

# ARISTOTLE CREDIT PARTNERS, LLC

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This Brochure provides information about the qualifications and business practices of ARISTOTLE CREDIT PARTNERS, LLC (“Aristotle Credit” or Adviser”). If you have any questions about the contents of this Brochure, please contact us at 310-689-2700 or [info@aristotlecredit.com](mailto:info@aristotlecredit.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Aristotle Credit Partners, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Brochure, dated 03/31/2015 is our annual amendment and replaces the 07/29/2014 version. Our last annual amendment was filed 6/30/2014.

Updates were made to the following sections of Part 2A since our last annual amendment:

Item 4: Advisory Business

Item 5: Fees and Compensation

Item 7: Types of Clients

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Item 10: Other Financial Industry Activities and Affiliation

Item 12: Brokerage Practices

Aristotle Credit Partners, LLC will now do business as “Aristotle” when referencing Aristotle Credit Partners, LLC, along with more than one of its affiliates as identified in Item 10.C of this disclosure.

You will receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may provide other ongoing disclosure information about material changes, as necessary.

We will further provide you with a new Brochure, as needed at any time, based on changes or new information, without charge.

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## **Item 4 – Advisory Business**

### **4. A. Advisory Firm Description**

Aristotle Credit Partners, LLC (“Aristotle Credit”) was formed in 2013 and focuses primarily on the investment management of credit related fixed income securities including, corporate bonds, senior secured corporate loans, unsecured loans and other credit related investment securities (collectively “Corporate Debt Instruments”) to individuals, private funds and institutional clients. Corporate bonds can include bonds known as “High Yield Bonds” as well as “High Grade Bonds”. Senior secured corporate loans are sometimes referred to as “Bank Loans” and unsecured loans are sometimes referred to collectively as “Second Lien Loans.” These High Yield Bonds, Bank Loans and Second Lien Loans are typically non-investment grade and are considered speculative investments and have greater credit and liquidity risk than investment grade investments. All Corporate Debt Instruments are subject to credit, liquidity, market value, interest rate and other risks.

Richard Hollander as Manager controls Aristotle Credit. The largest single owner of Aristotle Credit is Aristotle Capital Management, LLC (which is controlled by Richard Hollander). Aristotle Credit has provided equity interests to other key employees of the firm.

### **4.B. Types of Advisory Services**

Aristotle Credit may provide investment advisory and management services: (1) as a discretionary investment adviser to institutional and retail separate account clients; (2) as a discretionary investment adviser to private pooled investment vehicles (“Private Funds”) organized as domestic limited partnerships; or (3) as a discretionary adviser or sub-adviser to a registered investment company (“Mutual Funds”).

In general, Aristotle Credit investment advice is limited to fixed income securities including Corporate Debt Instruments, in High Yield, Bank Loan, High Grade Credit or Custom strategies, although from time to time Aristotle Credit’s client portfolios will include equity securities received in connection with investments in Corporate Debt Instruments.

Aristotle Credit or an affiliate may serve as general partner or managing member to a Private Fund for which it provides investment management. Services provided to Private Funds by Aristotle Credit and/or an affiliate of Aristotle Credit also may include organizing and managing their business affairs; acting as general partner or managing member; executing and reconciling trades; preparing financial statements and providing audit support; preparing tax-related schedules; and drafting, printing and distributing correspondence to Investors.

#### **4.C. Client Investment Objectives/Restrictions**

Aristotle Credit acts as an investment adviser and manages each client's portfolio according to its investment strategy and objectives as outlined in their respective organizational document, and/or advisory agreement. While clients generally choose Aristotle Credit as an investment manager based on its fixed-income and credit expertise, clients may impose reasonable investment restrictions based on their individual investment objectives. For example, some clients may seek to invest with Aristotle Credit on a long-only, non-levered basis and permit only bank loans, investment grade bonds only or only high yield bond securities as investments. Other clients may impose various concentration limits with respect to Issuers, Industries, Ratings and types of Corporate Debt Instruments.

Investments for Private Funds or Mutual Funds will be managed in accordance with the fund's strategy, investment objectives restrictions and guidelines and are not tailored to the individualized needs of any particular investor in the fund (each an "Investor"). Therefore, Investors should consider whether the fund meets their investment objectives and risk tolerance prior to investing. Information about a Private Fund can be found in its offering documents, including its limited partnership agreement ("LPA"), which will be available to qualified current and prospective Investors only through Aristotle Credit or another authorized party. Information about the Mutual Fund is available in its prospectus and statement of additional information (SAI).

#### **4.D. Wrap-Fee Programs**

Aristotle Credit currently does not participate in, nor is it a sponsor of, any wrap fee programs.

#### **4.E. Assets Under Management as of February 28, 2015**

Discretionary assets under management: \$411,949,527; Number of clients: 39

Non-discretionary assets under management: 0

#### **4.F. Assets Under Management Calculation Method**

All assets under management will be valued at fair market value for the purposes of calculating assets under management. Fair market value typically consists of the mean of the bid quotations received from an independent third-party pricing service.

## **Item 5 – Fees and Compensation**

### **5.A. Adviser Compensation**

Aristotle Credit's fees are generally described below and detailed in each client's advisory agreement or applicable account document. Fees for investment advisory services may be negotiated with each client on an individual basis. Aristotle Credit may group multiple accounts of a client (or group of related clients) together for fee billing purposes.

Fees may change over time and, as discussed below, different fee schedules may apply to different types of clients, strategies and advisory arrangements. Fees may be negotiated on a basis different from Aristotle Credit's stated fee schedules, if circumstances warrant, and Aristotle Credit reserves the right to waive or reduce the fees charged to a particular client in its sole and absolute discretion. The amount, timing, and type of fees charged, and the manner in which fees are calculated, are determined through negotiations with clients. Accordingly, there may be differences in fees paid by certain clients based on a variety of factors. Negotiations between Aristotle Credit and clients are influenced by such factors as the nature and extent of the investment advisory services to be rendered and the size of the managed account.

Fees paid by Private Funds are described to Investors, in detail, in the Private Fund's governing documents. Private Fund fees may vary depending on the nature of the services provided and the investment strategies utilized but generally include management fees based on a percentage of assets under management. Aristotle Credit or an affiliate may act as general partner or managing member to future domestic Private Funds. The capital account of Aristotle Credit or its affiliate, as general partner/managing member of a Private Fund, will generally be included when calculating management fees. Aristotle Credit may waive or reduce the management fee or incentive compensation with respect to Investors who are employees or family members of employees of Aristotle, or otherwise, in its discretion. Different Investors may pay different management fees based on investment date or waivers

In the event that additional assets are placed under management during the calendar quarter, Aristotle Credit's compensation with regard to base management fees will be calculated and payable on a pro rata basis.

### **Fee Schedules**

Aristotle Credit's annual management fee for separately managed accounts ranges from 0.20% - 0.75% on assets under management. Aristotle's advisory fees are subject to negotiated agreements with clients and are determined according to a number of factors including but not limited to, account size, investment strategy employed (including High

Yield, Bank Loan, High Grade Credit and Custom strategies), and costs incurred by Aristotle in managing such products.

