# Quarterly Fund Commentary

Muzinich & Co

**Supra Institutional: MZCSX  Institutional: MZCIX**

**Q3 2026**

## Fund

Muzinich Dynamic Income Fund

## Portfolio Commentary

Global credit[1] navigated a volatile third quarter as renewed tensions in the Middle East, rising energy prices, and increasingly hawkish central banks pushed rates higher. Toward the start of the quarter, government bond yields[2] rose as investors priced in the reflationary impact of higher energy costs, with yield curves[3] steepening across major markets. The Federal Reserve (Fed) held rates steady, with Chair Kevin Warsh offering little new guidance. The European Central Bank (ECB) also kept rates on hold but signaled that a hike at its next meeting remained likely. Sentiment improved mid-quarter as strong corporate earnings and a light new issue calendar supported spread[4] tightening across the credit spectrum, with high yield[5] the strongest performer. However, Fed communication suggested the hiking cycle may not yet be complete. The final month offered little room to hide. Renewed escalation in the Middle East, resurgent energy prices, and strong economic data on both sides of the Atlantic coincided with rate hikes from the Fed and the ECB, and markets came to view central banks as embarking on a full hiking cycle. US Treasury yields rose to multi-year highs, and credit spreads, resilient for much of the month, widened across the board into quarter-end. In Europe, rates were further pressured by fiscal concerns and political uncertainty in France, while UK gilt yields rose on concerns over increased borrowing under the new prime minister. Emerging markets[6] (EM) debt gained mid-quarter but declined in the final month, with corporate bonds outperforming government bonds and Asia as the strongest-performing region, supported by negative net supply.

## Strategy and Outlook

In this environment, the Fund produced a negative return but outperformed the global credit market[1] for the quarter. Over the reporting period, asset allocation was the primary driver of relative performance. The Fund's allocation to loans was a key contributor, with the asset class delivering positive returns in July and proving the only fixed income sub-asset class in positive territory in a difficult September of rising rates. High yield outperformed investment grade[7] for much of the quarter, and the Fund's overweight in high yield, combined with its underweight in US investment grade, was notably additive. European high yield and European banks also proved resilient.

All regions contributed positively to relative performance in July and August, while the US was the largest contributor to relative performance in September, with both security selection and allocation decisions adding value. Within Europe, UK holdings outperformed throughout the quarter, supported by strong security selection. Within EM, holdings in Latin America, the Middle East & Africa, and India added value, while property developers in Eastern Europe were a slight drag.

On a sector basis, strong credit selection in banking helped cushion drawdowns as yields rose sharply in September. Utilities, telecommunications, and transportation (ex. air/railroads) were also notable contributors to relative returns. Conversely, the technology sector detracted from both absolute and relative returns as it struggled to absorb elevated new issuance amid rising yields, and more rate-sensitive gas distribution exposure delivered weak returns per unit of risk.

From a duration[8] perspective, the Fund's overweight in the 0–1 year maturity bucket and underweight in the 10+ year bucket strongly contributed in July. Fund duration was shortened over the quarter, which helped preserve returns as government yields moved higher, before we extended it slightly at quarter-end to take advantage of what we viewed as perhaps excessive policy tightening priced into yield curves.

In terms of ratings, the Fund's overweight and strong security selection in the BB-rated cohort was the largest contributor to relative performance over the reporting period. Single-B credit delivered the strongest risk-adjusted returns in August, while the Fund's underweight in CCCs and effective underweight in AAAs—where its only exposure is US Treasury bills used for duration management—worked well as both cohorts sold off in September.

We are heading into October with event risk still elevated, as the Middle East conflict remains unresolved and higher energy prices (notably diesel) continue to reinforce a 'higher for longer' inflation narrative across major economies. We expect rate volatility to persist: further hikes from the Fed and the ECB appear largely priced in, but governments in the US and across Europe may find it challenging to rein in spending enough to put their budgets on a firmer footing. We remain constructive on corporate fundamentals globally, and we believe the US third-quarter earnings season should help refocus markets on underlying credit quality. While spreads widened into the end of September, we view this repricing—alongside elevated yields—as one that may create more attractive entry points than those available after August's rally. We continue to find healthy yields offering potential income and downside defense, and we remain active in seeking out opportunities as they arise.

*All references to market performance are sourced from Bloomberg as of September 30th, 2026. [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]Yield refers to the earnings generated and realized on an investment over a particular period of time. [3]Yield curves plot the interest rates of bonds of equal credit and different maturities. [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]High-yield bonds are bonds that pay higher interest rates because they have lower credit ratings than investment grade bonds. [6]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. [7]An investment grade credit rating signals that a corporate or municipal bond presents a relatively low risk of default. [8]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.*

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**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. Please note that while the Fund has the ability to make short sales of securities, which involves the risk that losses may exceed the original amount invested, and is able to use leverage, 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 contain 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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