

Monthly Fund Commentary

Muzinich Global Tactical Credit Fund

September 2018

For Professional Client Use - Not for Retail Distribution

Fund

Muzinich Global Tactical Credit Fund

Market Review

Risk-on was the sentiment of the month in September as global high yield, loans, and emerging markets (EM) outperformed Treasuries and investment grade corporates. High quality government bonds declined (yields increased) as global macro threats de-escalated (China trade tariffs at 10% not 25%, NAFTA agreement reached). September was a month of recovery within EM corporates following an eventful summer dominated by idiosyncratic geopolitical events. The countries that had made headlines earlier in the summer - Argentina and Turkey - were among the strongest performers in September as both countries made steps towards economic reforms. The European Central Bank reaffirmed its commitment to end its bond-buying program reducing its monthly purchases to €15bn from €30bn until the end of the year, although emphasized the continuation of loose monetary policy. Eurozone economic data prints continued to show a weakening of the economy, as the impact of the US/China trade war began to bite. The Italian budget dominated news flow towards the end of the month. While the final budget is not expected until later in October, the preliminary numbers emphasized a higher than expected deficit. This sent yields on Italian government debt higher amid fears of contagion into Italian financials and thus more broadly into the wider European financials landscape. In the US, the Federal Reserve (Fed) increased the Federal Funds rate as expected in September. The market (Bloomberg data) is assigning a 72% probability that the Fed will increase rates at its December meeting.

Fund Review

In this environment, the fund declined and underperformed its indicative ICE BofA ML Global Corporate and High Yield Index (GI00). The fund's US Treasury position was the largest detractor in a month in which Treasuries declined (rates rose). US high yield investments and floating rate notes contributed to fund performance, partially offsetting the negative impact of the fund's US Treasury allocation. On a regional basis, Europe managed to generate positive returns despite the ongoing challenges in that region, and our reduced minority EM position was positive on the back of a recovery in EM. The fund continued to reduce both its European and EM exposure. At the sector level, the highest contributions on an absolute basis came from healthcare, banking, and telecom, while capital goods and food & beverage detracted from returns. In a month in which long duration underperformed, the fund's shorter duration (0-3 years) credits contributed most to fund performance. As we enter October, we are increasing our US holdings since we believe that the current momentum in US domestic demand may help protect against a possible slowdown in the global trade cycle.

Outlook

US risk has significantly outperformed both its European and emerging markets (EM) counterparts. Is the outperformance a function of strong US economic data or a flight to quality into the perceived safety of the US? US economic data has been strong (jobs, PMI) and tax reform has added a further boost to corporate profitability. While corporate fundamentals in Europe remain strong, concerns about Brexit and the Italian budget have weighed on investors. In Emerging Markets, trade disputes with China and idiosyncratic crises in Brazil, Turkey and Argentina have led to risk-off sentiment. Are investors favoring the US as a safe haven? US valuations certainly reflect a strong technical bid while EM valuations are at their most attractive in years. The question remains, where can an investor find the best reward per unit of risk.

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Please note that investment is subject to documentation, including but not limited to the Prospectus and Key Investor Information Document ('KIID') which contain a comprehensive disclosure of applicable risks. Investors in the UK should also access the Muzinich Supplemental Information Document ('SID'). Each of these documents is available in English at www.Muzinich.com, together with the Fund's annual and semi-annual reports. KIIDs are available by share class in each language required in the countries in which the share classes are registered. A complete listing of these KIIDs and the KIIDs themselves are also available at www.Muzinich.com. Investors should confer with their independent financial, legal or tax advisors. Issued in Europe by Muzinich & Co. Ltd, which is authorised and regulated by the Financial Conduct Authority. Registered in England and Wales No. 3852444. Registered address: 8 Hanover Street, London W1S 1YQ.

For Switzerland -

The prospectus (edition for Switzerland), the Key Investor Information Documents, the Trust Deed, the annual and semi-annual report, in French and further information can be obtained free of charge from the representative in Switzerland: Carnegie Fund Services S.A., 11, rue du Général-Dufour, CH-1204 Geneva, Switzerland, tel.: + 41 22 7051177, fax: + 41 22 7051179, web: www.carnegie-fund-services.ch. The Swiss paying agent is: Banque Cantonale de Genève, 17, quai de l'Île, CH-1204 Geneva, Switzerland. The last unit prices can be found on www.fundinfo.com.

For Singapore -

The fund is a restricted scheme under the Sixth Schedule to the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations of Singapore. No offer of the units in the fund for subscription or purchase (or invitation to subscribe for or purchase the units) may be made, and no document or other material relating to the offer of units may be circulated or distributed, whether directly or indirectly, to any person in Singapore other than to: (i) "institutional investors" pursuant to Section 304 of the Securities and Futures Act of Singapore (the "Act"), (ii) "relevant persons" pursuant to section 305(1) of the Act, (iii) persons who meet the requirements of an offer made pursuant to Section 305(2) of the Act, or (iv) pursuant to, and in accordance with the conditions of, other applicable provisions of the Act. The offer, holding and subsequent transfer of units are subject to restrictions and conditions under the Act.