Monthly Fund Commentary

Muzinich & Co

Supra Institutional: MZCSX Institutional: MZCIX October 2024

Fund

Muzinich Credit Opportunities Fund

Portfolio Commentary

Global credit[1] delivered mixed returns in October. In the US, asset values declined across the board given the dramatic rise in Treasury yields[2]. Treasury rates finished 26-60 basis points[3] higher across the 1s-30s curve (which shows the difference in yields between 1-year and 30-year US Treasury instruments) on the back of resilient macroeconomic data and concerns around inflationary policies associated with both presidential candidates ahead of the US elections. In Europe, the European Central Bank (ECB) cut rates for the third time this cycle; ECB President Christine Lagarde reiterated the ECB's expectation that Europe will avoid a recession, her messaging further supporting higher rates in Europe. Spreads[4] were tighter on the month, with investment grade (IG)[5] markets in both the US and Europe reaching new year-to-date tights. Emerging Market (EM[6] debt also declined this month on the back of rising government yields. The catalyst was robust activity data, political uncertainty in the US, and the expected removal of austere policy in many markets. However, the environment remained supportive for risk taking, enabling EM high yield (HY)[7] to outperform, and credit spreads to outperform government bonds.

Strategy and Outlook

In this environment, the fund declined but outperformed the global credit market[1]. The fund saw outperformance from Europe this month. The fund's underweight in US IG more than compensated for a relative overweight in EM IG holdings, which were affected by their sensitivity to interest rates. At the sovereign level, the fund's exposure to Sweden's property sector and exposure to Eastern European credit (specifically Czechia and Poland), positively contributed to total and relative performance. Within the US, loans and short dated HY[8] holdings outperformed. On a sector basis, an overweight and strong credit selection of homebuilders/real estate bonds bolstered performance as the sector reacts positively to global central banks loosening policy rates. The fund's underweight in utilities also worked well. Conversely, exposure to US government bonds was the main underperformer for the month. From a rating perspective, an overweight in BBB- and the BB rated cohort bolstered performance, while exposure to select A+ rated bonds acted as a drag vs. the index. On a duration[9] basis, an underweight of 10+ years duration bonds and an overweight in the 0-1 year duration bucket benefitted returns.

As of month-end, reported Q3 earnings have been mixed globally, with weakness mostly seen in cyclical sectors[10] including automotives and luxury goods. We have, however, seen some weakness in less cyclical issuers, raising questions about the health of the consumer, particularly in Europe. At the same time, corporate credit continues to see strong inflows across both investment grade and high yield, with primary issuance easily absorbed and bonds becoming harder to source.

All data from Bloomberg unless otherwise stated.

All references to market performance are sourced from Bloomberg as of October 31st, 2024. [1]GI00 – The ICE BofA Global Corporate & High Yield Index tracks the performance of investment grade and below investment grade corporate debt publicly issued in the major domestic and eurobond markets. [2]Yield refers to the earnings generated and realized on an investment over a particular period of time. [3]The term basis point (BPS) refers to a common unit of measure for interest rates and other percentages in finance. [4]Spread is the difference between yields on differing debt instruments of varying maturities, credit ratings, issuer, or risk level, calculated by deducting the yield of one instrument from the other. [5]An investment grade credit rating signals that a corporate or municipal bond presents a relatively low risk of default. [6]EMCL - The ICE BofA US Emerging Markets Liquid Corporate Plus Index tracks the performance of the U.S. dollar denominated emerging markets non-sovereign debt publicly issued in the major domestic and eurobond markets. [7]ECHY – The ICE BofA High Yield US Emerging Markets Liquid Corporate Plus Constrained Index contains all securities in the ICE BofA US Emerging Markets Liquid Corporate Plus Index (EMCL) rated BB1 and lower. [8]High-yield bonds are bonds that pay higher interest rates because they have lower credit ratings than investment grade bonds. [9]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, expressed as a number of years. [10]Cyclical sectors refer to a type of industry that is sensitive to the business cycle, such that revenues generally are higher in periods of economic prosperity and expansion and are lower in periods of economic downturn and contraction.

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. Please note that while the Fund has the ability to make short sales of securities, which involves the risk that losses may exceed the original amount invested, and is able to use leverage, 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 Muzinich Mutual Funds are distributed by Quasar Distributors, LLC.

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. Index returns do not reflect any fees, expenses, or sales charges. The volatility of indices may be materially different from the volatility performance of a fund.

The Fund itself has not been rated by an independent rating agency. Credit quality ratings exclude cash and derivatives, if held, 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.

This document and the views included herein are for informational purposes only and do 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.

This document contains forward looking statements. Such statements are based on the beliefs and assumptions of our team and on the information currently available to our team at the time of such statements. Although we believe the expectations reflected in these statements to be reasonable, we can give no assurance that these expectations will prove to be correct. Certain information contained herein is based on data obtained from third parties and, although believed to be reliable, has not been independently verified by anyone at or affiliated with Muzinich & Co., Inc.; its accuracy or completeness cannot be guaranteed. Diversification does not guarantee a profit or protect from loss. Fund holdings and allocations are subject to change and should not be considered a recommendation to buy or sell any security. Investment processes and aims described herein are subject to change and there is no guarantee they will be met.

Issuers of bonds, loans and other fixed income investments ("Investments") held in the portfolio may default on their obligations or have their credit rating downgraded, possibly resulting in a temporary or permanent decrease in the value of those Investments. Investments in the portfolio may be below investment grade, meaning that they may produce a higher level of income but also carry greater risk of default than higher-rated Investments.