Global credit\(^1\) delivered positive returns in March. US credit markets\(^2\) were spurred by a supportive macro backdrop—including reduced Treasury volatility—and favorable credit fundamentals. Riskier rated credits within high yield (HY)\(^3\) and investment grade (IG)\(^4\) corporates outperformed their broad categories, but overall, US HY\(^5\) and US IG\(^6\) returns were similar. The Federal Reserve (Fed) meeting this month struck a dovish tone, with implications that a first rate cut in June looks tenable and an estimated three rate cuts for the year. In Europe\(^7\), spreads continued to tighten, particularly in the first half of the month. The soft-landing narrative remains firmly in place, with rates broadly lower on the month and the dovish tone of the European Central Bank (ECB) meeting indicating that a June rate cut looks increasingly likely. Emerging Market (EM)\(^8\) continues to benefit from robust technicals—shrinking supply, historically robust seasonal performance, and current risk-on sentiment—as we head into the second quarter.

This month we had relatively dovish commentary from both the Fed and the ECB following moderated inflation data in February. There is an expectation, however, that rate cuts by both central banks are unlikely to start until June. While the Fed remains on hold and post-meeting commentary has been relatively benign, the central bank seems committed to staying data dependent and the data generally remains strong. For credit investors year to date, spreads and coupons\(^2\) have cushioned the negative total return impact of rising government yields\(^12\), leading to positive excess returns across global credit across the board. While spreads have compressed, yields remain high. Prices remain discounted on average, providing some cushion for potential additional interest rate volatility. Globally, trailing 12-month defaults across high yield markets remain below the long-term average. Looking ahead, we anticipate continued primary market activity as companies address upcoming maturities and investors deploy cash balances.

All data from Bloomberg unless otherwise stated.

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\(^1\)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, expressed as a number of years. A coupon or coupon payment is the annual interest rate paid on a bond, expressed as a percentage of the face value and paid from issue date until maturity. A yield refers to the earnings generated and realized on an investment over a particular period of time.

\(^2\)References to market performance are sourced from Bloomberg as of March 31st, 2024. \(^3\)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. \(^4\)J0AO – The ICE BofA US Cash Pay High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt. \(^5\)COAD – The ICE BofA US Corporate Index tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. \(^6\)High-yield bonds are bonds that pay higher interest rates because they have lower credit ratings than investment-grade bonds. \(^7\)An investment grade credit rating signals that a corporate or municipal bond presents a relatively low risk of default. \(^8\)J0AO – The ICE BofA US Cash Pay High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt. \(^9\)COAD – The ICE BofA US Corporate Index tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. \(^10\)HE00 – The ICE BofA Euro High Yield Index tracks the performance of EUR denominated below investment grade corporate debt publicly issued in the euro domestic or eurobond markets. \(^11\)ER00 – The ICE BofA Euro Corporate Index tracks the performance of EUR denominated investment grade corporate debt publicly issued in the eurobond or Euro member domestic markets. \(^12\)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. \(^13\)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. \(^14\)B1A0 – The ICE BofA 1-3 Yr US Corporate and Government Index is a subset of ICE BofA US Corporate & Government Index (B0A0) including all securities with a remaining term to final maturity less than 3 years.
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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-Muzinin, or visiting www.MuzinichUSfunds.com. Read it carefully before investing.

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