

Monthly Commentary

Market

Positive economic data and a better-than-expected start to Q1 earnings propelled markets higher for a fourth consecutive month. Stronger ISM PMI, non-farm payrolls and Q1 GDP provided further evidence of a relatively stable US economy. US-China trade discussions continued although a mutually acceptable trade deal needs to resolve many complex issues and is not without risks, as we are seeing this month. Minutes released by the Federal Reserve did not alter the market's view of limited near-term interest rate risk. The highly anticipated Mueller report was released at month-end but was not viewed as a source of market risk. For the fourth month in a row, commodities moved higher with WTI Crude finishing up \$3.77/bbl (or 6.27%) to \$63.91/bbl. The US dollar was up 0.20% on the month, and the slope of the US Treasury curve steepened slightly as the 2-yr Treasury remained the same at 2.29% and the 10-yr Treasury yield increased 9 bps to 2.51%.

Continuing this year's trend, high yield mutual funds and ETFs saw inflows of \$2.8bn while loan funds experienced outflows of \$2.6bn in April, as tracked by Lipper. Net supply on the bond side turned negative in the month, as tracked by Barclays, with \$17.6bn of new issuance pricing while \$19.9bn in bonds were redeemed or upgraded, for net supply of -\$2.3bn. The loan primary market slowed slightly as \$24.2bn priced during April, according to JP Morgan. The percentage of the high yield bond market trading at distressed levels (below 70% of par) decreased to 3.2%; the comparable figure for the loan market (below 80% of par) was at 3.0%. The par-weighted twelve-month high yield bond default rate was 0.69% at month-end, per BofA Merrill Lynch, and the loan market par-weighted trailing default rate increased to 1.29%, per JP Morgan.

The ICE BofAML US High Yield Index returned 1.40% in April while the Credit Suisse Leveraged Loan Index returned 1.59%. The yield-to-worst (YTW) for the high yield index decreased 22 bps to 6.16% and spreads decreased 26 bps to 372 bps. By rating, the BB, B and CCC bond sub-indices returned 1.08%, 1.51% and 2.27%, respectively. Returns were positive for all sectors this month with Retail the top performer, returning 2.62%, while Utility was the bottom performer, posting 0.59%. Across risk types (defined by duration and yield to worst) more speculative and longer duration securities outperformed shorter duration, more defensive securities. High yield underperformed large cap equities, represented by the S&P 500's 4.05% return, as well as small cap equities, represented by the Russell 2000's 3.40% return, but outperformed investment grade corporate bonds, represented by the ICE BofAML US Corporate Index's 0.56% return.

Strategy

SKY Harbor Global Funds—US Short Duration High Yield Fund posted a positive return again in April, capturing about 50% of the broader US high yield market (as defined by the ICE BofAML US High Yield Index) on a gross-of-fee basis and excluding currency impact. By risk type, longer duration outperformed both most speculative securities and shorter duration securities. All sectors posted positive returns again this month with Financial Services and Consumer Goods leading while Banking and Insurance lagged. By rating, Triple-Cs outperformed Double-Bs and Single-Bs although the dispersion among rating groups was minimal.

The YTW on the Fund decreased 27 bps to 4.60% and represented 75% of the broad market yield at month-end. The duration-to-worst dropped to 1.5, or 44% of the broad market duration. The average coupon of 6.32% was down slightly from last month's figure and was 4 bps below the average coupon in the broad market. Exclusive of cash, Fund holdings (318 issues, representing 229 issuers) comprised 44% bonds with maturities of less than three years and 56% in longer maturities but trading to expected early take-outs inside this three-year period. This overweight to

Investment Objective

To generate a high level of current income while also experiencing lower volatility than the broader high yield market. The Fund principally invests in US below-investment-grade corporate debt securities that are expected to be redeemed through maturity, call or other corporate action within three years. The strategy seeks to capture the current income of the high yield market with substantially less volatility through the consistency of monthly returns and reinvestment.

Benchmark

Not a benchmarked strategy

Portfolio Management

Lead PM: Anne C. Yobage, CFA
David Kinsley, CFA

Fund Detail

Fund Inception	Apr 05, 2012
Fund AUM	\$2,530.0mn
Order Cut-off	12:00 CET
Settlement	T+3
Dealing Frequency	Daily
Valuation Frequency	Daily

Statistics on performance, risk measures and portfolio characteristics are presented in share class Fund Factsheets available online at:
<http://skyharborglobalfunds.com/funds/usshortdurationhighyield.shtml>

Strategy (cont.)

the latter group continues to show that we find greater value in the yield-to-call opportunities. Nevertheless, we do value the relative price stability the short maturity group can offer in volatile periods in the market. Overall credit quality in the Fund increased modestly: at month-end Double-B rated holdings represented 43.5% of the portfolio, Single-Bs were 45.9% and Triple-Cs were 7.3%.

Outlook

Near-term economic risks remain muted, while trade discussions and geopolitical risks continue to lead headlines. The risk of a failed deal with China, which has strong implications for growth both domestically and internationally, dominates investors' perception of risk drivers. Thus far, Q1 earnings are coming in better than weak expectations, although companies that miss expectations are being punished more harshly on average. While trade discussions and geopolitical risks are likely to continue to impact risk premiums, overall high yield fundamentals and technicals remain supportive, in our view. Given the balance of risks and opportunities, we see spreads as fairly valued and expect credit selection to drive returns on a go-forward basis. Overall, we continue to believe the high yield market can provide attractive full-year returns with some elevated volatility.

In our view, our Short Duration High Yield portfolios continue to be well positioned for the current market environment as they are capturing over 70% of the market yield with less than half of the market duration. We think the high current income combined with the typically defensive nature of the portfolio results in an attractive asset class better insulated from potential market volatility, pending resolution of geopolitical events. Natural turnover, created by calls, tender and maturities, will continue to allow us to optimize the portfolio as the market environment evolves.

About SKY Harbor Capital Management

SKY Harbor Capital Management, LLC ("SKY Harbor"), an independent investment manager registered with the US Securities and Exchange Commission, is the appointed Investment Manager for SKY Harbor Global Funds. SKY Harbor offers a range of US high yield and leveraged loan strategies for global institutional investors and private wealth advisors. Senior leadership and co-founders Hannah Strasser and Anne Yobage have managed high yield investments as a team through multiple market cycles for nearly 30 years. SKY Harbor's process is grounded in fundamental analysis, then refined by quantitative and technical assessment, to identify income potential while effectively managing risk. SKY Harbor is based in Greenwich, CT USA. Visit www.skyhcm.com.

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www.skyharborglobalfunds.com

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Supplementary Information for Swiss Investors

The state of the origin of the fund is Luxembourg. In Switzerland, the Swiss Representative is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich, whilst the paying agent is Banque Cantonale Vaudoise, Place Saint-François 14, 1001 Lausanne, Switzerland. The Prospectus, the Key Investor Information Documents, the articles of incorporation as well as the annual and semi-annual reports may be obtained free of charge from the Swiss Representative. In respect of the units distributed in or from Switzerland, the place of performance and jurisdiction is at the registered office of the Swiss Representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units.