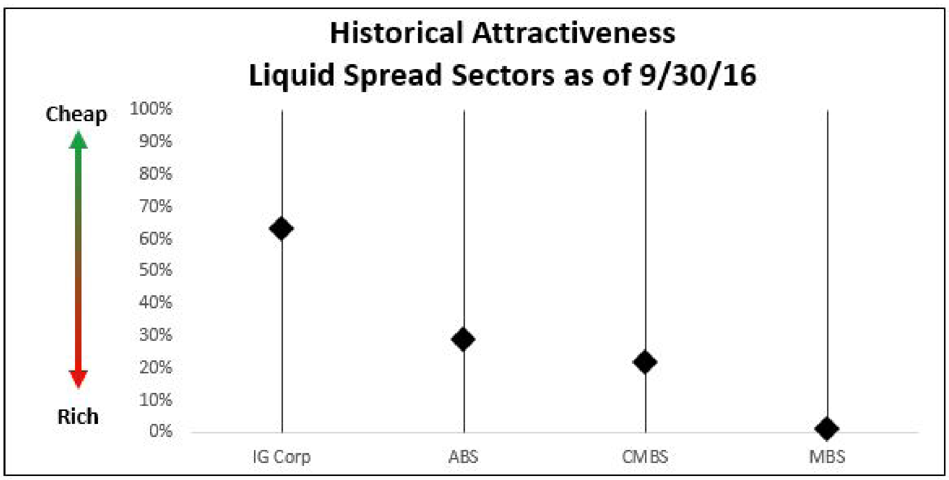
Investment Grade Corporate

3Q 2016

Investment Grade Corporates Present Attractive Opportunities for Bond Investors

Fixed income investors are in uncharted territory with central banks' unprecedented participation in financial markets leading to market distortions and generally suppressed, often negative, yields in sovereign bond markets. In this unusual environment, every investor should be asking, "how can I get more out of my investment grade allocation?" Investors certainly aren't getting "more" out of the Bloomberg Barclays Aggregate Index, which exposes investors to meaningful interest rate risk with very little income to help absorb any increase in market yields. ***As an alternative, we believe corporate credit provides one of the most attractive opportunities going forward in the investment grade fixed income markets, on a duration-adjusted basis.***

Our preference for corporate credit is supported by a constructive macroeconomic environment, strong technical demand for yield and relatively attractive valuations. In analyzing valuation, one simple tool is to compare the cur-rent spread of a sector to its historical spreads. This analysis is summarized in the graph below, which shows that over the life of the Bloomberg Barclays Corporate Index, investment grade corporate spreads have been more ex-pensive than the current valuation 63% of the time. This indicates that corporate credit is cheap relative to its historical valuations. In contrast, spreads on mortgage-backed securities (MBS) have been more expensive than their cur-rent valuation just 1% of the time, indicating that sector is trading rich relative to its historical valuations. Other in-vestment grade sectors, including asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS), also appear overvalued based on this analysis.



In a world where valuations seem stretched on a historical basis across most asset classes, investment grade corporate credit stands out as a relatively attractive alternative. Based on the measure of relative value described and illustrated above, one could argue that not only is corporate credit the most attractively valued sector in the investment grade universe, ***it may actually be the only attractively valued sector in the investment grade universe today.***

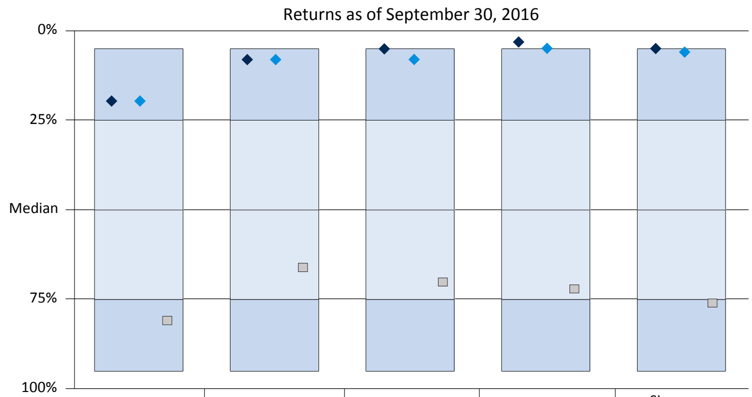
What Differentiates Aristotle Credit Partners, LLC (Aristotle Credit)?

At Aristotle Credit, our firm was founded with the goal of providing institutional clients meaningful risk-adjusted returns through corporate credit solutions. We believe the following attributes differentiate our firm and our Investment Grade Corporate Bond strategy:

- **Organizational Structure:** Appropriate alignment of interests through significant equity ownership for the investment team
- **Experience:** Portfolio Managers average more than 25 years of experience investing in the corporate credit market
- **Consistency:** Consistent implementation of the disciplined investment philosophy and process through multiple market cycles
- **Transparent Approach:** Client portfolios benefit from investments in liquid, underwritten securities with-out the use of leverage or derivatives
- **Results:** Top quartile absolute and risk-adjusted returns since inception; outperformance versus benchmark and peer group median in 100% of rolling 1-year periods since inception

Aristotle Investment Grade Corporate Bond Performance

The charts below detail our Investment Grade Corporate Bond Composite's absolute and risk-adjusted returns versus its benchmark and peer group.

