Monthly Fund Commentary

Muzinich & Co

Supra Institutional: MZHSX February 2018

Fund

Muzinich U.S. High Yield Corporate Bond Fund

Portfolio Commentary

US fixed income and equity markets were broadly lower in February as volatility returned on the back of fears of higher rates going forward. Loans, by contrast, were slightly positive given their floating rate nature while duration[1] sensitive investment grade[2] corporates and Treasuries experienced the most pronounced declines. The month started with solid employment and inflation figures. Many investors viewed this positive economic data as an indication that the Federal Reserve ("Fed") would move more aggressively in their rate hikes. Treasuries declined (rates higher) as did equities and fixed income. Volatility spiked and was exacerbated by the unwinding of short VIX[3] positions – most notably the Credit Suisse ETF. Investors have a lot to watch going forward – rates, global central banks and Washington political developments. Despite all this, corporate credit fundamentals remain strong and the default outlook benign as evidenced by the relatively tight trading range of corporate credit spreads. The new issue market provides another indication of the health of the corporate credit markets. New issuance has been limited and we have seen very little CCC rated issuance suggesting companies are prudently managing their leverage.

Strategy and Outlook

In this environment, the Fund declined but benefitted from exposure to shortest duration (0-1 years) bonds and strong credit selection. On a sector basis, the Fund benefitted from exposure to publishing/printing and insurance bonds, while energy and healthcare bonds detracted from absolute performance. Going forward, we believe US high yield fundamentals remain solid and the default outlook benign. We believe the euphoria around US tax policy is giving way to uncertainty around rates and trade policy. These unknowns will keep volatility higher and spreads[4] elevated versus the post financial crisis lows. We remain cautious on fundamentals in wireline telecom, retail and groceries. We also remain constructive on economic outlook as evidenced by our exposure to lower rated securities.

We believe we are now in a period of regime change – both in terms of rates and volatility – as central banks like the US Federal Reserve move towards rate policy normalization. (Europe is later to the game as the European Central Bank "ECB" has committed to Quantitative Easing "QE" until September with many expecting QE to end by December. We do not believe the ECB will raise short-term rates until after the end of the QE program.) Given solid macro-economic data, generally positive corporate earnings/outlooks, well capitalized corporate balance sheets and a benign default outlook, we do not believe that credit is an area of risk at the current time. Instead, we consider rates (longer duration bonds) and passive investment strategies to be areas of greater concern. We find exposure to less duration sensitive global fixed income (like high yield, loans and private debt) affords investors a degree of potential hedging against rising rates while providing coupon income.

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]Investment Grade is a rating that indicates that a municipal or corporate bond has a relatively low risk of default. [3]The Cboe Volatility Index (VIX Index) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. [4]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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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).

Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security.

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.