## **Mutual Funds**

Currently, Aristotle Credit has contractually agreed to waive its fees and/or pay for operating expenses of the Fund to ensure that the total annual fund operating expenses (excluding certain expenses such as, but not limited to taxes, leverage interest and brokerage commissions), do not exceed 0.62% of the Fund's average daily net assets and its management fee will be 0.47% of the Fund's average daily net assets. Aristotle Credit clients may receive, at no additional charge, advice from Aristotle Credit with respect to the allocation of their assets in the mutual fund. Although there is no separate or additional charge for this service, as discussed further in Item 5.C, below, Aristotle Credit clients who invest in the mutual fund bear their proportionate shares of the mutual fund's fees and expenses, including their pro rata share of Aristotle Credit's advisory fees.

## **General Information**

Termination of the Advisory Agreement. Relationship: An advisory agreement may be terminated according to the terms of the contract and written notice by either party. Upon termination, fees will be prorated to the date of termination. If any fees are prepaid, unearned fees will be promptly refunded.

Grandfathering of Account Requirements: Pre-existing advisory clients are subject to Aristotle Credit's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements and fees will differ among clients.

## **Other Advisory Fee Arrangements**

Aristotle Credit reserves the right, in its sole discretion, to negotiate and charge different advisory fees for certain accounts based on the client's particular needs as well as overall financial condition, goals, risk tolerance, and other factors unique to the client's particular circumstances.

## **5.B. Direct Billing of Advisory Fees**

The specific manner in which fees are charged by Aristotle Credit is established in a client's written investment management agreement with Aristotle Credit. Clients could also elect to be billed directly for fees or to authorize Aristotle Credit to directly debit fees from client accounts. In such instances, if any, where the client has authorized direct billing, Aristotle Credit will take steps to assure itself that the client's qualified custodian sends periodic account statements, no less frequently than quarterly, showing all transactions in the account including fees paid to Aristotle Credit.

### **5.C. Other Non-Advisory Fees**

Aristotle Credit's advisory fee is exclusive of brokerage commissions, transaction fees and other related costs which may be incurred by the client. Clients may incur certain charges imposed by third party custodians, brokers, third party administrators and other third parties including legal and accounting fees pertaining to services rendered to the client as well as wire fees, taxes and other. A client's portfolio may include positions in mutual funds, such as a money market fund in which excess cash is swept into, which will also charge a management fee. Such charges, fees and commissions are exclusive of, and in addition to, Aristotle's fee, and Aristotle shall not receive any portion of these commissions, fees, and costs.

Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Clients' portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. Aristotle Credit currently does not have any wrap programs

Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus and/or financial filings. Such charges, fees and commissions are exclusive of and in addition to Aristotle Credit's fee with regard to the mutual funds not managed by Aristotle Credit. To avoid the duplication of fees and the potential conflicts of interest, we do not charge separate accounts a direct advisory fee on assets invested in the Aristotle Strategic Credit Fund. Fees for client assets invested in the Aristotle Strategic Credit Fund are charged by the Fund and reflected in the value of the client's investment.

Item 12 further describes the factors that Aristotle Credit considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

### **5.D. Advance Payment of Fees**

Clients may be billed either quarterly in advance or quarterly in arrears. Fees are normally based on the level of total assets under management, including cash, securities, and accrued income, as of the last business day of the prior calendar quarter. Advisory agreements are typically terminable by the client upon prior written notice to Aristotle Credit, as specified in the relevant agreement and by Aristotle Credit, generally upon 30

days prior written notice to the client or as specified in the relevant agreement. In the event that an advisory contract is terminated prior to the conclusion of a billing period, Aristotle Credit will refund a pro rata portion of any pre-paid fees, or if billed arrears, bill the account pro-rata based on the date of termination.

#### **5.E. Compensation for Sale of Securities or Other Investment Products**

Aristotle Credit and its personnel do not accept compensation for the sale of securities (including loans) or other investment products, including asset-based charges or services from the sale of mutual funds.

#### **Item 6 - Performance-Based and Side-By-Side Management**

Aristotle Credit does not receive performance-based fees. Aristotle Credit is entitled to receive fees from the Mutual Fund pursuant to its management agreement with the Investment Managers Series Trust ("Trust"). Aristotle Credit's affiliate, West Gate Horizons Advisors, LLC ("West Gate"), with whom Aristotle Credit shares employees and office space, does charge performance fees. There may be times when securities selected are appropriate for both advisers' clients. Additionally, differing fee arrangements may create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. To address this potential conflict, each adviser follows trade aggregation and allocation procedures to ensure that clients managed by each adviser are treated fairly.

#### **Item 7 - Type of Clients**

Aristotle Credit currently provides discretionary investment advisory services to institutional and retail separate account clients, and as a discretionary investment adviser to registered investment companies ("Mutual Funds"). Aristotle Credit may also provide discretionary investment advisory services to privately pooled investment vehicles ("Private Funds") organized as domestic limited partnerships or limited liability companies.

#### ***Separately Managed Accounts***

Aristotle credit provides investment advisory services to individuals, charitable and taxable trusts, endowments, Taft-Hartley, pensions, pooled accounts, foundations, public companies, mutual funds and corporations. The minimum amount required to establish and maintain a separately managed account ranges from \$1,000,000 to \$20,000,000 depending upon the investment strategy. However, Aristotle Credit reserves the right, in its sole discretion, to reduce the minimum requirement for certain accounts under certain circumstances.

***Private Funds***

Aristotle Credit may also provide discretionary advice to Private Funds. Specific procedures and restrictions apply to withdrawals from, and terminations of, an Investor's position in a Private Fund, as described in each Private Fund's governing documents. Minimum redemption amounts and minimum capital account size may apply in the event of a partial withdrawal. An Investor also may be required to redeem all or part of its interest in a Private Fund upon provision of reasonable notice. However, Aristotle Credit reserves the right, in its sole discretion, to reduce the minimum requirements under certain circumstances.

***Mutual Funds***

In advising or sub-advising mutual funds, Aristotle Credit is subject to the supervision and direction of the respective fund's Board of Trustees. Each mutual fund's strategy objectives, fees and investment minimums are outlined in each fund's prospectus.

**Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss****8.A. Methods of Analysis and Investment Strategies**

Aristotle Credit actively manages credit portfolios and seeks to use a disciplined approach across all strategies. Aristotle Credit seeks to combine a top-down and bottom-up approach to portfolio management. Aristotle Credit seeks to analyze businesses from a global perspective with a long-term view. Aristotle Credit targets the non-distressed segments of the corporate debt market and utilizes a disciplined investment process that relies on rigorous fundamental research.

Aristotle Credit's investment objective is to seek to deliver investment performance that exceeds comparable market indices over an investment cycle although there can be no assurance that Aristotle Credit will meet this objective. Aristotle Credit's portfolio construction process combines its macro-economic views with bottom up fundamental research. Aristotle Credit's macro-economic views will help determine its overall portfolio themes such as overall credit quality and maturity. This macro-economic view will be combined with bottom up fundamental analysis will determine rankings of specific industries and other credit attributes. The bottom up fundamental analysis performed by Aristotle Credit's credit team will determine specific relative value assessments and individual security selection. Aristotle Credit typically employs diversified portfolio construction and the portfolios which incorporates client objectives and guidelines and are typically expected to be diversified in terms of issuers and industry classifications. Aristotle Credit's credit staff monitors the credit quality of securities held and other securities available to Aristotle Credit's clients.

