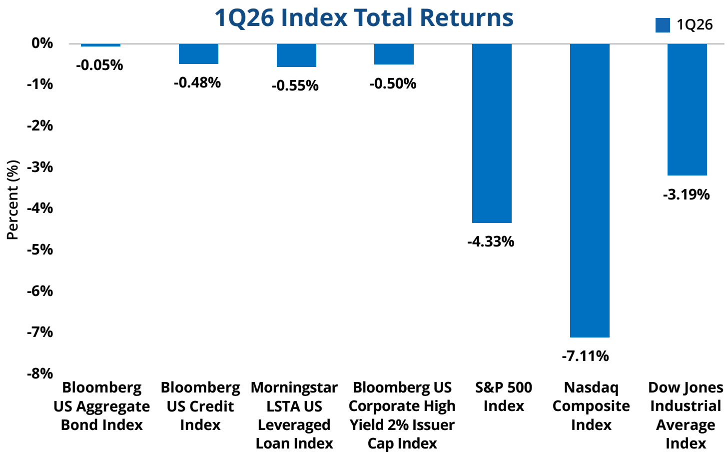
ARISTOTLE FUNDS

ARISTOTLE STRATEGIC INCOME FUND COMMENTARY

SUB-ADVISED BY ARISTOTLE PACIFIC CAPITAL, LLC

MARCH 31, 2026

Class A	Class C	Class I-2
PLSTX	**PLCNX**	**PLSRX**



Index	1Q26
Bloomberg US Aggregate Bond Index	-0.05%
Bloomberg US Credit Index	-0.48%
Morningstar LSTA US Leveraged Loan Index	-0.55%
Bloomberg US Corporate High Yield 2% Issuer Cap Index	-0.50%
S&P 500 Index	-4.33%
Nasdaq Composite Index	-7.11%
Dow Jones Industrial Average Index	-3.19%

Source: Bloomberg as of 3/31/26.

Market Review

U.S. equity and fixed-income markets generated largely negative total returns in the first quarter of 2026 as software-related credit concerns, rising yields, and the Iran conflict weighed on markets. Domestic equity indices were weaker, with small caps and value the exceptions, while fixed-income performance favored short maturities and higher credit quality as rates and spreads moved higher.

- Artificial intelligence (AI) developments played an outsized role in the first quarter as advancing functionality posed a potential threat to software-company business models and adjacent service industries. Leveraged loan prices in the software sector fell in January and February in the wake of the developments with the selling cascading to private credit vehicles, many of whom gated redemptions.
- The first three months of 2026 were bookended by conflict, starting with Operation Absolute Resolve in early January, which swiftly removed Venezuelan leader Nicolás Maduro from power. Then, in Operation Epic Fury, which began on February 28, the United States, in partnership with Israel, launched an air and naval campaign that resulted in the killing of Iran's supreme leader and senior leadership, as well as widespread damage across the region and the closure of the Strait of Hormuz to seaborne traffic.
- Energy and precious metals prices moved notably higher as the Iran conflict exposed the global economy to potentially the largest supply chain shock since COVID. Faced with heightened uncertainty, the Federal Reserve (Fed) opted to keep the fed funds rate unchanged at the March meeting as market expectations shifted from two cuts at the start of the year to zero for the balance of 2026.

Both "risk-free" and risk assets were negatively impacted due to the events mentioned above. The U.S. Treasury curve flattened as yields rose across the curve, with the two-year note rising 32 basis points and the 30-year bond nearly touching 5% at the end of March. Credit generated negative total returns, with investment-grade corporates, high yield bonds, and leveraged loans in close proximity and down roughly a half percentage point. Spreads widened with fixed-rate corporates responding to the impact of Iran, while loans were largely influenced by the selloff in software and services companies. The largest level-two GICS industry in the Morningstar LSTA Leveraged Loan Index at the start of the year, secondary loan prices in software and services fell over seven points during the quarter to end March at $87.97. AI advancements caused a revaluation of this segment within the loan market that had previously been viewed as sturdy due to recurring revenue and high switching costs. Software stress also manifested in the private credit space, where several leading alternative asset managers had to gate non-publicly traded business development companies as redemption requests outpaced quarterly share repurchase caps.

