Monthly Fund Commentary

Muzinich & Co

Supra Institutional Ticker: MZHSX

October 2017

Fund

Muzinich U.S. High Yield Corporate Bond Fund

Portfolio Commentary

Hopes for US tax cuts and activity surrounding the US Federal Reserve (Fed) were the two key themes influencing US credit markets in October. With markets pricing in a more hawkish Fed, rates increased and the benchmark 10-year US Treasury yield surpassed 2.4% for the first time since March. With higher rates a headwind for fixed income, it was more of a 'coupon clipping' type month for US high yield; while returns were positive, there was slight capital loss. In terms of asset class performance and as a reflection of this change in environment, investment grade[1] and high yield performed in line, while loans, with their floating rate characteristics, outperformed in anticipation of rising rates. From a technical perspective, new issuance was reasonable and priced at fair value as evidenced by bids after issuance. A large proportion of new issuance proceeds continue to be used for refinancing purposes, which is limiting growth in the size of the high yield market. However, during October the par[2] balance outstanding remained stable as fewer rising stars left the universe for investment grade. October also saw the start of third-quarter corporate earnings season. Results so far have largely been acceptable with no major positive or negative surprises.

Strategy and Outlook

In this environment, the Fund generated positive returns, benefitting from credit selection especially in the metals & mining sector and in B- rated corporates. The Fund's highest return came in the banking sector. Credit selection in cable also contributed to returns, while investments in wireline telecommunications detracted from performance. We maintain our cautious outlook on this subsector and expect continued volatility. The Fund's duration[3] profile is neutral. From a ratings perspective, the Fund remains slightly overweight B versus BB rated credits as we believe credit fundamentals are supportive of market valuations.

Looking ahead, the next US Federal Reserve Chair, the US tax plan and fiscal policy are expected to be the main drivers likely to dominate newsflow and markets as we move into year end. The market is already pricing in a strong probability of a 25bps[4] rate hike by the Fed in December while, in an ideal scenario, the tax plan would also be signed before the year is out. From a global perspective, economic growth shows few signs of abating. Recent data points have highlighted increasing strength of recovery and synchronicity across countries. This is providing a generally supportive environment for credit. Despite expectations of a gradual tightening in US monetary policy, the ECB appears largely committed to maintaining its dovish stance after confirming its asset purchase program, while reduced, would continue well into next year. With the main central bank events being well telegraphed, tail risks appear diminished. Credit markets remain well-supported by strong fundamentals and technicals, and supply was easily absorbed in October. An absence of any negative catalysts means we expect the positive environment for credit to continue for the rest of 2017. Nevertheless, with valuations continuing to trade in a tight range, investors should remain vigilant and focus on bottom-up credit selection as the primary driver of returns.

All references to market performance are sourced from Bloomberg. [1]Investment Grade is a rating that indicates that a municipal or corporate bond has a relatively low risk of default. [2] Par amount refers to the amount at which a security is issued or can be redeemed. [3]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. [4]A basis point (bps) equals 0.01%.

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Disclaimer

The Fund invests in high yield debt instruments which tend to be less liquid than higher quality debt instruments.

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.

One cannot invest directly in an index.

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).

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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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).

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