Monthly Fund Commentary

Muzinich & Co

Supra Institutional: MZLSX December 2018

Fund

Muzinich Low Duration Bond Fund

Portfolio Commentary

Global risk assets experienced significant declines this December—with the exception of Emerging Market high yield—on Federal Reserve (Fed) tightening, political uncertainty and weaker economic data. In this risk-off environment, global fixed income generally performed as expected with governments like Treasuries attracting assets (and rallying in price) in a flight to quality and outperforming all other segments of the bond market. While the Federal Reserve had clearly telegraphed that it would raise rates at the December meeting, an equity market swoon in early December and public remarks from President Trump pressing the Fed not to raise rates gave some investors the (false) impression the Fed might pause. While the Fed did raise rates in December, markets (as per Bloomberg data) are now forecasting a 0% probability that the Fed raises rates in March. Political uncertainty in the US (border wall, government shutdown, trade tensions with China) as well as in Europe (Brexit and Italy) also pushed investors to out of risk assets. Finally, weaker economic data has some investors questioning whether an economic slowdown will turn into a recession. While it is difficult to forecast a recession, we believe valuations have certainly become more attractive as investors question economic strength. Whether valuations become even more attractive, stabilize, or tighten depends largely on if the markets see some resolutions to political issues, Federal Reserve direction, and the strength of the economy.

Strategy and Outlook

In this risk-off environment, the fund generated a positive return. On a regional basis, the fund's allocation to US investment grade bonds was the greatest positive contributor to absolute returns. The fund also benefitted from its minority position in Eastern Europe. In what was a particularly difficult month for European corporate credit, the fund's allocations in that region detracted from returns. On an absolute sector basis, the largest contributions came from banking, chemicals, and energy, while positions in diversified financial services and automotive & auto parts detracted from returns. From a ratings perspective, positive returns were generated from the higher rated BBB bucket and BB+ credits. By duration[1], credits in the shorter duration (1-3 years) bucket were the greatest contributor, while select mid duration (3-5 years) bonds detracted from returns.

As we move into the New Year, we are faced with more volatile and uncertain situation where growth expectations have slowed and risk assets have sold off. In Europe, the European Central Bank has now ended its accommodative monetary policy and we are moving into a period of tightening financial conditions. In the US, the Federal Reserve is focused on its path of rising rates and we are also likely to see less fiscal stimulus due to Congress's political divisions. Government and corporate indebtedness remains high on a global basis and, in addition, we are also likely to see ongoing geopolitical uncertainty. These headwinds have created a more difficult environment for markets that we believe is likely to continue and contribute to ongoing bouts of volatility. However, from an investor's perspective, we believe valuations have reached what appear to be more appealing levels which could provide some attractive investment opportunities going forward. In addition, in our view corporate fundamentals continue to appear solid. Nevertheless, it is important to ensure we identify what could potentially be weaker credits and de-risk our portfolios accordingly. At the same time, we will continue to maintain our conviction in credits where we believe the underlying fundamental investment case remains intact and where we have a strong belief in the recovery potential of these bonds following any sell off.

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.

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.

The Muzinich Mutual Funds are distributed by Quasar Distributors, LLC.

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.

This document is for informational purposes only and does not constitute an offer or solicitation of an offer, or any advice or recommendation, to purchase any securities or other financial instruments, and may not be construed as such.

Opinions expressed are subject to change, are not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

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.