The U.S. dollar gained 1.67% during the quarter as an expected pivot in Fed easing policy and investor shift to risk-free assets supported performance. Gold started the year on a strong footing, rising over 25% by late January, but largely gave back gains as the Iran conflict escalated and ended the quarter up 7.99%. Oil was the standout asset during the quarter, with West Texas Intermediate rising over 76% as the Strait of Hormuz closure by Iran cut the world off from 14 million barrels of oil per day and set in motion a worldwide scramble for refined products, liquid natural gas, and fertilizer.

Economic data was resilient during the first quarter, but the outlook is complicated by the knock-on effects from the Iran conflict, which will likely factor into data in the months ahead. Non-farm payrolls gained in two of the three months, with March coming in well above consensus at 178,000 new jobs, and the unemployment rate modestly declined from 4.4% to 4.3% quarter over quarter. The University of Michigan Consumer Sentiment Survey, which measures confidence and future expectations, started off on a strong note but weakened in March as respondents processed the costs of the Iran conflict. One area of concern was a jump in short-term inflation expectations, which rose from 3.4% to 3.8% from February to March, although long-term expectations among respondents remained anchored at 3.2%. This aligned with the Consumer Price Index, which continued to drop from the recent high of 3.0% in September 2025 to a February reading of 2.4%. One data point that has the potential to be disinflationary is the future of tariffs, now one year on from liberation day. During the quarter, the U.S. Supreme Court ruled 6 to 3 against the president's use of emergency tariff powers under the International Emergency Economic Powers Act, although the White House signaled that it would rely on other authorities to continue tariffs.

Asset Class Overview

Investment-grade bonds were not immune to the risk-off environment and generated largely negative total returns during the quarter, with performance favoring short maturities and higher-rated bonds within the universe. Despite geopolitical influences, investment-grade corporate bonds remained on solid footing, supported by positive fundamentals and technicals. Strong GDP growth and earnings growth continue to support credit quality, as evidenced by upgrades outpacing downgrades by a nearly 3-to-1 ratio thus far in 2026. Investment grade corporates had strong issuance in the first quarter at $645 billion, representing over 20% year over year growth with much of that in support of AI capital spending. But it's important to put this into context, as roughly 65% of new issuance was by companies rated A or better. Credit selection will continue to play an important role in the months ahead as animal spirits begin to pick up – the $106 billion of new issuance in support of M&A activity during the first quarter represented the highest quarterly total since 2016. The yield-to-worst of the Bloomberg US Aggregate Bond Index (Agg) rose over the quarter by 25 bps to end at 4.57%, whereas spreads widened 3 bps, ending with an option-adjusted spread (OAS) of 30 bps. The total return for investment-grade bonds (represented by the Bloomberg US Aggregate Bond Index) in the first quarter was -0.05%, while the average price was $93.25, down from $94.07 at the end of December.

	1Q26 Return	OAS	OAS to Start Year	YTW	YTW to Start Year	Duration	Duration to Start Year
US Aggregate Index	-0.05%	31	27	4.57%	4.35%	5.88	6.04
AAA	0.19%	29	31	4.27%	4.05%	4.16	4.19
AA	0.10%	11	10	4.39%	4.20%	5.69	5.88
A	-0.52%	75	65	5.00%	4.72%	6.79	6.86
BBB	-0.58%	112	98	5.36%	5.06%	6.60	6.71

Source: Bloomberg as of 3/31/26.

The high-yield bond market gave back some of the strong performance in 2025 as rising rates, volatile energy prices, and risk-off market sentiment were too much to overcome in the first quarter. The Bloomberg US High Yield 2% Issuer Capped Bond Index returned -0.50% during the period, as carry was unable to offset price weakness with option adjusted spreads widening 51 bps at the onset of the Iran conflict. Despite market conditions, the asset class remained well supported by corporate fundamentals, and while default activity has ticked up since the third quarter of 2025, it remained low relative to history as many weaker borrowers have migrated to private credit lenders. According to J.P. Morgan, the 12-month par-weighted U.S. high-yield bond default rate (including distressed exchanges) ended the quarter at 2.07%, well below the 25-year monthly average of 3.25%. High yield issuance started with a bang but ended with a whimper as the Iran conflict weighed on risk appetite. A total of $80 billion across 90 tranches came to the high-yield market, with most of it in the first half of the quarter, while volume fell in March as two M&A deals, Electronic Arts and Nexstar Media Group, made up more than half of the total that month.

