US Short Duration High Yield Fund

March 31, 2019

SKY HARBOR GLOBAL FUNDS

Monthly Commentary

Market

High yield's positive momentum continued in March, aided by supportive technicals, further positive economic data and US/China trade rhetoric that eased global growth concerns. In addition, the Fed released surprisingly dovish projections suggesting no further interest rate hikes in 2019, causing rates to rally sharply with a slight curve flattening. Risk assets benefited as well with monetary policy now seen as supportive to extend the current cycle. Like the prior two months, commodities again moved higher with WTI Crude finishing up $2.92/bbl (or 5.10%) to $60.14/bbl. The US dollar was up 1.17% on the month, and the slope of the US Treasury curve flattened slightly as the 2-yr Treasury was lower by 24 basis points (bps) to 2.29% and the 10-yr Treasury yield decreased 30 bps to 2.42%.

Continuing this year's trend, high yield mutual funds and ETFs saw inflows of $2.0bn while loan funds experienced outflows of $3.7bn in March, as tracked by Lipper. Net supply on the bond side was positive in the month, as tracked by Barclays, with $21.7bn of new issuance pricing while $19.8bn in bonds were redeemed or upgraded, for net supply of $1.9bn. The loan primary market picked up as $28.6bn priced during March, according to JP Morgan. The percentage of the high yield bond market trading at distressed levels (below 70% of par) decreased to 3.4%; the comparable figure for the loan market (below 80% of par) was also 3.4%. The par-weighted twelve-month high yield bond default rate was 0.58% at month-end, per BofA Merrill Lynch, and the loan market par-weighted trailing default rate decreased to 0.94%, per JP Morgan.

The ICE BofAML US High Yield Index returned 0.98% for March while the Credit Suisse Leveraged Loan Index returned -0.12%%. The yield-to-worst (YTW) for the high yield index decreased 14 bps to 6.38% and spreads increased 9 bps to 398 bps. By rating, the BB, B and CCC bond sub-indices returned 1.31%, 0.88% and -0.03%, respectively. By sector, returns were mostly positive for the month with Transportation the top performer, returning 2.21%, while Automotive was the bottom performer and only negative sector, posting -0.02%. Across risk types (defined by duration and yield to worst) longer duration securities outperformed more speculative securities and shorter duration, more defensive securities. High yield underperformed large cap equities, represented by the S&P 500's 1.94% return, as well as investment grade corporate bonds, represented by the ICE BofAML US Corporate Index's 2.49% return, but outperformed small cap equities, represented by the Russell 2000's -2.09% return.

Strategy

SKY Harbor Global Funds–US Short Duration High Yield Fund posted a positive return in March, capturing about 55% 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 Consumer Goods and Real Estate leading while Telecom and Energy lagged. By rating, higher quality led, with Double-Bs outperforming Single-Bs and then Triple-Cs.

The YTW on the Fund decreased 25 bps to 4.87% and represented 76% of the broad market yield at month-end. The duration-to-worst dropped to 1.6, or 45% of the broad market duration. The average coupon of 6.38% was down slightly from last month's figure and was 3 bps above the average coupon in the broad market. Exclusive of cash, Fund holdings (316 issues, representing 229 issuers) comprised 45% bonds with maturities of less than three years and 55% 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	$2,538.4mn
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

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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 in the Fund: at month-end Double-B rated holdings represented 43.2% of the portfolio, Single-Bs were 47.0% and Triple-Cs were 7.4%.

Outlook

A number of key risks moderated in the first quarter of 2019 and the aggregate level of investor concerns fell, dragging risk premiums lower. Concern has shifted from the impact of rising rates back to the pace of slowing global growth, expected weak Q1 earnings and trade agreements (Europe is now in the crosshairs). While trade discussions and geopolitical risks are likely to continue to dominate headlines, high yield overall fundamentals and technicals remain supportive. We expect investors to weigh signs of economic activity and corporate profitability versus overall valuations. We remain cautiously positive on future corporate fundamentals but recognize that first quarter earnings are likely to be weak due to margin pressures in a number of sectors and tough prior-year comparisons. 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.

We continue to believe our Short Duration High Yield portfolios are well positioned for the current market environment as they are capturing nearly 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.

Contact

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