

Fund

Muzinich Credit
Opportunities Fund

Portfolio Commentary

Global credit¹ delivered positive returns in March. US credit markets² 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 HY⁵ and US IG⁶ 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 Europe⁷, spreads⁸ 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)⁹ continues to benefit from robust technicals—shrinking supply, historically robust seasonal performance, and current risk-on sentiment—as we head into the second quarter.

Strategy and Outlook

In this environment, the fund declined, outperforming both the global credit market¹ and its performance target, the US 3 Month Treasury Bill +3%. In March, we increased our exposure to European IG, while slightly decreasing US IG exposure. This month we also increased our leveraged loan position in high quality BB rated loans and our European exposure via EU IG, EU HY, and European Banks. The fund's total EM exposure increased slightly this month and continues to be mostly represented by EM IG. This month, we slightly decreased portfolio duration¹⁰. We remain focused on higher quality corporate credit to capture relatively attractive yields¹¹ and prices.

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 coupons¹² have cushioned the negative total return impact of rising government yields, 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.

All references to market performance are sourced from Bloomberg as of March 31st, 2024. ¹GI00 – 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. ²JOA0 – 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. ³High-yield bonds are bonds that pay higher interest rates because they have lower credit ratings than investment-grade bonds. ⁴An investment grade credit rating signals that a corporate or municipal bond presents a relatively low risk of default. ⁵JOA0 – The ICE BofA US Cash Pay High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt. ⁶COA0 – The ICE BofA US Corporate Index tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. ⁷HE00 – The ICE BofA Euro High Yield Index tracks the performance of EUR dominated below investment grade corporate debt publicly issued in the euro domestic or eurobond markets. 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. ⁸Spread 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. ⁹EMCL – 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. ¹⁰Duration 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. ¹¹Yield refers to the earnings generated and realized on an investment over a particular period of time. ¹²A 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.

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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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.