Aristotle Credit specializes in the management of Corporate Debt Instruments. Types of securities included in Corporate Debt Instruments are more commonly called High Yield Bonds and Bank Loans in addition to Investment Grade Corporate Credit Bonds.

Aristotle Credit offers the following basic investment strategies:

High Yield Bond. The investment objective of the High Yield Bond Strategy is to provide a high level of income by investing primarily in High Yield Bonds. The secondary objective is capital appreciation.

Short Duration High Yield Bond. The investment objective of the Short Duration High Yield Bond Strategy is to provide a high level of income by investing primarily in High Yield Bonds with an overall shorter duration than those bonds utilized in the High Yield Bond strategy. The secondary objective is capital appreciation.

Bank Loan. The investment objective of the Bank Loan Strategy is to provide a high level of income by investing primarily in senior secured corporate loans and to a limited extent, Second Lien Loans.

Investment Grade Corporate. The investment objective of the Investment Grade Corporate strategy is to provide higher amounts of income consistent with the higher corporate credit quality requirement by investing in Investment Grade Corporate Credit Bonds. Preservation of principal is a secondary objective.

Strategic Credit. The investment objective of the Strategic Credit Strategy is to provide a high level of income by investing primarily in a portfolio consisting of a varying combination of High Yield Bonds, Bank Loans Investment Grade Bonds as well as other debt instruments. The secondary objective is capital appreciation.

Aristotle Credit also offers the following custom credit investment strategies:

Custom Strategies. Aristotle Credit Partners will tailor a fixed income strategy to the particular objectives and restrictions of a particular client. Among other custom strategies, Aristotle Credit has a High Yield investment strategy that seeks to integrate Environmental, Social and Governance (“ESG”)/Socially Responsible Investing (“SRI”) considerations in the portfolio construction process. Also, Aristotle Credit has a High Yield strategy which integrates Faith Based considerations into the portfolio construction process.

Aristotle Credit, on behalf of its clients, may invest in CLO debt securities (“CLO Securities”) of unaffiliated CLOs through purchases primarily in the secondary market under certain of its investment strategies. These CLO Securities are collateralized principally by secured assets, principally consisting of bank loans. On occasion, Aristotle Credit may provide advisory services related to equity or other debt instruments received in connection with

the purchase, restructuring or liquidation of a corporate bond or loan (known also as “Work-Out Securities”). In addition, from time to time, the portfolios managed by Aristotle Credit may contain certain other securities such as warrants or other equity like securities received in connection with investments in Corporate Debt Instruments. It is anticipated that these equity instruments, which may contain restrictions on resale, will constitute only a small portion of Aristotle Credit’s managed portfolios.

Aristotle Credit, where directed by the client, invests excess cash in third-party money market funds, commercial paper, repurchase agreements and other money market instruments. Such balances are typically invested in funds maintained by the client’s independent custodian. Aristotle Credit utilizes various sources of information to evaluate the investment merits of particular Corporate Debt Instruments. These include, public placement memoranda (and sometimes, private placement memoranda in connection with Bank Loans) prepared by commercial and investment banks, and other information, including financial information prepared by the issuer of the debt instrument, independent credit analysis, market research prepared by banks and brokers, information contained in newspapers, Internet websites, periodicals and other sources of information considered useful by Aristotle Credit. Aristotle Credit also may attend meetings with the issuers of such debt instruments from time to time. In addition, Aristotle Credit utilizes certain third party specialty modeling software to evaluate CLO Securities.

## **8.B. Material Risks of Investment Strategies**

### General Risks

There can be no guarantee of success of the strategies offered by Aristotle Credit. All investments made by Aristotle Credit on behalf of its clients risk the loss of capital that the client should be prepared to bear. Aristotle Credit believes that its portfolio process and research techniques moderate this risk through a careful selection of Corporate Debt Instruments. However, there can be no guarantee or representation that the Adviser’s investment program will be successful. Specifically, economic or other events can reduce the demand for certain Corporate Debt Instruments which could reduce market prices and cause the value of a client’s portfolio to fall. Certain Corporate Debt Instruments could experience downturn in trading activity and the supply of such securities may exceed demand. Imbalances in supply and demand in the market could result in imprecise valuations, significant volatility and extremely limited liquidity. In addition, if the client employs credit strategies involving leverage, the risk of loss could be increased.

### Limited Diversification

Subject to compliance with any applicable client-imposed investment restrictions, Aristotle Credit may make concentrated investments in a particular asset type (i.e., High Yield Bonds

or Bank Loans) or even industries and issuers. Losses incurred in a portfolio's more concentrated positions could have a materially adverse effect on a client's overall portfolio performance.

#### Highly Volatile Instruments

Prices of certain Corporate Debt Instruments in which Aristotle Credit may invest for clients can be highly volatile. Price movements of High Yield Bonds and Bank Loans and even Investment Grade Bonds in which a client's portfolio may be invested may be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments may from time to time intervene, directly and by regulation, in certain markets. Such intervention may be intended to influence prices directly and may, together with other factors, cause markets to move rapidly in the same direction.

#### Liquidity of Fixed Income Markets (including Corporate Debt Instruments)

At times, certain sectors of the fixed income market, which include Corporate Debt Instruments in which Aristotle Credit invests, have experienced significant declines in liquidity. While these events may sometimes be attributable to changes in "macro" and local market events, interest rates or other factors, the cause is not always apparent. During such periods of market illiquidity, Aristotle Credit may be unable to sell assets in a client's portfolio or may only be able to do so at unfavorable prices. Such "liquidity risk" could adversely impact the value of the client's portfolio.

During such periods of market illiquidity, Aristotle Credit may not be able to readily dispose of certain Corporate Debt Instruments. Under certain market conditions, this could involve significant portions of the portfolio and such Corporate Debt Instruments would be considered illiquid investments. In such a case, Illiquid investments and other assets and liabilities for which no such market prices are readily available will generally be carried at values determined by an independent valuation party selected by the Aristotle Credit. Such valuations will form the basis for calculating the management fee and performance fee/allocation payable to Aristotle Credit. There is no guarantee that such value will represent the value that will be realized by the client upon the eventual sale of the Corporate Debt Instrument or that would, in fact, be realized upon an immediate disposition of the investment. In addition, Aristotle Credit may not be able to liquidate certain illiquid investments in order to satisfy client redemption requests. Accordingly, to the extent that client redemptions are financed through the sale of the more liquid investments, such redemptions would result in the remaining portfolio being comparatively less liquid.

### Non-Public Information

From time to time, Aristotle Credit or its affiliates may come into possession of material non-public information with respect to an Issuer of public securities including High Yield Bonds and Investment Grade Bonds. Aristotle Credit or its affiliates may come into possession of this material non-public information in connection with a client investment in a Bank Loan or potentially through any investment involving a restructuring in which a client has invested, or in which Aristotle Credit or its affiliates intends to invest in for its clients. Possessing such information may limit the ability of Aristotle Credit to buy or sell Corporate Debt Instruments (including Bank Loans in certain instances) with respect to that Issuer on behalf of its clients. Accordingly, Aristotle Credit may be prohibited from buying or selling such Corporate Debt Instruments on behalf of its clients at times when Aristotle Credit might otherwise wish to buy or sell such Corporate Debt Instruments.

