Short Maturity Sustainable High Yield Bond Fund

April 30, 2019

SKY HARBOR GLOBAL FUNDS

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–Short Maturity Sustainable High Yield Bond Fund posted a solid return in April but modestly underperformed its benchmark on a gross-of-fee basis and excluding currency impact. Risk and duration were rewarded again, with longer duration and more speculative securities outperforming shorter duration more defensive securities. By risk type (defined by duration and yield to worst), security selection was a source of outperformance while allocation was a source of under-performance. The primary driver of underperformance was an underweight to the top-performing most speculative securities. Cash was also a drag during a strong up month. Partially offsetting that was strong security selection across the intermediate portion of the market – bonds trading to calls 2-3 years from now that we felt would be fundamentally improving over the next several quarters. By sector, strong selection in Capital Goods and Basic Industry were positive contributors to relative performance but were offset by the lack of Energy exposure, which was a top index contributor for the month.

The largest positive contributor was Cleaver-Brooks (CLEAVB) 7.875% notes due 2023, which was overly penalized last month on market technicals following soft Q3 earnings and rebounded in April. The largest bottom contributor was Ahern Rentals (AHEREN) 7.375% notes due 2023, which traded down on concerns surrounding the company's capital allocation plans.

Investment Objective

To generate favorable risk-adjusted returns over a full market cycle through investing primarily in US dollar denominated, below-investment-grade corporate bonds. The diversified portfolio will be primarily constructed with a focus on current income, preservation of principal and low volatility while giving special consideration to environmental, social and/or governance ("ESG") factors with attention to sustainability leadership, transparency and disclosure of ESG criteria.

Benchmark

ICE BofAML 1-5 Year BB-B US Cash Pay High Yield Constrained Index (JVC4)

Portfolio Management

Lead PM: David Kinsley, CFA
Kateryna Kukuruza

Fund Detail

Fund Inception	Dec 27, 2018
Fund AUM	$19.1mn
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/shortmaturitysustainablehighyieldbond.shtml

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Strategy (cont.)

At month end, the YTW on the Fund was down 23 bps to 4.65% compared to the benchmark's YTW of 5.05%. The duration-to-worst decreased to 1.8 versus 2.0 for the benchmark. The average coupon of 6.16% was slightly higher compared to the benchmark's 6.08%. Despite the investment restrictions, the Fund remains well diversified with 278 issues, representing 192 issuers. By rating, the Fund is modestly lower credit quality with 5.5% of the portfolio currently out-of-benchmark CCC rated securities.

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.

From a risk perspective, the Short Maturity Sustainable High Yield portfolio is overweight securities that we believe will fundamentally improve over the next 2-4 quarters such that those securities will be either called or trading to near-term calls in that time frame. Given the change in monetary policy expectations, we successfully moved the duration modestly higher to be more in line with our targets. We continue to look to strike a balance of relative value and risk-adjusted potential though we are unwilling to overly reach for yield in credits we are not fundamentally comfortable with, which is why we remain underweight the most speculative part of the market. Based on our view of risks and valuations across the market, we continue to believe the short duration portion of the market is attractive given its above-average yield capture relative to the overall high yield market (~75%), lower relative duration and typically more defensive nature in volatile market periods.

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.