

Monthly Fund Commentary

Muzinich Asia Credit Opportunities Fund

September 2018

For Professional Client Use - Not for Retail Distribution

Fund

Muzinich Asia
Credit
Opportunities
Fund

Market Review

September was a month of recovery within emerging market (EM) corporates, following an eventful summer dominated by idiosyncratic geopolitical events. Performance was strong across the board, driven, in our view, by reduced currency volatility that improved sentiment towards the asset class and valuations that look cheap, especially on a relative basis to Western markets. By region, some of the strongest returns came from Europe and the CEEMEA region, while returns from Asia were flat. In Asia, high yield bonds registered a marginally positive total return of 0.67%, outperforming the US and Europe, but lagging in EM, as LATAM and EMEA recovered from the previous EM sell-off. Asia investment grade underperformed within global investment grade, with a negative total return of -0.4%, which was offset by rising interest rates, despite 0.01% of excess return and stable spreads in September. Over the month we saw US\$17.2bn of gross US dollar fixed supply, increasing from US\$14.1bn of issuance in August. This increase was from financials for both bank capital and bank senior debt, together with IG corporates and sovereigns, but was offset by a decline in high yield corporates. As such, year to date, US dollar fixed supply is running 28% lower year on year. Within the US Treasury market, the 10-year US rose from August lows to above 3% in the second half of September, which weighed on longer-duration bonds.

Fund Review

The fund produced a positive return on a gross and net basis and outperformed the BofA Merrill Lynch Asian Dollar Index. Positive contributions came from the majority of sectors over the month. Notable contributors included credit selection in energy bonds, which benefited as oil prices rallied over the month. Credit selection in technology, real estate and banking bonds also proved positive for performance. By rating, bonds in virtually all ratings categories performed well over the month, with notable returns generated via credit selection in bonds in the B+, BB- and BBB segments of the market, as well as in the unrated segment. The same applied to contribution from a duration standpoint and credit selection in the 1-3 year was the largest contributor to relative returns over the period.

Outlook

Within the Asian credit market, we expect more supply to come from China (as usual) and more opportunistic supply coming from high yield developers given they still have not used up their National Development and Reform Commission quota. In our view, the idiosyncratic risk remains for high yield companies short of cash flow and liquidity. In addition, we believe the divergence in fiscal and monetary policies and the changing international trade landscape are increasing downside risk.

The opinions above are those held by Muzinich, as of September 30th, 2018, and are subject to change. The Fund is an actively managed portfolio; holdings, sector weightings and leverage, (as applicable) are subject to change at the discretion of the Investment Manager without notice. Any holdings included above are for illustrative purposes only, not to be construed as investment advice. It cannot be assumed that these types of investments will be available to, selected by, or continue to be held by the Fund in future. All references to market performance are sourced from Bloomberg.

Important Information

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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.