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

	1Q26 Return	OAS	OAS to Start Year	YTW	YTW to Start Year	Duration	Duration to Start Year
US HY 2% Issuer Cap Index	-0.50%	317	268	7.40%	6.57%	3.02	2.80
BB	-0.28%	197	166	6.21%	5.60%	3.25	3.04
B	-0.65%	345	270	7.69%	6.56%	2.78	2.53
CCC	-0.13%	725	614	11.39%	9.84%	2.56	2.47

Source: Bloomberg as of 3/31/26.

The floating-rate loan market was challenged during the first quarter as selling pressure in software issuers began in mid-January and intensified until late March as investors digested the implications of AI advancements on company business models. The Morningstar LSTA Leveraged Loan Index returned -0.55%, as carry was unable to offset declining secondary prices each month during the first quarter. The four-year discounted spread for the index widened 57 bps to end at 461 bps, while the effective yield rose 60 bps to 8.29%. It was a tale of two loan markets as the average secondary price for the Morningstar Leveraged Loan Index fell two dollars during the first quarter to end at $94.63, while prices for software loans fell over seven dollars to end at $87.97. Loan market activity started strong but largely dried up as volatility increased, with loan repricings falling from $108 billion in January to zero in March. Of the loans that did come to market in March, 22% were priced at or wider than the expected range compared to 2% in January. Retail investors continued the trend from 2025, with $7.5 billion of outflows during the first quarter, but CLOs remained active buyers of loans with $47 billion of new tranche issuance during the period. One interesting aspect of technicals is that the supply of loans contracted by $19 billion during the quarter as repayments outpaced new issuance, with acquisitions and takeouts by high yield corporate issuance accounting for roughly 40% of paydowns during the period.

Fund Performance

For the quarter, the Aristotle Strategic Income Fund (Class I-2) returned -0.45% versus the Bloomberg US Aggregate Bond Index return of -0.05%.

	1Q26 Return	3Yr DM	3Yr DM to Start Year	3Yr Life Yield	3Yr Life Yield to Start Year
Morningstar LSTA US Leveraged Loan Index	-0.55%	505	428	8.73%	8.28%
BB	0.71%	275	262	6.43%	6.62%
B	-0.90%	513	414	8.81%	8.14%
CCC	-4.94%	2049	1690	24.16%	20.90%

Source: Bloomberg and PitchBook as of 3/31/26.

Portfolio Review

Fixed income markets rallied out of the gates in 2026 with rates falling and inflation expectations easing but ended the first quarter with a geopolitical-driven inflation shock, rate repricing, and private credit concerns.

Coming into 2026, the relative value backdrop remained challenged with credit spreads at or near historical tights in many areas. As credit spreads widened from historically tight levels in March, pockets of relative value emerged.

The portfolio remains up in credit quality targeting flat to slightly overweight duration relative to the blended benchmark, with greater exposure in the belly of the curve and underweights at the long end. Portfolio managers continued to reduce credit and issuer concentration risk within lower-quality positions, continuing to favor higher quality as the area in which to hold spread duration.

Credit selection continues to focus on U.S. centric issues and away from firms that are dependent upon global supply chains. On a sector basis, we have favored U.S. money center banks, midstream energy, and select technology and manufacturing credits. Overall, we remain oriented towards performing credits and have limited exposure to distressed and lower-quality names. We used rallies in lower-credit-quality issues to reduce exposure to that category, especially in more cyclical names and industries.

Fund Allocation

The portfolio's composition quarter-over-quarter changed only modestly. As of March 31, the Fund's allocation was as follows: investment-grade corporate bonds (43%), floating-rate bank loans (15%), high-yield bonds (28%), asset-backed securities including CLOs (6%), and mortgage-backed securities (4%). Portfolio managers added duration at the margin near the end of the quarter as rates moved higher. At the end of the first quarter, portfolio duration stood at 4.1 years. For curve, the portfolio held greater exposure in the belly while underweight the long end. The portfolio management team continued to diversify, with purchases in Agency MBS, Non-Agency MBS, CMBS, BB CLOs and Solar ABS.

