, and transportation were positive for the quarter, banking and energy sectors detracted on a relative basis.

Manager Outlook

2025 was a very strong year for overall fixed income returns. After rising 0.84% in the fourth quarter, the Bloomberg US Corporate Index gained 7.77% for the full year in 2025. This annual return outpaced the broader Bloomberg US Aggregate Index, which rose 7.30% for the year. The bigger winner in 2025 was Agency Mortgages, which gained 8.58% for the year and saw OAS on the Bloomberg US MBS Index drop by 21 bps. Corporate earnings, a more dovish Fed, and economic data that came in better than expected (when we actually got it), were all supportive tailwinds for risk assets, including fixed income spread products. These factors allowed the market to shake off broader macro risks (including geopolitical risks) and concerns around AI valuations and hyper-scaler capex spend. These are risks the market will continue to contend with in 2026.

The technical backdrop continued to be supportive of credit spreads, as all-in yields remained high. The fourth quarter saw a continuation of the strong retail fund flows and solid institutional demand that we saw for most of the year. Fourth quarter corporate debt issuance remained active totaling over $330 billion, which was up 143% year over year (YOY). For the full year, corporate issuance was up 8.5% YOY to ~$1.64 trillion. This was the second highest year on record outside of 2020. Continued issuance from hyper-scalers (up to $200 billion to $400 billion potentially in 2026) to fund large scale data-center build outs as well as growing M&A issuance should drive issuance higher in 2026. Whether or not demand will remain robust enough to absorb the higher expected issuance remains to be seen.

Corporate spreads widened 5 bps in the fourth quarter, and the option-adjusted spread on the Investment-Grade 1-3 year Corporate Index sat at 51 bps at year end. This was basically flat on a YOY basis (actually, 1 bp tighter from the start of the year). We did see some spread volatility in April, with the index OAS moving close to 87 bps post-tariff announcements. This created an opportunity to add exposure to the asset class. Spreads have moved lower since and once again sit at levels that could leave the asset class at risk for fundamental or technical shocks. 1-3 year corporate yields at quarter-end were 4.13%, which is lower by over 77 bps since year end 2024. The move lower in yields has been a positive for total returns, as the 1-3 year corporate index is up 5.88% for the full year 2025. With all-in yields still north of 4% and the potential for back-end rate volatility, we like the risk-reward investors are getting in front-end credit.

Our fund's flexibility continues to be a key differentiator in navigating a complex macro backdrop. Historically tight spreads leave us cautious when seeking opportunities. However, the yield environment is still relatively attractive, and we are still finding areas of interesting all-in yields. Through our relative value framework we continue to maintain spread in excess of its index along with a yield advantage. The fund's investment-grade corporate-bond exposure is focused on BBB rated securities.Credit selection has been fine-tuned towards sectors and issuers we believe provide attractive spreads and will be more economically resilient. Within the securitized sectors, we believe our focus on deep and comprehensive underwriting and intentional allocation toward high-quality top-tier issuers gives us confidence in our exposures amid some concern over increased pressures on certain consumer demographics. We continue to find attractive yield and relative value in investment-grade collateralized loan obligation (CLO) debt and senior asset-backed securities (ABS). We continue to favor industries such as U.S. global systemically important banks (G-SIBs), utilities, and certain REITs, including office-REITs. Additionally, we are holding a cautious tone toward consumer cyclical sectors, energy, and retail related sectors.

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

Performance as of 12/31/25

	Total Returns (%)			Annualized Total Returns (%)			
	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Fund Inception
Class A–NAV	1.05	5.43	5.43	5.65	2.69	2.80	2.74
Class A–MOP	-2.00	2.31	2.31	4.57	2.06	2.48	2.51
Class I–2	1.11	5.81	5.81	5.95	2.94	3.06	2.99
Bloomberg 1-3 Year US Government/Credit Bond Index	1.16	5.35	5.35	4.77	1.97	2.09	1.73

Top 10 Issuers	Weight (%)
Government Of The United States Of America	14.18
Navient Student Loan ABS Trusts	3.94
JPMorgan Chase & Co.	3.06
Palmer Square CLO Trusts	2.49
Morgan Stanley	2.47
Bank Of America Corp	2.17
Goldman Sachs Group, Inc.	1.77
Wells Fargo & Company	1.65
SLM Corp Student Loan ABS Trusts	1.54
Bravo Residential Funding Trust	1.52
Total	**34.78**

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 7/31/28.*
Please see the current prospectus for detailed information.

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 0.49%/0.49%, 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 Asset-Backed Securities (ABS) Index** is the ABS component of the Bloomberg U.S. Aggregate Index that measures the performance of ABS with the following collateral types: credit and charge card, auto and utility loans. All securities have an average life of at least one year.

The **Bloomberg Short Treasury Total Return Index** is a performance benchmark of all U.S. Treasuries that have a remaining maturity between one and twelve months.

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 Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market.

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 **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.

Morningstar LSTA US Leveraged Loan Index is a market-value weighted index designed to measure the performance of the US leveraged loan market.

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.

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