### Contingent Liabilities

From time to time clients may incur contingent liabilities in connection with an investment. For example, Aristotle Credit may cause the client to purchase a Bank Loan which is a revolving credit facility that has not yet been fully drawn (commonly known as “revolvers”). If the Issuer of the revolver which is not already fully drawn subsequently draws down on the facility, a client would be obligated to fund the amounts due.

### Risks of Litigation

Investing in Corporate Debt Instruments can be a contentious and adversarial process, particularly if the Issuer of the Corporate Debt Instrument becomes financially distressed and becomes involved in a restructuring of the Corporate Debt Instrument. In such cases, as these Corporate Debt Instruments may be the subject of litigation surrounding the owners of the Corporate Debt Instrument (which may include a client of Aristotle Credit) and the underlying Issuer of the Corporate Debt Instrument. Different investor groups of the securities issued by the Issuer may have qualitatively different, and frequently conflicting, interests. Aristotle Credit’s investment activities may include activities that are hostile in nature and will subject clients to the risks of becoming involved in litigation by third parties.

### Risks Associated with Bankruptcy Cases

Certain Corporate Debt Instruments owned by clients may be the subject of bankruptcy and reorganizations. Many of the events within a bankruptcy case are adversarial and often beyond the control of creditors who own the Corporate debt Instruments. While creditors generally are afforded an opportunity to object to significant actions, a bankruptcy court may approve actions that are contrary to the interests of the clients. Furthermore, there are

instances in which creditors and equity holders in the Issuer may lose their ranking and priority such as when they assume management and functional operating control of a debtor.

Generally, the duration of a bankruptcy case can only be roughly estimated. Unless a client's claim in such case is secured by assets having a value in excess of such claim, no interest will be permitted to accrue. Therefore, the time necessary to negotiate the plan of reorganization of the debtor and secure approval from creditors and the bankruptcy court may adversely affect client's return on investment. The risk of delay may be particularly acute when the client holds an unsecured High Yield or Investment Grade Bond or a Second Lien Loan or when the collateral value underlying the secured Corporate Debt Instrument does not equal the amount of the secured claim. Further, reorganizations outside of bankruptcy are also subject to unpredictable and potentially lengthy delays which can affect the performance returns of such investments.

Since Corporate Debt Instruments are subject to the risk of scheduled principal and interest, significant changes in economic conditions could reduce the capacity of borrowers to make required payments which could significantly impair the success of the investment strategy. Investments in Corporate Debt Instruments and related securities involve risk and potential loss of capital. Past performance is not indicative of future results.

### **8.C. Material Risks of Securities Used in Investment Strategies**

#### **Corporate Debt Instruments in General**

As noted above, Aristotle Credit primarily invests in Corporate Debt Instruments of U.S. and non-U.S. issuers, including, without limitation, corporate bonds and corporate loans. Corporate bonds and loans generally pay fixed, variable or floating rates of interest. The value of these securities will often change in response to fluctuations in interest rates. In addition, the value of corporate bonds and loans can fluctuate in response to perceptions of creditworthiness, foreign exchange rates, political stability or soundness of economic policies. Corporate bonds and loans are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) (particularly in the case of higher-yielding debt instruments in which Aristotle Credit invests) and are subject to price volatility due to such factors as interest rate sensitivity and general market liquidity (i.e., market risk). Further, in seeking to capture certain price appreciation opportunities and subject to appropriate investment guidelines contained in the advisory agreement, Aristotle Credit may purchase certain debt instruments for a client that are non-performing and possibly in default where the obligor or relevant guarantor may be in bankruptcy or liquidation (e.g., bankruptcy claims). Accordingly, while Aristotle Credit seeks to garner the best investment opportunities for its clients, there can be no assurance as to the amount

and timing of payments, if any, with respect to the purchase of any such debt investments or that any such investments will be profitable.

#### Non-Investment Grade Corporate Debt Instruments

A significant portion of Aristotle Credit's investment strategies involve the use of below investment grade Corporate Debt Instruments including High Yield Bonds, Bank Loans and Second Lien Loans. These Corporate Debt Instruments do not trade on an exchange, and accordingly, may trade in a smaller secondary market than exchange traded securities. Corporate Debt Instruments that are rated below investment grade or are unrated face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the Issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated Corporate Debt Instruments tend to reflect individual corporate developments to a greater extent than do higher rated fixed income securities, which react primarily to fluctuations in the general level of interest rates. These types of securities also tend to be more sensitive to economic conditions than are higher-rated fixed income securities. As a result, the market prices of such below investment grade Corporate Debt Instruments may be subject to abrupt and erratic market movements and changes in liquidity and above-average price volatility, and the spread between the bid and ask prices of such below investment grade Corporate Debt Securities may be greater than those prevailing in other securities markets. The Issuers such below investment grade Corporate Debt Instruments may be highly leveraged and may not have access to more traditional methods of financing. The potentially concentrated nature of a client's investment strategy in these types of investments could magnify the effects of such risks.

#### Credit Risk – Corporate Debt Instruments

Credit risk is the risk that the Issuer or guarantor of a Corporate debt Instrument or counterparty to the client portfolio's transactions will be unable or unwilling to make timely principal and/or interest payments, or otherwise will be unable or unwilling to honor its financial obligations. If the issuer, guarantor, or counterparty fails to pay interest, the client portfolio's income may be reduced. If the Issuer of the Corporate Debt Instrument, guarantor, or counterparty fails to repay principal, the value of that security and value of client account may be reduced.

#### Interest Rate Risk – Corporate Debt Instruments

Interest rate risk is the possibility that High Yield Bonds and Investment Grade Bonds with a fixed rate coupon and, to a lesser extent, Bank Loan prices overall will decline over short or even long periods because of rising interest rates. Such declines in value as a result of declines in interest rates could be material to the client's account.

### Rating Agency Risk - Corporate Debt Instruments

Ratings assigned by Moody's and/or S&P and/or Fitch to Corporate Debt Instruments acquired in a client's portfolio reflect only the views of those agencies. Explanations of the significance of ratings should be obtained from Moody's, S&P and Fitch. No assurance can be given that ratings assigned will not be withdrawn or revised downward if, in the view of Moody's, S&P or Fitch, circumstances so warrant.

### Call Risk – Corporate Debt Instruments

Call risk is the chance that during periods of falling interest rates, issuers of Corporate Debt Instruments may call—or repay—the Corporate Debt Instruments with higher coupons (interest rates) before their maturity dates. Accordingly, Aristotle Credit, on behalf of the client, may reinvest the call proceeds (i.e., repayment) into Corporate Debt Instruments with reduced coupons which will reduce the client's portfolio performance. Additionally, in such circumstances, Aristotle Credit, on behalf of the client, may reinvest the call proceeds into more risky Corporate Debt Instruments.

### Ethical Investment Risk

Ethical Investment Risk is the possibility that accounts with ethical values screening criteria could cause an account to underperform similar accounts that do not have such screening criteria. This could be due to ethically acceptable companies falling out of favor with investors or failing to perform as well as companies that do not meet an account's ethical screening guidelines.

