Monthly Fund Commentary

Muzinich & Co

Supra Institutional: MZHSX February 2019

Fund

Muzinich US High Yield Corporate Bond Fund

Portfolio Commentary

US 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. The US 10 year Treasury declined. Credit benefitted from solid 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.

Strategy and Outlook

In this environment, the fund generated a strong positive return. On a duration[1] basis, mid duration (3-5 years) bonds were the greatest contributors to absolute performance. In this risk-in month, the fund received contributions across nearly every sector, with the greatest contributions from energy and cable/satellite TV bonds. There was little dispersion in return by ratings, so this had little impact on performance. We believe the US high yield market is "fairly valued" at today's spreads[2] and could tighten further with positive macro developments. We will look to reduce exposure to cyclical sectors and balance BB/B weighting. We are more comfortable with BBs in an environment in which rates will likely be range bound. We remain focused on managing credit/economic risks in the portfolio.

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 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]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. [2]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.

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.

The fund itself has not been rated by an independent rating agency. Credit quality ratings exclude cash and are based on the underlying securities of the fund. 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. "Other Fixed Income" includes investment vehicles such as fixed-income closed-end funds, exchange traded funds, and mutual funds. "Other Fixed Income" and "Not Rated" represents assets that have not been rated by a Nationally Recognized Rating Agency.

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