The portfolio management team will continue deploying dry powder to take advantage of market volatility and relative value opportunities. Cash ended the period at approximately 1%. The Fund continues to have a higher-than-normal investment-grade exposure due to still-relatively tight spreads and geopolitical uncertainty.

Contributors/Detractors

The Fund (I-2) share class underperformed the benchmark over the first quarter of 2026, on a net of fee basis.

An underweight to Agency MBS detracted from performance as this sector outperformed investment-grade and high yield corporate bonds over the first quarter, while an overweight to Non-Agency MBS modestly contributed. A lower duration profile relative to the U.S. Aggregate index contributed. Rates ended the first quarter slightly higher than where they started 2026, but with a high degree of volatility (intra-quarter range of ~40 bps).

The portfolio's off-benchmark allocation to bank loans detracted as did overweights to fixed-rate investment grade and high yield corporate credit. Security selection within corporate credit was additive to relative returns. On an industry-level basis overweights to Banking and Insurance detracted, while an overweight to Energy contributed to relative returns over the quarter.

Manager Outlook

In the first quarter, markets contended with a shift in sentiment as historically tight credit spreads gave way to increased volatility late in the period. While the macro backdrop remains generally constructive, escalating geopolitical tensions in the Middle East, a rise in commodity prices, and growing uncertainty around the path of inflation contributed to a modest risk-off tone across credit markets. As a result, confidence in the timing and magnitude of Federal Reserve easing fell, with markets now expecting the Fed to remain on hold for the foreseeable future. Treasury yields moved higher over the course of the quarter, and rate volatility increased, particularly in March, as inflation expectations drifted higher. Credit spreads, while still tight relative to long-term averages, widened modestly across most asset classes as investors demanded additional compensation for heightened uncertainty.

From a fundamental perspective, the U.S. economy continues to exhibit impressive resilience, though there are early signs of moderation in certain areas. Consumer spending remains supported by a still-healthy labor market and solid balance sheets, particularly among higher-income cohorts, though confidence has softened at the margin. Corporate fundamentals are generally stable, with earnings expectations holding up reasonably well despite higher input costs and interest expense. At the same time, ongoing investment tied to artificial intelligence and data center infrastructure continues to provide a meaningful tailwind to growth.

In the Aristotle Strategic Income Fund, we continue to maintain a higher-quality bias, with above-average exposure to investment-grade instruments, though we did adjust our positioning as the quarter progressed. In the first half of the quarter, we increased our exposure to the bank loan asset class as the dominant theme at that point was AI disruption and private credit concerns, which most directly impacted the bank loan asset class. While some weakness was likely warranted, we believe there were opportunities in names and sectors where the weakness was overdone.

In the second half of the quarter, investor concerns moved from AI to the conflict unfolding in Iran. Rates moved higher and credit spreads widened broadly. During this period, we increased the portfolio's duration and exposure to fixed rate assets, across both investment grade and high yield. Valuations, while still somewhat tight relative to history, became more interesting late in the quarter, and we moved down in credit quality on the margin as the weakness unfolded. While tail risks have increased, particularly around inflation and geopolitical developments, we believe the portfolio is well positioned to navigate a range of outcomes. Our focus remains on maintaining a disciplined approach to credit selection, emphasizing resilience and liquidity while preserving the flexibility to take advantage of market dislocations as they arise.

Performance as of 3/31/26

	Total Returns (%)			Annualized Total Returns (%)			
	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Fund Inception
Class A-NAV	-0.60	-0.60	5.53	6.33	2.98	4.83	5.19
Class A-MOP	-3.59	-3.59	2.38	5.24	2.35	4.51	4.87
Class I-2	-0.45	-0.45	5.79	6.59	3.25	5.10	5.45
Bloomberg US Aggregate Bond Index	-0.05	-0.05	4.35	3.63	0.31	1.70	2.00

Top 10 Issuers	Weight (%)
Government Of The United States Of America	4.35
JPMorgan Chase & Co.	1.71
Citigroup Inc.	1.65
Energy Transfer LP	1.60
Bank Of America Corp	1.59
Goldman Sachs Group, Inc.	1.47
Alliant Holdings, L.P.	1.46
UBS Group AG	1.43
Morgan Stanley	1.42
Oracle Corporation	1.40
Total	**18.08**

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 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 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.