### Bank Loans and Second Lien Loans

Bank Loans and Second Lien Loans are loans made by U.S. banks and other large financial institutions to large corporate customers who undertake these loans to finance leveraged buyouts, recapitalizations, mergers, acquisitions, stock repurchases, dividends and, to a lesser extent, to finance internal growth and for other corporate purposes. Typically, these Bank Loans (or senior secured corporate loans) are the most senior source of capital in a borrower's capital structure, have certain of the borrower's assets and/or stock pledged as collateral. Second Lien Loans are subordinated to senior secured corporate loans and are typically riskier investments than senior secured corporate loans. However, both Bank Loans and Second Lien Loans are typically below investment grade Corporate Debt Instruments with Credit Risk, Bank Loans and Second Lien Loans are typically floating rate instruments in that they pay interest quarterly at a coupon that is a floating rate such as LIBOR plus a spread. Bank Loans and Second Lien Loans are not traded on established trading exchanges and there may be other trading restrictions on particular loans. For example, among other restrictions, in order to sell the loan to another party, it might be

required to first obtain the consent of the Issuer of the Bank Loan or Second Lien Loan. In addition, because of the provision to holders of such Bank Loans and Second Lien Loans of confidential information relating to the borrower, the unique and customized nature of a loan agreement, and the private syndication of loan investments, Bank Loans and Second Lien Loans may not be as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been smaller relative to certain other markets. Furthermore, to the extent that a client holds a bank loan investment not directly but through a participation arrangement with a particular counterparty, if the counterparty becomes insolvent the client may incur a loss in regard to the underlying loan that is being held on the books and records of the counterparty itself by for example becoming an unsecured creditor to the counterparty in such a circumstance.

### High Yield and Investment Grade Bonds

Corporate bonds, including High Yield Bonds are typically fixed income securities and are often subordinated to Bank Loans, if there are Bank Loans in the capital structure of the Issuer. High Yield Bonds are typically of below investment grade quality and have below investment grade credit ratings. These speculative ratings (which typically cover all of the investments in the portfolio) are associated with securities having high risk, and speculative characteristics. As interest rates rise, the value of fixed income investments, such as High Yield Bonds and Investment Grade Corporate Bonds, are likely to decline. The Interest Rate risk for such High Yield Bonds and Investment Grade Corporate Bonds could be significant. All investments, including the ones described here, carry a certain amount of risk and there is no guarantee Aristotle Credit will be able to achieve its investment objectives.

### CLO Securities

CLO Securities are subject to various risks including the following:

(i) Leverage Risk. An accounts investment in CLO Securities may involve significant leverage. Leverage is embedded in all classes of CLO Securities other than the most senior tranche. While the leverage presents opportunities for increasing total return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment in a CLO Security would be magnified to the extent that a CLO Security is leveraged. The cumulative effect of the use of leverage by a CLO in a market that moves adversely to the CLO's investments could result in a substantial loss to the investor in the CLO with the greatest loss applicable to the equity securities issued by the CLO.

(ii) Risks of Investment Focus. The value of CLO Securities owned by a Client generally will fluctuate with, among other things, the financial condition of the obligors/issuers of the underlying portfolio of assets of the related CLO ("CLO Collateral"), market conditions,

general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. CLO Securities are issued on a non-recourse basis and holders of CLO Securities must rely solely on distributions on the CLO Collateral or proceeds thereof for payment in respect thereof. If distributions on the CLO Collateral are insufficient to make payments on the CLO Securities, no other assets will be available for payment of the deficiency and following liquidation of the CLO Collateral, the obligations of such issuer to pay such deficiency will be extinguished.

(iii) Lower Credit Quality Securities. A CLO Security purchased by an account may be rated “non-investment grades”. Also, an account may purchase CLO Securities that have ratings that have been downgraded or placed on “credit watch” for future downgrades. Lower rated and unrated securities in which a Client may invest can have large uncertainties or major risk exposures to adverse conditions and can be considered to be speculative. Generally, such securities offer a higher return potential than higher rated securities, but involve greater volatility of price and greater risk of loss of income and principal.

The market values of CLO Securities also may tend to be more sensitive to changes in market or economic conditions than other securities. The value of the leveraged loans underlying a CLO may also be affected by changes in the market’s perception of the entity issuing or guaranteeing them, or by changes in government regulations and tax policies.

(iv) Liquidity of Markets. In the past fixed income markets have periodically experienced significant falloffs in liquidity. While these may be attributable to changes in interest rates or other macro-economic factors, the cause is not always apparent. Because CLO Securities themselves may be illiquid, they can be difficult to value and the valuations are often based on an indicative price from a dealer (or even a model), rather than on prices at which the security was actually sold in the secondary market. As a result, a CLO Security may experience large movements in price.

(v) Subordination of CLO Securities. Depending upon the account’s investment objectives/restrictions, a portion of its portfolio may consist of subordinated CLO Securities. Subordinate CLO Securities generally are fully subordinated to the related CLO senior tranches. Thus, investments of an account in a particular CLO tranche can rank behind other creditors of the CLO. To the extent that any losses are incurred by a CLO in respect of its related CLO Collateral, these losses will be borne first by the holders of the related CLO equity, next by the holders of any related subordinated CLO debt, and finally by the holders of the related CLO senior tranches. In addition, if an event of default occurs under the governing instrument or underlying investment, as long as any CLO senior tranches are outstanding, the holders thereof generally will be entitled to determine the remedies to be exercised under the instrument governing the CLO. Remedies pursued by

such holders could be adverse to the interests of the holders of any related subordinated CLO debt. An account's investments in subordinated CLO debt securities will absorb any losses by the CLO on its underlying portfolio before the CLO senior securities. This may result in losses on the account's invested proceeds and could result in the complete loss of invested proceeds.

(viii) **Mandatory Redemption of CLO Senior Tranches.** Under certain circumstances (principally resulting from the failure of the CLOs debt coverage tests), cash flows from CLO Collateral that otherwise would have been paid to the holders of its subordinated CLO debt will be used to redeem the related CLO senior tranches. This could result in an elimination, deferral, or reduction in the interest payments, principal repayments or other payments made to Clients who hold such CLO Securities, which would adversely impact their returns.

These strategies may not be suitable for all investors.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of them or the integrity of their management. Aristotle Credit has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Aristotle Credit's officers, directors and employees may also be asked to serve as directors, advisors or in other forms of participation in other companies or organizations. Since such commitments can involve substantial responsibilities and potential conflicts of interest or the appearance of such conflicts, executive officers of Aristotle Credit and other Aristotle Credit employees will seek prior approval of the Chief Compliance Officer ("CCO") of Aristotle Credit before accepting such positions and must update Aristotle Credit's CCO of any changes to such outside appointments.

### **10.A. Registered Representatives**

Two of Aristotle Credit's access persons are registered representative with IMST Distributors.

