

## Fund

### Muzinich Low Duration Bond Fund

## Portfolio Commentary

Global credit<sup>1</sup> generated positive returns across the board in November. In the US, corporate credit<sup>2</sup> gained after the highly anticipated presidential election. US Treasury yields<sup>3</sup> fell more at the longer end than at the front end; a trend typically observed when markets perceive that near term central bank rate cuts are already fully priced in. Following the US elections and the likely focus of the incoming administration on pro-growth policies, fiscal expansion, and protective trade measures, US and European risk appetites diverged with spreads<sup>4</sup> grinding notably tighter in the US—particularly in high yield<sup>5</sup>—while moving wider in Europe. We also saw divergence in the rates market, with the yield on the German 10-year falling about 30 basis points<sup>6</sup> as the market moved to price more rate cuts from the European Central Bank in response to a weaker economic outlook. In the US, Treasury yields fell by a much smaller margin. Q3 earnings, largely completed in November, also showed notably weaker earnings in Europe (particularly in the underperforming automotive sector) than in the US. Emerging Market (EM)<sup>7</sup> debt gained on tightening spreads driven by positive sentiment surrounding the US presidential election. Government bond yields moved lower globally, creating a favorable environment for EM assets as investors sought higher yields in a declining rate environment.

## Strategy and Outlook

In this environment, the fund delivered positive returns and outperformed its benchmark<sup>8</sup>. From a duration<sup>9</sup> perspective, the most significant contributions to absolute performance came from across the 0-5 years duration range. On an absolute sector basis, positive performance was most meaningfully generated by banking and diversified financial services, while no sector detracted from total returns. By rating, notable contributions from the BBB rated cohort and BB- rated bonds benefitted returns this month. From a regional perspective, we saw the European Peripheral continue to contribute to positive performance, while no region detracted from absolute returns.

As the world watches and waits for what will happen in the US when president-elect Trump assumes office in January, it is worth noting that the administration will inherit a significantly different US economy than when it was last in power. Unemployment is low, and we believe sticky inflation poses a greater concern than deflation. In our view, economic growth is losing momentum, and global trade activity remains relatively weak. With debt levels significantly higher and savings rates lower, there seems little room for major tax cuts. Additionally, valuations in both equity and credit markets look stretched, but we expect continued strong demand for risk assets to support those valuations. It is possible that executing policy will prove far more challenging than discussing it, potentially exposing the world to greater tail risks.

All data from Bloomberg unless otherwise stated.

*All references to market performance are sourced from Bloomberg as of November 30<sup>th</sup>, 2024. <sup>1</sup>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. <sup>2</sup>JOA0 – The ICE BofA US Cash Pay High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt. COA0 - The ICE BofA US Corporate Index tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. <sup>3</sup>Yield refers to the earnings generated and realized on an investment over a particular period of time. <sup>4</sup>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. <sup>5</sup>JOA0 – The ICE BofA US Cash Pay High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt. <sup>6</sup>The term basis point (BPS) refers to a common unit of measure for interest rates and other percentages in finance. <sup>7</sup>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. <sup>8</sup>B1A0 – The ICE BofA 1-3 Yr US Corporate and Government Index is a subset of ICE BofA US Corporate & Government Index (BOA0) including all securities with a remaining term to final maturity less than 3 years. <sup>9</sup>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.*

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 has the ability to use leverage, and that it is able to 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.*

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