Monthly Fund Commentary

Muzinich & Co

Supra Institutional: MZLSX February 2019

Fund

Muzinich Low Duration Bond 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) 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. While emerging market (EM) corporates benefited from the same themes as other regional credit markets, an increase in Pakistan/India tensions and lack of resolution in the US/North Korea summit on denuclearisation somewhat negatively impacted positive EM sentiment towards month end.

Strategy and Outlook

In this risk-on environment, the fund produced a positive return. In what was another solid month for credit markets globally, bonds across nearly all regions, sectors, and ratings produced positive returns for the fund. On a sector basis, we saw the greatest positive contributions from banking and diversified financial services bonds, while food/beverage bonds detracted slightly from returns. By rating, the fund benefitted from BBB bucket holdings, while no ratings bucket detracted. On a duration[3] basis, shorter duration[2] (1-3 years) bonds contributed most meaningfully to fund performance.

Credit valuations have rebounded notably during the first two months of the year, recovering most of their fourth-quarter losses and resulting in a return to what we believe in many cases is fair value. However, while corporate fundamentals continue to appear solid, uncertainties in the macroeconomic backdrop remain, with evidence of a slowdown in much of the developed world as well as China. Central bank rhetoric has, in response, become softer, with Fed Chair Powell's recent comments highlighting the bank's commitment to maintaining a cautious stance on future rate hikes. China also remains firmly committed to policy stimulus to reignite growth. However, central bank support notwithstanding, it is likely we are continuing to move towards the end of the current economic cycle. In this environment, we believe it remains prudent to continue to focus on the underlying fundamentals of each credit in the portfolio. At this juncture, we do not advocate reaching for risk and believe it is important to ensure the portfolio remains agile in its positioning.

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.

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.

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.

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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.

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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