### **10.B. Other Registrations**

Aristotle Credit's management persons are not registered, nor do any management persons have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

## **10.C. Material Relationships or Arrangements**

Aristotle Capital Management, LLC (“Aristotle Capital”), Aristotle Capital Boston, LLC (“Aristotle Boston”) and West Gate Horizons Advisors, LLC are registered investment advisers affiliated with Aristotle Credit Partners, LLC. These affiliates, along with Aristotle Credit, do business as “Aristotle” when referencing two or more of them together. Richard Hollander, a Director and control person of Aristotle Credit, Aristotle Capital, Aristotle Boston, MetWest Ventures, LLC and MetWest Realty Advisors, LLC is also an indirect majority owner of West Gate. Mr. Hollander is also an indirect owner of Aristotle Capital. Richard Schweitzer, Chief Risk Officer (“CRO”) and Chief Financial Officer (“CFO”) of Aristotle Capital, serves as a Director of West Gate and as a Senior Partner of Aristotle Credit and Aristotle Boston. Mr. Schweitzer also serves as COO and CFO of MetWest Ventures, LLC, MetWest Realty Advisors, LLC and MetWest Properties, LLC. MetWest Realty Advisors, LLC provides investment management services primarily related to real estate related investments. Aristotle Credit is also affiliated with MetWest Fund Manager, LLC which is also controlled by Richard Hollander and is a General Partner of several pooled vehicles managed by MetWest Realty Advisors, LLC. Aristotle Capital is also an affiliate of MetWest Ventures which is a multi-strategy asset management platform that partners with management teams to help Investors achieve their investment objectives. Aristotle Credit is affiliated with Saul Fund GP, LLC which is controlled by Howard Gleicher who is an indirect owner of Aristotle Credit. Saul Fund GP, LLC serves as the Managing Member to the Saul Fund, a private fund managed by Aristotle Capital. The Saul Fund is closed to new investors. Mike Hatley, a Senior Partner and Portfolio Manager at Aristotle Credit, is also the President and a Director of West Gate. Graydon Wilcox, the Chief Financial Officer and Chief Compliance Officer at Aristotle Credit also holds these positions at West Gate. Gary Lisenbee, a Senior Partner of Aristotle Credit, is a Co-Chief Executive Officer (“Co-CEO”) and Co-Chief Investment Officer (Co-CIO) of Aristotle Capital. Aristotle Capital is the majority owner of Aristotle Boston. Aristotle Capital is the majority owner of Aristotle Credit. Aristotle Credit, Aristotle Capital and West Gate may share supervised persons.

West Gate and Aristotle Credit share office space. Substantially all of the employees of West Gate will also be employees of Aristotle Credit. Certain employees of West Gate will be performing similar functions for both Aristotle Credit and West Gate including, but not limited to, making investment management and trading decisions. The employees of West Gate who are also employees of Aristotle Credit will not devote their full time to the clients of Aristotle Credit. There may be conflicts in the allocation of their time to West Gate, Aristotle Credit and to their respective clients. Portfolio managers will take steps to manage each adviser’s priorities to ensure that clients of both advisers are treated fairly. In addition, both Aristotle Credit and West Gate employees adhere to a Code of Ethics as

described in Item 11. In addition, certain employees of Aristotle Capital will be performing certain administrative functions on behalf of Aristotle Credit. The employees of Aristotle Capital who are performing certain administrative functions for Aristotle Credit will not devote their full time to the clients of Aristotle Credit. There may also be conflicts of the allocation of the time of Aristotle Capital's employees to Aristotle Credit.

The clients of West Gate also may have the same or similar objectives as the clients of Aristotle Credit. Aristotle Credit may allocate investment opportunities, particularly in connection with Bank Loans, among its clients as well as clients of West Gate. Subject to the requirements of the governing instruments pertaining to the Aristotle Credit and West Gate, investment opportunities sourced by the Aristotle Credit and West Gate will generally be allocated to their respective clients in a manner that the Aristotle Credit and West Gate believes, in its judgment, to be appropriate given factors it believes to be relevant. Such factors, discussed more fully in 12B below may include the investment restrictions and objectives, available cash, relative size of client, liquidity and/or third party credit ratings, diversification, and other limitations of the various clients and Aristotle Credit and West Gate and the amount of funds each of their respective clients have available for such investment. For example, as existing funds that are managed or advised by the Aristotle Credit or West Gate mature and as new funds are developed, the investment strategy of a particular fund will naturally shift over time in accordance with the stage of that fund's life cycle. Accordingly, the governing body of a fund managed or advised by Aristotle Credit or West Gate may determine, in its judgment, that it is appropriate to allocate an investment purchase opportunity to a new fund. Correspondingly, it may be appropriate to allocate an opportunity to sell a loan or bond asset to a fund that is approaching maturity. Aristotle Credit, through its trade allocation policy then in effect, intends to use its best efforts to ensure that such investments are allocated among its clients and the clients of West Gate in a fair and equitable manner over time to create for the Issuer a well-constructed, fully-invested portfolio of corporate loans and bonds as quickly as possible, in order to minimize the effects of under investment, while adhering to each client's investment objectives and restrictions, and in accordance with applicable law.

Aristotle Credit (or West Gate) may also purchase Bank Loans for its clients that are senior to (with respect to that Issuer's capital structure), or have interests contrary to High Yield Bonds, High Grade Corporate Bonds or Second Lien Loans held by other Aristotle Credit clients. Aristotle Credit (and West Gate) may also invest in certain securities or loan instruments of a particular issuer for a client that is in a different part of the issuer's capital structure, or in different classes of debt than another one of Aristotle Credit's client. These and other investments may cause a potential conflict of interest, particularly because Aristotle Credit (and West Gate) may take certain actions for their clients that may have an opposing effect on the other clients. This is especially true in the case of a restructuring

and reorganization of an issuer. In such cases, each adviser will endeavor to be as equitable as possible to all clients under the circumstances. This may mean, for example, that if employees of Aristotle Credit (and West Gate) serve on a creditors' committee, they may be precluded from taking action for Aristotle Credit's other clients holding securities of the same issuer. West Gate is primarily involved in the investment management of Bank Loans in connection with CLO clients. West Gate manages, and will in the future manage, investments for its clients, which include CLOs that invest in Bank Loans, that are the same as or similar to those Bank Loans in which clients of Aristotle Credit may invest. It is unlikely there would be any overlap in clients between West Gate and Aristotle Credit.

It is anticipated that the investment strategies followed by Aristotle Capital, Aristotle Boston and MetWest Realty Advisors have little or no overlap with the investment strategies offered by Aristotle Credit.

#### **10.D. Recommendation of Other Investment Advisers**

Aristotle Credit may recommend to clients affiliated investment advisers offering different investment services. Engagement with affiliates will be done via a sub-advisory amendment to the client's investment management agreement or through a new investment management agreement executed directly with the other investment adviser.

### **Item 11 – Code of Ethics**

**11.A.** Aristotle Credit has adopted a Code of Ethics pursuant to SEC rule 204A-1 of the Investment Advisers Act of 1940, as amended. The foundation of Aristotle Credit's Code of Ethics is that the interests of clients are always placed first. The Code of Ethics includes standards of business conduct requiring covered persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its clients.

#### **11.B Recommendations of Securities and Material Financial Interests**

As a matter of general policy, Aristotle Credit does not engage in any principal trades or agency cross transactions between it and its clients. Any exceptions to this policy must be approved in advance by the Chief Compliance Officer.

From time to time, Aristotle Credit may direct a client to sell Corporate Debt Instruments to another client to provide liquidity as desired by a client, meet trade allocation objectives or achieve other investment objectives for the clients although this is not common practice ("a cross trade") for Aristotle Credit. Aristotle Credit, in these cases, will execute such trade through a third party broker-dealer at a transaction price generally determined by such third-party broker-dealer. Alternatively, with respect to the transaction price, the transaction price may be obtained from a quotation from another third party dealer or from an independent pricing service if the transaction price is not supplied by the

executing broker-dealer. *Neither Aristotle Credit nor its affiliates will receive any commissions or any other remuneration in connection with these transactions.* A cross trade will only be affected where Aristotle Credit believes that the transaction is in the best interest of, and is in accordance with the investment policies of, each client. All cross trades will be affected in accordance with applicable law.

