SKY HARBOR GLOBAL FUNDS

Monthly Commentary

Market

High Yield market returns for October were in line with income generation. Risk assets responded to progress on vaccine development in light of a third wave of COVID-19 cases both in the US and around the globe. Markets also looked for progress on another round of stimulus but were increasingly disappointed as the gap between Republicans and Democrats failed to result in a compromise. Investors also increasingly priced in a Biden presidency but tension around election day remained. Oil prices also weighed on the markets as the fall in prices accelerated through October with WTI Crude closing the month down $4.43/bbl (or 11.01%) to $35.79/bbl causing the Energy sector to be down -0.23% for the month. The US dollar was up 0.16% on the month, and the US Treasury curve steepened slightly as the 2-yr Treasury increased to 0.16% and the 10-yr Treasury yield increased to 0.88%.

Technicals were positive in October with a return to investor inflows and a negative net supply for the month. High Yield mutual funds/ETFs saw inflows of $4.7bn, while loan funds experienced outflows of $381mm, as tracked by Lipper and reported by Barclays. High yield new issuance was $34.2bn, as tracked by Barclays, while $37.2bn in bonds were redeemed or upgraded, leaving net supply at -$3.0bn. The percentage of the high yield bond market trading at distressed levels (below 70% of par) remained at 4.5%; the comparable figure for the loan market (below 80% of par) decreased to 6.3%. The par-weighted twelve-month high yield bond default rate was unchanged at 7.2% at month-end, per BofA Merrill Lynch, and the loan market par-weighted trailing default rate ended May at a five-year-high of 3.99%, per JP Morgan.

The ICE BofA US High Yield Index returned 0.47% in October while the Credit Suisse Leveraged Loan Index returned 0.17%. The yield-to-worst (YTW) for the high yield index decreased 4 basis points (bps) to 5.66% and spreads decreased 11 bps to 524. By rating, the BB, B and CCC bond sub-indices returned 0.50%, 0.48% and 0.28%, respectively. Returns were mixed across sectors for the month with Automotive the top performer, returning 1.60%, while Leisure was the bottom performer, posting -0.79%. Across risk types (defined by duration and yield to worst), longer duration securities outperformed while more speculative securities lagged. High yield outperformed investment grade corporate bonds, represented by the ICE BofA US Corporate Index's -0.17% return as well as large cap equities, represented by the S&P 500's -2.77% return, but underperformed small cap equities, represented by the Russell 2000's 2.04% return.

Strategy

SKY Harbor Global Funds US Short Duration High Yield Fund posted a positive return in October, capturing almost two-thirds of the broader US high yield market return (as measured by the ICE BofA US High Yield Index) on a gross of fee basis and excluding currency impact. Generally longer duration (within the context of short duration) outperformed shorter duration securities. By risk type, all segments posted positive returns with the exception of the most speculative securities which were modestly negative on the month. By sector, Basic Industry led along with our very small Utility exposure while Media and Transportation lagged. By rating, higher quality led this month, with Double-Bs and Single-Bs outperforming Triple-Cs. Looking forward, we continue to focus on the best risk-adjusted opportunities, which are typically in bonds maturing in 5 years or less and trading with durations of between 2.0 and 3.0.

The YTW on the Fund rose 35 bps to 4.95% and represented 88% of the broad market yield at month-end. The duration-to-worst 0increased to 2.0, or 43% of the broad market duration. The average coupon of 6.37% increased from last month and was 33 bps the average coupon in the broad market. Exclusive of cash, Fund holdings (261 issues, representing 192 issuers) comprised 24% bonds with maturities of less than three years and 76% in longer maturities but trading to expected early take-outs inside this three-year period. Overall credit quality decreased slightly in the Fund: at month-end Double-B rated holdings represented 36.8% of the portfolio, Single-Bs were 49.6% and Triple-Cs were 12.6%.

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	$2,599.1 mn
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

Outlook

Risk assets have benefited from resolution of the dominant identified risk – the US election – and positive news regarding key vaccine developments and enhanced treatment protocols to reduce the ongoing risks associated with the second most identified risk – COVID-19. Although control of the US Senate will not be decided until the January 5th Georgia run-off, the market's surveyed worst-case fears of a Democratic sweep are likely off the table. Importantly, while rising COVID-19 cases are likely to create some headwinds for a recovering economy, we believe this third wave will result in a less negative economic impact than earlier in the year. Investor sentiment will continue to focus on the risks and opportunities associated with both additional fiscal stimulus and the availability of various monetary policy tools.

Investor perception of risks around fundamentals has benefited from widespread positive earnings surprises in the most recent quarter. We expect default rates to peak at 9% to 10% but normalize to 5% by 2021. Earnings should recover strongly next year which, along with declining default rates, is a key support for high yield market spread compression.

We believe the market has excess return opportunity associated with credit picking given the high level of dispersion in the market and are mindful of tighter valuations across better quality segments of the market. Our valuation work suggests lower rated credit has the most return potential over the next year and we are continuing to look for attractively priced more speculative risk where appropriate.

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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