Monthly Fund Commentary

Muzinich & Co

Supra Institutional: MZHSX January 2024

Fund

Muzinich Flexible US High Yield Income Fund

Portfolio Commentary

After a very strong two months, US fixed income credit[1] paused, just managing to eke out a positive gain in January. The end of the month brought a significant amount of heartening data, all of which may move the debate in the US from soft-landing to no-landing. There were no surprises from the Federal Open Market Committee (FOMC), which left policy rates unchanged. Chairman Powell pushed back on the possibility of a March cut, but the Committee removed the policy tightening bias from its monthly statement. Economic data releases painted a continued picture of strength: consumer confidence hit a 2-year high, the manufacturing PMI significantly beat expectations driven by a large rise in new orders, the JOLT (Job Openings and Labor Turnover Survey) report showed openings unexpectedly rising, and—likely more concerning for the FOMC—there was an uptick in average hourly earnings.

Strategy and Outlook

In this environment, the fund generated positive returns and outperformed its benchmark[2]. Outperformance was primarily a function of strong credit selection of 3-5 years duration[3] bonds. On a sector basis, strong credit selection of healthcare and technology bonds bolstered returns, while a relative overweight of telecommunciations bonds acted as a drag. This month, fund performance benefitted from an underweight and strong credit selection of B- rated bonds.

January saw various central banks approach the beginning of rate cutting as inflation data broadly continued to trend lower despite continued strong economic and jobs data in the US. While we expect some rate volatility to continue, an abatement of the duration headwinds investors faced over the last two years seems imminent and may even provide a tailwind to fixed income returns. While economic growth is slowing—particularly in Europe—we believe corporate balance sheets are well positioned across global credit. As we have been saying, corporate credit balance sheets entered this cycle in good fundamental shape with low leverage and high coverage, and with a relatively benign maturity profile. Default activity has largely remained concentrated in certain sectors (e.g., healthcare, tech) where leverage was high, and in others (e.g., telecom) with secular concerns. Large sectors in credit, such as energy, continue to perform well. While maturities do begin to pick up in 2025 in the US—and are more significant in 2024 for Europe—financing markets remain open to good credits.

All data from Bloomberg unless otherwise stated.

All references to market performance are sourced from Bloomberg as of January 31st, 2024. One cannot invest directly in an Index. Index returns do not reflect any fees, expenses, or sales charges. See next page for Important Information and index descriptions. [1]J0A0 – The ICE BofA US Cash Pay High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt. C0A0 - The ICE BofA US Corporate Index tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. [2]JVC4 – The ICE BofA 1-5 Year BB-B US Cash Pay High Yield Constrained Index contains all securities in the ICE BofA US Cash Pay High Yield Index that are rated BB1 through B3, based on an average of Moody's, S&P and Fitch, with a maturity less than five years, but caps issuer exposure at 2%. [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, 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 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.

The Muzinich Mutual Funds are distributed by Quasar Distributors, LLC.

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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. 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.

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