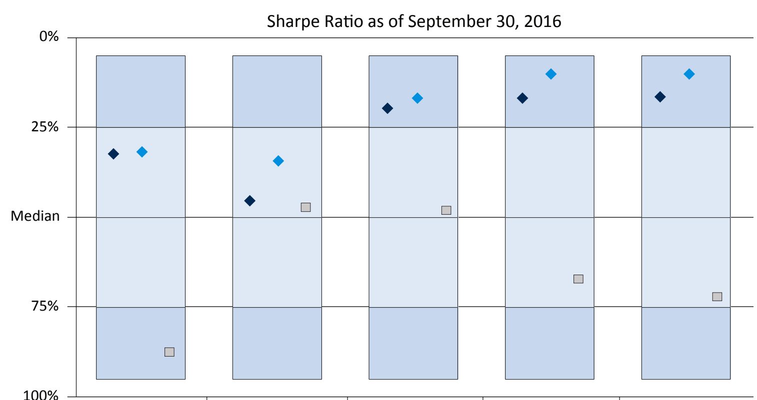


Universe:
eVestment US Corporate Fixed Income

	MRQ	Rk	YTD	Rk	1 Year	Rk	2 Years	Rk	Since Inception[1]	Rk
5th percentile	2.97		11.55		11.17		6.71		6.48	
25th percentile	2.09		10.31		10.07		5.63		5.38	
Median	1.68		9.42		9.07		5.30		5.13	
75th percentile	1.36		8.43		7.73		4.72		4.67	
95th percentile	0.77		5.39		4.98		3.47		3.23	
# of Observations	94		94		94		93		93	
Aristotle Credit Investment Grade Corp. Bond - Gross	2.20	20	11.33	8	11.21	5	6.78	3	6.46	5
Aristotle Credit Investment Grade Corp. Bond - Net	2.11	20	11.19	8	10.93	8	6.44	5	6.17	6
Bloomberg Barclays U.S. Credit Index	1.23	81	8.86	66	8.30	70	4.84	72	4.62	76

Results displayed in USD

[1]05/2014 - 09/2016



Universe:
eVestment US Corporate Fixed Income

	MRQ[1]	Rk	YTD[1]	Rk	1 Year[1]	Rk	2 Years[1]	Rk	Since Inception[1,2]	Rk
5th percentile	4.36		4.38		2.91		1.77		1.75	
25th percentile	2.73		3.69		2.50		1.46		1.40	
Median	2.26		3.42		2.29		1.35		1.30	
75th percentile	1.92		3.13		2.11		1.21		1.17	
95th percentile	1.33		2.48		1.77		0.91		0.95	
# of Observations	94		94		94		93		93	
Aristotle Credit Investment Grade Corp. Bond - Gross	2.53	31	3.47	45	2.58	19	1.58	16	1.52	15
Aristotle Credit Investment Grade Corp. Bond - Net	2.55	28	3.45	34	2.52	16	1.49	10	1.45	10
Bloomberg Barclays U.S. Credit Index	1.68	87	3.46	47	2.31	48	1.23	68	1.19	72

Results displayed in USD

[1]Citigroup 3-Month T-Bill; [2]05/2014 - 09/2016

If you would like to know more information or wish to discuss our flexible solutions, please contact Brandon Lopez at (949) 681-2100. You can also view the most recent commentary and fact sheet for our Investment Grade Corporate strategy at the links below:

Investment Grade Corporate Commentary

Investment Grade Corporate Fact Sheet

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The Aristotle Investment Grade Corporate Composite (the Composite) includes all discretionary accounts managed in this strategy. The objective of the Aristotle Investment Grade Corporate strategy is to optimize long-term returns and is benchmarked to the Barclays U.S. Credit Bond Index with a focus on mitigating market risk. The accounts in this Composite consist of all separately managed fee paying discretionary portfolios invested mainly in Investment Grade Credit securities, with a benchmark similar to the Bloomberg Barclays U.S. Credit Bond Index in both asset class allocation and duration. The Composite will include only accounts that do not utilize leverage and do not have significant tax treatment or cash flow needs. It excludes Wrap ac-counts. A list of composite descriptions is available upon request.

The Bloomberg Barclays Corporate Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers. The Bloomberg Barclays U.S. Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are U.S. dollar-denominated and have a remaining maturity of greater than one year. The volatility (beta) of the Composite may be greater or less than the indices. One cannot invest directly in these indices. Composite and index returns reflect the reinvestment of income. Composite returns are presented gross and net of actual investment advisory fees. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. For example, a 0.5% annual fee deducted quarterly (0.125%) from an ac-count with a ten-year annualized growth rate of 5.0% will produce a net result of 4.4%. Additional information regarding policies for valuing portfolios, calculating performance and preparing compliant presentations is available upon request. Returns are presented net of trading costs. Net returns reflect the additional deduction of management fees and are based on the actual account level net returns. Performance is expressed in U.S. dollars.

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