US Short Duration High Yield Fund

April 30, 2020

SKY HARBOR GLOBAL FUNDS

Monthly Commentary

Market

The COVID-19 crisis is not behind us but after the historic selloff in March, markets rebounded in April and High Yield posted its strongest month in over a year. Despite the considerable uncertainty that remains, volatility declined and markets were encouraged by the drastic measures central banks and governments took to reduce the damage created by the economic shutdown. Investors are forward looking and appear to now want to invest for the recovery as we see areas planning to gradually reopen their economies. Despite some big daily rallies in April, and despite Energy being the top-performing sector for the month, Oil continued to be lower as WTI Crude closed the month down $1.64/bbl (or -8.01%) to $18.84/bbl. The US dollar was down 0.03% on the month, and the US Treasury curve was relatively unchanged as the 2-yr Treasury decreased 5 basis points (bps) to 0.20% and the 10-yr Treasury yield decreased 3 bps to 0.64%.

Technicals were mixed in April as big inflows were met with supply as new issuance ramped up. High yield mutual funds/ETFs saw inflows of $15.2bn, while loan funds experienced outflows of $18.9bn, as tracked by Lipper and reported by Barclays. High yield new issuance was $37.3bn, as tracked by Barclays, while $22.6bn in bonds were redeemed or upgraded, leaving net supply at $14.7bn. The percentage of the high yield bond market trading at distressed levels (below 70% of par) decreased to 11.5%; the comparable figure for the loan market (below 80% of par) decreased to 18.7%. The par-weighted twelve-month high yield bond default rate was 5.1% at month-end, per BofA Merrill Lynch, and the loan market par-weighted trailing default rate increased to a five-year-high of 2.63%, per JP Morgan.

The ICE BofA US High Yield Index returned 3.80% in April while the Credit Suisse Leveraged Loan Index returned 4.29%. The yield-to-worst (YTW) for the high yield index decreased 96 basis point to 8.06% and spreads decreased 96 bps to 763 bps. By rating, the BB, B and CCC bond sub-indices returned 4.78%, 3.31% and 0.54%, respectively. Returns by sector were mixed for the month with Energy the top performer, returning 15.07%, while Transportation was the bottom performer, posting -1.71%. Across risk types (defined by duration and yield to worst) longer duration and more speculative securities outperformed shorter duration, more defensive securities. High yield underperformed investment grade corporate bonds, represented by the ICE BofA US Corporate Index's 5.27% return, as well as large cap equities, represented by the S&P 500's 12.68% return, and small cap equities, represented by the Russell 2000's 13.66% return.

Strategy

SKY Harbor Global Funds–US Short Duration High Yield Fund posted a positive return during the rally in April, capturing about half of the upward price move of the broader US high yield market (as measured by the ICE BofA US High Yield Index) on a gross-of-fee basis and excluding currency impact. The Fund's low weight to the Energy sector has limited the ability to capture the full market return in April, but with the historic drop in WTI we see limited opportunity for much of the sector to reduce or refinance near-term maturities. Leisure and Retail (largely restaurants) have been outperformers as more self-help deals get done in the high yield market to give these companies longer runways to withstand the COVID-19 related shutdowns. Conversely, transportation, although a small weight, was negative for the month due to our airline exposure. And Financial Services has also been a modestly negative contributor due to our exposure to commercial real estate lending and credit cards, and a sector we continue to sell down. By rating, Double-B credits outperformed other ratings groups. And while Triple-Cs have been the worst-performing ratings category within HY, we went into the period well below our historical average and would look to remain this way. Our goal is to increase BB and reduce CCC holdings when supported by fundamentals and valuations. By risk type (defined by yield and duration to worst), the rally has meant that our longer-duration securities have seen the best recovery. Looking forward, we are most focused on the best risk-adjusted opportunities, which are typically in bonds maturing in 5 years or less and trading with durations of less than 3.0.

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

Active strategy not managed in reference to a benchmark index

Portfolio Management

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

Fund Detail

Fund Inception	Apr 05, 2012
Fund AUM	$2,578.8mn
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

SKY HARBOR GLOBAL FUNDS

Strategy (cont.)

The YTW on the Fund tightened 110 bps to 6.82% and represented 84% of the broad market yield at month-end. The Fund's duration-to-worst came down to 2.5, or 63% of the broad market duration. The average coupon of 6.08% was down slightly from the prior month and was 15 bps below the average coupon in the broad market. Exclusive of cash, Fund holdings (294 issues, representing 209 issuers) comprised 35% bonds with maturities of less than three years and 65% in longer maturities but trading to expected early take-outs inside this three-year period. Overall credit quality increased modestly in the Fund: at month-end Double-B rated holdings represented 43.4% of the portfolio, Single-Bs were 45.0% and Triple-Cs were 9.8%.

Outlook

We believe that investors have progressively shifted their focus from initially tracking the pace of global COVID-19 metrics, to monitoring fiscal and monetary stimulus measures, to then assessing the impact of shelter-in-place orders on economic activity, to now a vision for what reopening entails for different sectors and regions of the global economy and what new treatment efforts or vaccines are in the pipeline that might mitigate reopening risks.