Officers, directors, or employees of Aristotle Credit and its related persons may be members of the boards of directors of publicly held companies whose securities may be permitted investments for certain clients although such instances would be very rare if it occurs at all. In these cases, if any, Aristotle Credit will establish certain procedures, such as appropriate “Information Walls” or placing the securities in question on a Watch or Restricted List, which may limit or preclude the purchase or sale of such securities for Aristotle Credit’s clients and employees.

Moreover, Aristotle Credit and/or related persons may buy, sell or hold securities (including Corporate Debt Instruments) while making a different investment decision for one or more client accounts.

### **11.C. Personal Trading**

Aristotle Credit’s Code of Ethics allows its employees to invest in and trade securities for their own account and those of others. Aristotle Credit’s Code of Ethics is intended, among other things, to ensure personal investing activities by Aristotle Credit’s employees are consistent with Aristotle Credit’s fiduciary duty to its clients. The Code of Ethics includes standards of business conduct requiring covered persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its clients. For purposes of its Code of Ethics, Aristotle Credit has determined that all of its employees are access persons. This definition of access person does not include directors of Aristotle Credit, who are not involved in the daily operations of Aristotle Credit.

### **11. D. Timing of Personal Trading**

Access Persons are generally required to pre-clear all securities transactions involving stocks and corporate bonds with the CCO (or his designee). Certain other securities such as shares of open-end mutual funds and investments in U.S. Government bonds do not require pre-clearance as well as other transactions which are described in Aristotle Credit’s Code of Ethics.

No Access Person shall knowingly purchase or sell, directly or indirectly, any Covered Security in which he or she has, or by reason of such transaction acquires, any direct or indirect beneficial ownership which at the time of such purchase or sale:

- (a) is being considered for purchase or sale by any Aristotle Credit client;

- (b) is being purchased or sold by a Aristotle Credit client; or
- (c) is issued by a company on the Restricted List listed as “Private” or for which Aristotle Credit is in possession of Inside information, unless such purchase or sale is approved by the CCO or President.

Access Persons must provide quarterly reports of their personal transactions to the CCO. Typically, this requirement is met by the CCO (or his designee) receiving duplicate copies of their monthly brokerage statements directly from the brokerage firm for all accounts in which the Access person has a beneficial interest. Access Persons must report all brokerage accounts and stocks and corporate bonds held directly to the CCO annually and more often under certain circumstances.

The Code of Ethics also requires that access persons comply with ethical restraints relating to clients and their accounts, including restrictions on gifts and provisions intended to prevent violation of laws prohibiting insider trading. A copy of Aristotle Credit’s Code of Ethics will be provided upon request.

## **Item 12 – Brokerage Practices**

### **12.A. Selection of Broker/Dealers**

Aristotle Credit places all orders for the purchase or sale of securities with the primary objective of obtaining the best execution from responsible broker-dealers. Aristotle Credit insists on a high standard of quality regarding execution services and deals only with brokers that can meet that standard. Aristotle Credit also places value on brokers and dealers who are able to provide a market for the types of securities Aristotle Credit purchases and sells, useful research and brokerage assistance.

In selecting broker-dealers to execute securities trades for client accounts, Aristotle Credit will seek to comply with its fiduciary duty to obtain best execution and will take into account such factors as Adviser considers to be relevant, including (without limitation): (a) the price and the transaction cost, (b) the execution capabilities required by the transaction, (c) the importance to the transactions of speed and efficiency, and (d) the reputation and soundness of financial condition of the broker or dealer. In general, Aristotle Credit’s starting point for determining whether best execution is received is an evaluation of market availability for the security they plan to purchase or sell, pricing comparisons, total costs and, quoted net prices, across a range of broker-dealers and comparable securities, depending upon the nature of the product and the market. Aristotle Credit recognizes that the nature of fixed income trading will affect the execution capability of a broker-dealer. In evaluating execution capability, Aristotle Credit may consider market

conditions for a particular security, the size and type of transaction, the quantity of primary markets that are checked and the broker-dealer's reputation.

The best net price, giving effect to brokerage commissions or fees, spreads and other costs, is normally an important factor in this decision, but several of other judgmental factors are considered as they are deemed relevant. In applying these factors, Aristotle Credit recognizes that different broker-dealers may have varying execution capabilities with respect to diverse types of securities. Most of the transactions take place on over-the-counter (OTC) markets which tend to be less transparent than equity markets. Further, transactions take place among a relatively small universe of trading partners and availability can be limited. Aristotle Credit, like many fixed income investors, has applied a significant amount of time and effort to developing a reliable and knowledgeable network of contacts with fixed income dealers. These contacts assist Aristotle Credit in their effort to access the best prices and availability of municipal bonds for their clients providing the basis for Aristotle Credit's ability to seek best execution in the context of the fixed income market.

Aristotle Credit periodically evaluates and reviews its best execution practices and procedures as well as its general brokerage arrangements. During the course of this review, Aristotle Credit may determine or re-determine criteria for selecting broker-dealers and will generally review trade placement, costs, service quality factors and alternative means of execution.

#### Research and Other Soft Dollar Benefits

Aristotle Credit does not receive research from brokers in return for generating commissions for such brokers ("soft dollars"), but may receive standard unsolicited materials. However, from time to time personnel of Aristotle Credit may attend conferences or similar functions sponsored by broker-dealers and financial institutions that are widely attended by other investment advisers.

#### Brokerage for Client Referrals

Aristotle Credit does not maintain any referral arrangement with broker/dealers.

#### Directed Brokerage

Aristotle Credit selects broker-dealers for separately managed client accounts and because of the nature of fixed income trading, does not accept client directed brokerage.

### **12.B. Aggregation of Orders**

Aristotle Credit may aggregate purchase or sale orders among more than one client account under Aristotle Credit's trade aggregation and allocation policy. In the case of Bank Loans,

from time to time, Aristotle Credit and its affiliate, West Gate, may aggregate purchase and sales orders of Bank Loans. Trades will be aggregated when Aristotle Credit believes that it is in the best interest of each client involved, typically because such aggregation will achieve overall better execution and/or better prices. Aristotle Credit will seek to: (i) aggregate client orders only when consistent with Aristotle Credit's duty of best execution and with the client's investment objectives, account guidelines and other objective criteria, and (ii) allocate on a pro rata basis the price and per share commission, if any, and transaction costs to each client participating in the aggregated transaction. In addition, Aristotle Credit will identify the client accounts that will participate in any such aggregated transaction and will utilize a fair and equitable allocation method with respect to the aggregated order. Aristotle Credit does not receive additional compensation or remuneration solely as a result of a trade aggregation or allocation.

### Trade Allocation

Aristotle Credit acts as investment adviser to clients that have similar investment objectives and pursue similar strategies. In the case of the Bank Loan strategy, Aristotle Credit along with its affiliate, West Gate, may have clients with similar investment objectives.

