Monthly Fund Commentary

Muzinich & Co

Supra Institutional: MZCSX   Institutional: MZCIX   Class A: MZCRX

February 2019

Fund

Muzinich Credit Opportunities Fund

Portfolio Commentary

Global credit's strong start to the new year continued into February with high yield, loans and investment grade corporates generating positive returns and high yield and loans outperforming. Global government bonds generally declined. Credit benefitted from solid US economic data, generally decent corporate earnings/outlooks and dovish US Federal Reserve (Fed) comments. The Fed (as per their minutes) announced they would remain "patient" with future rate hikes and that balance sheet reduction (quantitative tightening) would likely come to a close at year end at the current pace. We believe that this means less upward pressure on longer term rates and the continuation of an environment of central bank driven liquidity. At the macro level, there were continued signs of economic weakness across the Eurozone, with the manufacturing sector's flash Purchasing Managers' Index (PMI)[1] reading falling to its lowest level in six years. Other areas of the Eurozone economy did provide some support, with the unemployment rate remaining low and a continuation of wage growth. An increase in Pakistan/India tensions and lack of resolution in the US/North Korea summit on denuclearisation somewhat negatively impacted positive Emerging Market (EM) sentiment towards month end.

Strategy and Outlook

In this environment, the fund generated positive performance. In this risk-on month, the fund benefitted from its high yield exposure. We have substantially increased exposure to the BBB segment of investment grade bonds. Despite the recent negative press (increasing leverage, growing market size) surrounding BBB rated bonds, we have opportunistically invested in select BBB rated bonds of companies that have substantial assets, liquidity, and management teams committed to deleveraging. In February, BBB rated bonds were the largest contributor to absolute performance. On an absolute sector basis, energy and healthcare contributed the most to fund performance, while food & drug retail and super retail were the greatest detractors. The fund received positive contributions across regional allocations with outperformance in Latin America. On a duration[2] basis, the fund's superior credit selection of mid duration (3-5 years) bonds were the greatest contributor to absolute performance this month. Given a supportive macro environment and equity markets performing, we believe that credit will remain resilient. With earnings generally slowing, and the outcome of tariffs/trade war still unknown, we expect the dispersion of returns to grow. Credit selection continues to be of paramount importance. We are positioning in sectors/credits that are generally defensive and where we believe there is favorable risk reward and lower potential event risk.

Given a benign default outlook and a Federal Reserve that seems to have put quantitative tightening on hold for now (provided economic data continues to support this view), we believe corporate credit represents an attractive carry trade. Higher defaults and rates are typically the two largest headwinds to corporate credit and these are just not an issue at present. As spreads[3] have tightened considerably since their recent wides, we find that today credit is more about the coupon than about capital appreciation.

All references to market performance are sourced from Bloomberg. [1]Purchasing Managers' Index (PMI) is an indicator of economic health for manufacturing and service sectors. [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. [3]Spread is the difference in yield between a U.S. Treasury bond and a debt security with the same maturity but of lesser quality.

Mutual fund investing involves risk. Principal loss is possible. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets. Derivatives involve risks different from, and in certain cases, greater than the risks presented by more traditional investments. These risks are fully disclosed in the prospectus. Floating rate loans may not be fully collateralized and therefore may decline significantly in value. The fund will bear its share of the fees and expenses of investments in underlying funds or ETFs. Shareholders will pay higher expenses than would be the case if making direct investments in underlying funds or ETFs. Because the fund invests in ETFs, it is subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a discount to its net asset value ("NAV"), an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a fund's ability to sell its shares. The Fund may make short sales of securities, which involves the risk that losses may exceed the original amount invested. Please note that while the fund's prospectus states that the fund may use leverage, and that it may make short sales of securities, which involves the risk that losses may exceed the original amount invested, the Fund's portfolio managers do not anticipate engaging in either practice. The Fund invests in high yield debt instruments which tend to be less liquid than higher quality debt instruments

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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Past performance does not guarantee future results. Index performance is not indicative of Fund performance. To obtain Fund performance call 1-855-Muzinich (689-4642). One cannot invest directly in an index.

The fund itself has not been rated by an independent rating agency. Credit quality ratings exclude cash and derivatives and are based on the underlying securities of the fund. Credit quality ratings may differ materially from the ratings outlined in accordance with the fund's Prospectus for official fund guideline calculations. Credit quality ratings reflect the first publicly-available rating from surveying, in order, Moody's, Standard & Poor's, and Fitch, converted to the equivalent Moody's major rating category. If none of these agencies rate an asset "Non-Rated" is assigned. Non-Rated securities do not necessarily indicate low quality.

Diversification does not guarantee a profit or protect from loss in a declining market.

Fund holdings and allocations are subject to change and should not be considered a recommendation to buy or sell any security.

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