To support our risk-taking, we are focused on consumer and business behavior as restrictions are lifted around the globe. We believe current positioning suggests good potential market capture to the upside so long as Energy is not the driver of the upside but are mindful that low dollar bonds are likely to gap higher in the absence of further selling pressure. Given the large overhang of investment grade energy downgrades, secular and cyclical demand destruction, and historically low oil prices, we do not see speculative Energy being a driver of sustained upside returns. The bonds of higher-quality leisure-related issuers have the potential to be the driver of returns in a recovering market and we are focused on prudently adding these opportunities.

Our central scenario has not changed. We expect rising default risk in the energy, retail, leisure and potentially transportation sectors despite an eventual stabilization of coronavirus-related impact to demand in the second half of the year. Fiscal and monetary stimulus around the globe appears ready to resize and evolve on an as-needed basis.

While we acknowledge strong relative performance during this period of volatility, we are mindful that "pensioners cannot eat relative returns" when those relative returns are negative. As a result, we are highly focused on preservation of principal and creating a sustainable income stream that rewards our investors for their risk-taking.

We believe in the resilience of the people that are behind markets and economies and we are ourselves optimistic by nature. That said, the reality of the moment is without precedent and we will continue to be as transparent around risks and opportunities as possible as we move deliberately forward investing funds on behalf of our clients around the globe.

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.

Contact

info@skyhcm.com
+49 69 75938622
+1 203 769 8800
Find all fund documents at:
www.skyharborglobalfunds.com

A Message to Investors

This performance discussion and outlook ("Commentary") of SKY Harbor Global Funds (the "Fund") is provided by SKY Harbor Capital Management GmbH, the Fund's authorized principal distributor, and is designed to be read by institutional investors for marketing and summary information purposes only. This material is not intended as an offer or solicitation for the purchase or sale of any security. This Commentary does not consider the circumstances, investment objectives, risk tolerances, tax or legal situation of any investor. Investing in high yield below-investment-grade corporate debt securities entails risk of loss and may be unsuitable to your circumstances. Past performance is not indicative of future results. The information herein is subject to change without notice and is derived or obtained from sources believed to be reliable, but SKY Harbor Capital Management GmbH or its affiliates and their respective directors, officers, employees, and agents (collectively SKY Harbor) do not warrant its completeness or accuracy except with respect to any disclosures relative to SKY Harbor. Forward-looking statements such as our outlook for interest rates, Fed policy, the economy, high yield markets and the like, or our intended adjustments to the portfolios within our strategies are subject to inherent risks, biases, and uncertainties that are beyond the control of SKY Harbor and may cause actual results to differ materially from the expectations expressed herein. This document does not replace, revise or reinterpret the information, risk factors, and other important disclosures set forth in the Fund Prospectus, KIID, Annual and Semi-annual reports, which along with other disclosures (collectively, "Offering Materials") are available without charge from the following sources: (i) SKY Harbor Capital Management GmbH, located at: 4 an der Welle, 60322 Frankfurt, Germany; (ii) JPMorgan Bank Luxembourg S.A., the Fund's transfer agent, fund accountant and custodian located at: 6, route de Trèves, L-2633 Senningerberg, Luxembourg; (iii) online at the Fund's website at www.skyharborglobalfunds.com; or (iv) from the Swiss Representative (see below). It is every investor's responsibility to read with care the Fund Offering Materials before investing. SKY Harbor Global Funds is established and registered for public distribution in Luxembourg. The Fund is also registered for public distribution in a number of jurisdictions in Europe. Refer to Fund's website for a more complete listing of registered jurisdictions. The Fund may not be sold in jurisdictions where the Fund is not registered unless an applicable exemption from registration exists such as under a private placement regime. The Fund is not registered under the US Securities Act of 1933 nor the US Investment Company Act of 1940 and may not be offered or sold in the United States (or to a US person) absent registration or an applicable exemption from the registration requirements. SKY Harbor disclaims any liability or responsibility for any transaction in the Fund's shares by investors or sub-distributors not in compliance with law. Further information is available on request from your SKY Harbor relationship contact or by email at info@skyhcm.com.

The ICE BofA Index data referenced herein is the property of ICE Data Indices, LLC ("ICE BofA") and/or its licensors and has been licensed for use by SKY Harbor. ICE BofA PERMITS USE OF THE ICE BofA INDICES AND RELATED DATA ON AN "AS IS" BASIS, MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE BofA INDICES OR ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM, ASSUMES NO LIABILITY IN CONNECTION WITH THE USE OF THE FOREGOING, AND DOES NOT SPONSOR, ENDORSE, OR RECOMMEND SKY HARBOR OR ANY OF ITS PRODUCTS OR SERVICES.

Supplementary Information for Swiss Investors

This document is designed primarily for institutional investors for marketing, advertising, and information purposes only and is not intended as an offer or solicitation for the purchase or sale of any security. The foregoing additional disclaimers shall also apply to 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. 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.