

## Fund

Muzinich High Income Floating Rate Fund

## Portfolio Commentary

It was risk-off in fixed income this November as high yield and loans declined and US Treasuries generated a strong, positive return. In-line with the risk-off sentiment, CCCs were the worst performers. While Treasury yields<sup>2</sup> increased at the start of the month, this trend reversed itself as the month wore on. Dovish statements made by Federal Reserve (Fed) Chairman, Jay Powell, (November 28) that interest rates were close to neutral, led the 10 year US Treasury yield to decline below 3% for the first time in weeks. With economic pacing slowing down, markets are forecasting only one future rate increase - likely in December - compared with 3 rate hikes suggested by the Federal Reserve Dot plots. The dot plots are the projections of the rate-setting body (Federal Open Market Committee - FOMC) within the Fed. Each dot represents a participant's view on where the fed funds rate should be. A "truce" was reached at the G20 between the US and China - although it is not an actual agreement and details still need to be worked out.

## Strategy and Outlook

In this challenging environment, the fund declined, however strongly benefitted from its exposure to European loans. The fund participated in four new issues in November. From a sector perspective, the fund benefitted from allocations to technology and gaming loans. On the other hand, exposure to select utilities loans detracted from performance. The fund also benefitted from superior credit selection of B rated loans, while select BB rated loans detracted from performance.

Macro uncertainty abounds with the upcoming OPEC meeting, Brexit, Federal Reserve and European Central Bank meetings, trade discussions, and the Italian budget each presenting uncertain outcomes. We believe the outcome of these events will set the tone for risk assets going forward. While the pacing of global economic growth may be slowing, growth remains robust in many regions. Importantly, we believe the global default outlook remains benign for 2019. Any defaults in the coming year should largely be idiosyncratic and well telegraphed. Yields, particularly in the US, are their highest in years (since 2016). We believe carefully selected credits represent real value at today's more attractive yields. As we are late cycle, we believe investors are well served by an investment manager rooted in bottom-up fundamental credit research analysis to help identify positions likely to be more price resilient during broader bouts of market volatility, including those induced from outside the credit markets. As credit analysts, we must be able to determine whether a company is creditworthy - that is, will a company make its contractually stated coupon payment and pay back principal at maturity—and think about how we best preserve value and liquidity in potentially choppy investment waters.

*All references to market performance are sourced from Bloomberg.<sup>1</sup> Yield on a security is the amount of cash (as a percentage) that returns to the owners of the security in the form of interest or dividends received from it. .*

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

Credit Quality weights by ratings were derived from the most recent data available as determined by Standard and Poor's. Grades are assigned to bonds by private independent rating services such as Standard & Poor's and these grades represent their credit quality. The issues are evaluated based on the bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'D', which is the lowest grade. In situations where Standard & Poor's has not issued a formal rating, the security is classified as not rated (NR). Ratings shown reflect a blend of Moody's, Fitch and S&P or, where such is unavailable, Muzinich assigned rating but may not reflect the ratings regime used for the account's official guideline compliance calculations.