Monthly Fund Commentary

Muzinich & Co

Supra Institutional: MZCSX Institutional: MZCIX Class A: MZCRX

April 2019

Fund

Muzinich Credit Opportunities Fund

Portfolio Commentary

Global corporate credit continued its positive run with another strong month in April. Risk-on sentiment dominated, as evidenced by strong equity, high yield and loan returns. Investment grade corporates also generated positive performance while governments declined. Risk-on sentiment was bolstered by solid economic data in the US, Europe and China (Gross Domestic Product, unemployment), good earnings, progress on US/China trade negotiations, and accommodative central bank policy. Early in the month, the European Central Bank announced its ongoing willingness to support the Eurozone economy, highlighting the potential for further stimulus measures if needed later in the year. Emerging Market corporate issuance was strong from Asia and also from the Middle East which was boosted by a debut US$12 billion international issue, which was significantly oversubscribed. We believe going forward, credit is largely a carry trade. In a world of low government yields, investors will generally take the spread[1] where they can get it.

Strategy and Outlook

In this environment, the fund generated positive performance. On a ratings basis, BBB rated bonds were the largest contributor to absolute performance. We continue to opportunistically invest in select BBB rated bonds of companies that are committed to deleveraging. The fund's allocations to mid duration (3-5 years) credits contributed most meaningfully to performance, while no duration[2] bucket detracted from absolute returns. All regions generated positive returns on an absolute basis with notable performance in Latin America. On an absolute sector basis, almost every sector generated a positive return this month, with the highest contributions from energy, food/beverage and banking. As we head into May, we will continue to look for favorable risk reward while positioning the portfolio to mitigate volatility.

Developed market inflation remains low despite unprecedented global central bank stimulus and, in the US, a strong jobs picture and solid economic growth. One explanation for low US inflation is that while the US economy is at full employment, this has not been accompanied by a rise in wages. Some argue that globalization and technology have put a damper on inflation and that we may never see inflation again. Several factors, however, could lead to an increase in inflation: increasing budget deficits (US and select European countries), rising commodity prices, continued loose monetary policy, and an increase in the US minimum wage (higher wages without an increase in productivity). What does it mean for fixed income? A little inflation is good because it could signify a solid economy and that companies have pricing power. If inflation is too high, however, this can be problematic – particularly for rates. Central banks would be forced to raise interest rates, a headwind for fixed income investors. In an inflationary environment, spread product would likely outperform more rate-sensitive investment grade.

All references to market performance are sourced from Bloomberg. [1]Spread is the difference in yield between a U.S. Treasury bond and a debt security with the same maturity but of lesser quality. [2]Duration is a measure of the sensitivity of the price -- the value of principal -- of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

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The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The Summary Prospectus and Statutory Prospectus contains this and other important information about the investment company, and it may be obtained by calling 1-855-Muzinich, or visiting www.MuzinichUSfunds.com. Read it carefully before investing.

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