US Short Duration High Yield Fund

October 31, 2018

SKY HARBOR GLOBAL FUNDS

Monthly Commentary

Market

As we near the end of the third-quarter earnings reporting cycle, it's clear that corporate profitability remains robust. However, equity markets traded sharply lower and risk assets generally sold off as investors became increasingly concerned that US corporate earnings are peaking as wage inflation, labor shortages and the negative impact associated with tariffs and rising interest rates threaten profit margins. While slowing earnings growth has less impact for credit metrics – which continue to improve for high yield bond issuers – the widening of risk premiums and resetting of future discount rates was a headwind for the high yield market, which suffered its worst monthly return since the Energy crisis in Q4 2015. Dampening global growth expectations further pressured most commodities, especially oil, which was lower in October with WTI Crude down $7.94/bbl (or 10.84%) to $65.31/bbl. The US dollar rallied, up 2.10% on the month, and interest rates continued to rise. The slope of the US Treasury curve steepened as the 2-yr Treasury was higher by 5 bps to 2.87% and the 10-yr Treasury yield increased 10 bps to 3.16%.

Market technicals remained modestly supportive for the high yield asset class. Investor flows were consistent with the trends of the last year, as loan funds received inflows of $1.1bn, while HY mutual funds saw outflows of $5.5bn. Net supply shifted back to negative in the month, as tracked by Lipper and reported by Barclays, with HY bond new issuance at $12.2bn in October, offset by $13.2bn in redemptions, for net supply of -$1.0bn, per Barclays. The loan primary market increased, as $64.8bn priced during October, according to JP Morgan. The percentage of the HY bond market trading at distressed levels (below 70% of par) increased to 2.7%; the comparable figure for the loan market (below 80% of par) was 2.3%. The par-weighted twelve-month HY bond default rate was 1.06% at month-end, per BofA Merrill Lynch, and the loan market par-weighted trailing default rate increased to 1.92%, per JP Morgan.

The ICE BofAML US High Yield Index returned -1.64% for October while the Credit Suisse Leveraged Loan Index returned 0.01%. The YTW for the HY index increased 58 bps to 6.80% and spreads increased 53 bps to 376 bps. By rating, the BB, B and CCC bond sub-indices returned -1.36%, -1.58% and -2.81%, respectively. Returns were negative across all sectors with Utility being the top performer, returning -0.65%, while Energy was the bottom, posting -2.56%. Across risk types (defined by duration and yield to worst), generally shorter duration, more defensive segments led while longer-duration, more speculative lagged although all risk segments were negative for the month. High Yield outperformed large cap equities, represented by the S&P 500's -6.84% return, as well as small cap equities, represented by the Russell 2000's -10.86% return, but underperformed investment grade corporate bonds, represented by the ICE BofAML US Corporate Index's -1.35% return.

Strategy

SKY Harbor Global Funds–US Short Duration High Yield Fund was not immune to the selloff in October, posting a modestly negative return in October but capturing only about 40% of the negative return of the broader US high yield market return (as defined by the ICE BofAML US High Yield Index) on a gross-of-fee basis and excluding currency impact (see link at right for details). A duration shorter than the broader market helped to reduce some of the volatility experienced during the month. By risk type, generally shorter duration outperformed longer duration though all risk segments were negative. By sector, Consumer Goods and Utility led with modestly positive returns while Automotive and Services lagged. By rating, Triple-Cs outperformed Double-Bs and Single-Bs.

The YTW on the Fund increase 73 bps to 5.86% and represented 86% of the broad market yield at month-end. The duration-to-worst rose to 2.2, or 54% of the broad market duration. The average coupon of 6.51% decreased slightly from last month's figure and was 17 bps above the average coupon in the broad market. Exclusive of cash, Fund holdings (311 issues, representing 222 issuers) comprised 36% bonds with maturities of less than three years and 64% in longer maturities but trading to expected early take-outs inside this three-year period. This overweight to the latter

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	$2,301.1mn
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.)

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 increased slightly in the Fund: at month-end Double-B rated holdings represented 37.5% of the portfolio, Single-Bs were 52.5% and Triple-Cs were 9.0%.

Outlook

While conscious of the changing environment for risk assets, the selloff has not fundamentally changed our view of high yield market risks, but rather has improved the opportunity as valuations have become less of a headwind. Our greatest conviction remains around strong corporate fundamentals, and despite somewhat reduced forward guidance, we expect corporate profitability to be supportive of improving credit metrics for high yield bond issuers and default rates to remain low. Strong technicals associated with lower issuance on the bond side and strong investor demand on the loan side should also continue to provide support for the market. We have been concerned about valuations, but post-selloff we believe the potential for spread compression based on continued fundamental strength remains. Taken in whole, we have not substantially altered our risk positioning, although we are mindful of the potential for markets to begin to reflect a peaking profit cycle and the associated shift higher in risk premiums.

We continue to believe our Short Duration High Yield portfolios are well positioned to take advantage of any potential market volatility or changes in risk premiums. Natural turnover, created by calls, tenders and maturities, should be high considering the large amount of front-end maturities and expected near-term calls held in the portfolio, which will allow us to continue 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

SKY HARBOR GLOBAL FUNDS

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 BofAML Index data referenced herein is the property of ICE Data Indices, LLC ("ICE BofAML") and/or its licensors and has been licensed for use by SKY Harbor. ICE BofAML PERMITS USE OF THE ICE BofAML 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 BofAML 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

The state of the origin of the fund is Luxembourg. In Switzerland, the Swiss Representative is ACOLIN Fund Services AG, Affolternstrasse 56, 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.