# ZIEGLER FLOATING RATE FUND

Commentary

Ziegler CAPITAL MANAGEMENT, LLC

AS OF JUNE 30, 2018

## Senior Portfolio Managers John D'Angelo and George Marshman provide insight into the management of the Floating Rate Fund.

### *Q1: Would you please share your outlook for the Floating Rate Fund for the remainder of 2018 given the rising rate environment?*

The Federal Reserve has updated its expectations from three rate hikes in 2018 to four. We believe that a positive economic outlook, strong GDP growth and the potential for rising inflation are all factors fueling this more hawkish stance. In this rising rate environment, provided the LIBOR rate continues to follow the upward trajectory of the Fed Funds Rate, we expect the Ziegler Floating Rate Fund to continue to offer an attractive income opportunity for investors seeking to minimize duration risk.

### *Q2: Would you please discuss the pipeline of deals coming to the floating rate loan market?*

As a preferred means of financing for many companies, the bank loan market, for the first time in 10 years, is now larger than the high-yield bond market, surpassing $1.22 trillion in outstanding loans as of May 31, 2018 versus $1.21 trillion for outstanding high-yield bonds. Attracted by their floating rate feature, investors continue to view bank loans as a meaningful addition to their fixed income portfolios.

We expect this above average demand in bank loans to continue until we see interest rate stabilization. From a portfolio management perspective, this ample supply of bank loans has enabled us to provide greater portfolio diversification through the addition of select holdings.

### *Q3: Why would a company finance with bank loans rather than issue bonds?*

Companies typically use bank loans for committed financing for initiatives such as mergers and acquisitions. Loans can be more readily available and offer greater flexibility as compared with bond issuance that often takes longer to orchestrate and has issue size requirements ($300 million is typically the minimum required for new bond issuance). In addition, from a company financing perspective, securing a loan with company collateral will generally result in lower financing costs.

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**TICKERS**

| Class I | Class A | Class C |
|---|---|---|
| ZFLIX | ZFLAX | ZFLCX |

**PORTFOLIO MANAGEMENT**

**John D'Angelo**

- Senior Portfolio Manager, Pretium Credit Management, LLC
- Over 25 years of industry experience

**George Marshman**

- Senior Portfolio Manager, Pretium Credit Management, LLC
- Over 27 years of industry experience

**Scott Roberts**

- Portfolio Manager
- President & CEO of Ziegler Capital Management, LLC
- Over 26 years of industry experience

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### *Q4: Would you please discuss the current level of default rates? Is any sector, besides Retail, undergoing financial stress?*

The default rate continues to be low, at 1.7% as of May 31, 2018. The Retail sector and companies supplying retailers have experienced the most defaults in the last 12 months. For example, we are experiencing declining revenue results from publishers and business services companies that support retailers. The Retail sector is followed closely by the Energy sector in terms of defaults.

From a price and credit perspective, there is no indication of a pickup in future defaults in any other sector that gives us cause for concern. However, we continue to monitor developments across the bank loan universe and manage the Fund's portfolio with a focus on companies with predictable cash flows, demonstrated creditworthiness and the opportunity for greater total return potential. ■

## ABOUT ZIEGLER CAPITAL MANAGEMENT, LLC

Ziegler Capital Management, LLC is a premier asset management firm comprised of investment teams employing repeatable processes providing tailored investment solutions across the fixed income and equity markets.

## ABOUT PRETIUM CREDIT MANAGEMENT, LLC

Pretium Credit Management, LLC is a specialist credit manager founded in 2009. The firm's expertise is in the sourcing, structuring and managing of high yield portfolios.

**Diversification does not guarantee performance. Past performance is not necessarily indicative of future results.**

**An investment in the Fund is subject to risk and there can be no assurance that the Fund will achieve its investment objective. The principal risks of investing in the Fund include bank loans and senior loans risk, borrowing and leverage risk, CLO risk, counterparty risk, credit risk, defaulted debt securities risk, floating rate securities risk, foreign securities risk, high yield securities risk, inflation risk, interest rate risk, investment risk, issuer risk, liquidity risk, loan interests risk, manager risk, market risk, regulatory risk, and unrated securities risk. Please see the prospectus for more information. Even though senior debtholders are in line to be repaid first in the event of bankruptcy, they will not necessarily receive the full amount they are owed.** Opinions expressed are subject to change at any time, are not guaranteed and should not be considered investment advice.

*You should consider the Fund's objectives, risks, charges and expenses carefully before investing.To obtain a statutory or summary prospectus that contains this and other information about the Fund, please call 1-844-828-1919 for a free prospectus or visit zcmfunds.com. Please read it carefully before investing.*

**Earnings growth is not representative of the Fund's future performance.**

**LIBOR,** the London Interbank Offered Rate, is the average of interest rates estimated by each of the leading banks in London that it would be charged were it to borrow from other banks. **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 and is expressed as a number of years. Ziegler Capital Management, LLC is the Advisor and Pretium Credit Management, LLC is the subadvisor to the Ziegler Floating Rate Fund which is distributed by Quasar Distributors, LLC.

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