Monthly Fund Commentary

Muzinich & Co

Supra Institutional: MZLSX December 2024

Fund

Muzinich Low Duration Bond Fund

Portfolio Commentary

Global credit[1] delivered mixed returns in December. In the US, corporate credit[2] ended 2024 on a softer note as investors and the Federal Reserve (Fed) reduced 2025 rate cut expectations on persistent inflation. Although both the Fed and the European Central Bank (ECB) cut policy rates in December, the Fed's Chairman Jerome Powell raised concerns around inflation forecasts and potential signs of returning inflation. European credit markets[3] were mixed. December saw European spreads[4] rally back from the previous month's widening, drawing investor interest on relative value as US spreads were flat in both investment grade[5] and high yield[6]. Emerging Market[7] (EM) corporates ended a strong year on a somewhat muted note, impacted by rising US government yields[8] (as investors and central banks recalibrated expectations for the incoming Trump administration), tight credit spreads, and exhausted equity markets. This month, Brazil's central bank surprised with a rate hike, while Turkey's central bank surprised with a rate cut.

Strategy and Outlook

In this environment, the fund delivered positive returns and outperformed its benchmark[9]. This was driven by carry[10] in the portfolio and tighter spreads in Europe. From a duration[11] perspective, the most significant contributions to absolute performance came from the shortest end of the curve (0-3 years duration), as rates moved higher through the month. On an absolute sector basis, positive performance was most meaningfully generated by banking and diversified financial services, while exposure to select healthcare and cable/satellite TV bonds detracted. By rating, BB and BBB- rated bonds led positive contributions. From a regional perspective, allocations to Western and peripheral Europe were the largest contributors to absolute performance this month.

Looking ahead, we expect continued strong technicals and fundamentals that could support relatively tight spread levels. We believe new issuance (gross and net) is likely to pick up, creating both potential opportunities and some volatility. In our view, the default outlook should remain quite modest, with a low maturity wall through 2025. We believe the US high yield market could broadly benefit from the new administration's focus on domestic growth and deregulation, but certain sectors and credits may be disproportionately impacted by new policies. As such, we plan to retain the flexibility to take advantage of market and/or credit pullbacks as they occur.

All data from Bloomberg unless otherwise stated.

All references to market performance are sourced from Bloomberg as of December 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]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. [3]Yield refers to the earnings generated and realized on an investment over a particular period of time. [3]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.HE00 - 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. [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]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. [6]J0A0 – The ICE BofA US Cash Pay High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt. [7]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. [8]Yield refers to the earnings generated and realized on an investment over a particular period of time. [9]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. [10]The "carry" or carrying value of a bond refers to the amount of the bond's face value plus any unamortized premiums or less any unamortized discounts. [11]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. Read it carefully before investing.

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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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