Aristotle Credit seeks to allocate Corporate Debt Instruments to clients in a fair and equitable manner over time in an attempt to create a well-constructed, fully-invested portfolio of Corporate Debt Instruments as quickly as possible, in order to minimize the effects of under-investment, while adhering to a client's investment objectives and restrictions. In general, clients that participate in an aggregated order will be allocated on an average price basis, subject to allocation factors.

Aristotle Credit's clients may have varying and potentially complex investment restrictions coupled with the constraining mechanics of the Corporate Debt market, particularly the Bank Loan market, (including, but not limited to minimum assignment size in terms of purchase and sale transactions). In addition, Aristotle Credit's clients may have related but different investment strategies where there are "dedicated" strategies and "opportunistic" or tactical strategies. In certain other cases, limited market supply and demand for security will result in a partially filled order. Accordingly, because of these reasons, allocation of trades through methods such as pro-rata allocation, are not feasible. Therefore, the allocation of Corporate Debt Instruments to various accounts is generally based on factors such as the client's investment restrictions and objectives, relative size of client, including expected liquidity and/or third party credit ratings, the client's acceptance or rejection of prospective investments, if applicable, and the relative percentage of invested assets of a client's portfolio to uninvested cash, among others.

In addition to those allocation factors above, dedicated investment disciplines and portfolios may receive all or a larger percentage of a partially filled transaction if the security is generally the primary investment vehicle for the portfolio account. For example a client with a High Yield strategy may receive a greater allocation of a partially executed high yield bond transaction than a client with a Bank Loan strategy. This is because the High Yield strategy client account invests a greater percentage of its assets in high yield bonds, while the Bank Loan strategy client account can only place a limited percentage of its assets in high yield bonds. Also during periods when new accounts are being initially invested in Corporate Debt Instruments (sometimes referred to as a client account's ramp-up period), these securities may be disproportionately (and, at times, exclusively) allocated to such new account. Aristotle Credit's allocation decisions respecting the sale of Corporate Debt Instruments for client accounts may also be made disproportionately, based upon, among other considerations, the relative amount of the securities held in an account and applicable restrictions on the minimum amount that may be assigned as well as the particular circumstances of a client's portfolio corporate loan relative to its investment policies and restrictions as well as anticipated or pending redemptions.

As indicated above, in the case of Bank Loans, from time to time, Aristotle Credit and its affiliate, West Gate may aggregate purchase and sales orders of Bank Loans. In the case of partially filled orders of bank loan transactions, the same allocation methodology as described above will be followed.

## **Item 13 – Review of Accounts**

### **13. A. Frequency and Nature of Review**

The Credit Team seeks to review the portfolio with respect to the credit's relative value, In addition, the Credit Team also reviews the portfolio to determine the existence and extent of fundamental credit concerns. They also look for poor-risk return potential and overall changes in the macro-view as well as market liquidity concerns. These reviews may lead to "sell" decisions. In addition to the review process described above, all available members of the investment team (i.e. Portfolio Manager and Credit Analysts) participate in daily meetings each morning, which typically include an update on market conditions, a review of news impacting the credits in the portfolios, and a review of the investment pipeline and opportunities. The investment team typically holds monthly portfolio review meetings to review monthly performance and discuss current economic performance and recent performance in the equity, bond and loan markets and what changes, if any, should be made to the portfolios as a result. There are in-depth discussions of certain selected individual portfolio positions.

### **13. B. Factors That May Trigger an Account Review Outside of Regular Review**

Generally, client accounts are reviewed as needed depending on factors such as cash flows in or out of the account, changes in client objectives or restrictions, and changing market conditions.

### **13. C. Content and Frequency of Reports**

At least quarterly, Aristotle Credit produces account statements, which show account value, positions and performance, which are furnished to each separate account client. Other written reports may include correspondence to clients which discuss Aristotle Credit's investment strategies and market commentary. The manager will meet with clients when requested or at such other times as may be mutually agreed to by Aristotle Credit and the client. Such meetings may be conducted in person or via teleconference.

### **Item 14 – Client Referrals and Other Compensation**

Aristotle Credit may compensate certain employees of its affiliates for soliciting prospects to become clients. These fees typically involve payment by the Adviser of a portion of the investment management fee.

### **Item 15 – Custody**

At the present, Aristotle Credit does not have custody with regard to client assets. Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. Aristotle Credit takes steps to ensure that the client's qualified custodian sends periodic account statements to the client, no less frequently than quarterly, showing all transactions in the account, including fees paid to Aristotle Credit.

Aristotle Credit urges clients to carefully review and compare official custodial records to the account statements that Aristotle provides. Aristotle Credit statements may vary slightly from custodial statements based on accounting procedures, reporting dates, and/or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

Generally, Aristotle Credit is retained with respect to its individual accounts on a discretionary basis and is authorized to make the following determinations in accordance with the client's specified investment objectives without client consultation or consent before a transaction is effected:

- Which securities to buy or sell.

- The total amount of securities to buy or sell.
- The broker-dealer through whom securities are bought or sold.
- The commission rates at which securities transactions for client accounts are affected.
- The prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

Investments for separately managed client accounts are managed in accordance with each client's stated investment objectives, strategies, restrictions, and guidelines.

Aristotle Credit assumes discretion over the account upon execution of the advisory agreement with the client and upon notification from custodian that account is ready to trade.

### **Item 17 – Voting Client Procedures**

Although Aristotle Credit's clients have very limited exposure to public equity investments, Aristotle Credit recognizes its fiduciary responsibility to vote proxies solely in the best interests of its clients with the overall goal of maximizing the growth of its clients' assets. Toward that end, Aristotle Credit has developed proxy voting guidelines, which it's Portfolio Manager and Credit Analysts use to vote proxies for securities held in client accounts.

Aristotle Credit generally votes proxies in furtherance of maximizing the short-term value of securities in respect of which proxies are solicited. As a general rule, Aristotle Credit very rarely receives proxy solicitations since the Adviser's clients generally do not hold equity positions.

Generally speaking, Aristotle Credit only manages equity positions when it receives them as a Work-Out security. Typically the investment guidelines of the accounts under which Aristotle Credit operates do not provide for the discretionary investment in equity and equity like securities. From time to time, Aristotle Credit may receive proxy solicitations in the context of reorganizations of borrowers in which equity securities are received in exchange for defaulted loans and/or bonds from the independent custodian. Aristotle Credit considers each proxy proposal on its own merits, and it makes an independent determination as to the advisability of supporting or opposing management's position. Aristotle Credit believes that the recommendations of management should be given substantial weight, but it will not support management proposals that it believes are detrimental to maximizing the short-term value of its clients' positions.

Aristotle Credit would usually oppose proposals that dilute the economic interest of shareholders, reduce shareholders' voting rights or otherwise limit their authority. With respect to takeover offers, Aristotle Credit would vote for the merger, acquisition or leveraged buy-out if the offer approaches or exceeds the value estimate.

Any client of Aristotle Credit may obtain a copy of Aristotle Credit's complete proxy voting policy as well as information regarding how its shares were voted by contacting Graydon Wilcox at 310-689-2700.

## **Item 18 – Financial Information**

### **18.A. Advance Payment of Fees**

Aristotle Credit does not require or solicit prepayment of fees from clients, six months or more in advance.

### **18.B. Financial Condition**

Aristotle Credit has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

### **18.C. No Bankruptcy Proceedings**

Aristotle Credit has not been the subject of a bankruptcy proceeding.