SKY HARBOR GLOBAL FUNDS

Monthly Commentary

Market

Despite ongoing global pandemic headwinds, the high yield market participated in a general risk on environment in December. Investors reacted positively to the start of the vaccination process despite logistical challenges. The passing of the long awaited second US stimulus bill by US lawmakers at the end of the month provided a further boost to markets. The rally in Oil continued in December with WTI Crude closing the month up $3.18/bbl (or 7.01%) to $48.52/bbl. The US dollar was down 2.10% on the month, and the US Treasury curve steepened slightly as the 2-yr Treasury decreased to 0.12% and the 10-yr Treasury yield increased to 0.92%.

Technicals were a slight headwind in December with investor outflows and positive net supply for the month. High Yield mutual funds/ETFs saw outflows of $1.2bn, while loan funds experienced inflows of $283mm, snapping a 26-month outflow streak, as tracked by Lipper and reported by Barclays. High yield new issuance was $29.1bn, as tracked by Barclays, while $19.3bn in bonds were redeemed or upgraded, leaving net supply at 9.8bn. The percentage of the high yield bond market trading at distressed levels (below 70% of par) decreased to 1.7%; the comparable figure for the loan market (below 80% of par) decreased to 2.8%. The par-weighted twelve-month high yield bond default rate was down slightly to 7.0% at month-end, per BofA Merrill Lynch, and the loan market par-weighted trailing default rate ended December at 3.95%, per JP Morgan.

The ICE BofA US High Yield Index returned 1.91% in December while the Credit Suisse Leveraged Loan Index returned 1.30%. The yield-to-worst (YTW) for the high yield index decreased 49 basis points (bps) to 4.21% and spreads decreased 49 bps to 383. By rating, the BB, B and CCC bond sub-indices returned 1.55%, 1.70% and 4.11%, respectively. Returns were positive across sectors for the month with Energy the top performer again, returning 4.96%, while Media was the bottom performer, posting 1.02%. Across risk types (defined by duration and yield to worst), longer duration and more speculative securities outperformed shorter duration more defensive securities. High yield outperformed investment grade corporate bonds, represented by the ICE BofA US Corporate Index's 0.49% but underperformed large cap equities, represented by the S&P 500's 3.71% return, as well as small cap equities, represented by the Russell 2000's 8.52% return.

Strategy

SKY Harbor Global Funds–Global Short Maturity Sustainable High Yield Bond Fund posted a solid return in December, capturing nearly 60% of the broad global high yield market (as measured by the ICE BofA Global High Yield Index) on a gross of fee basis and excluding currency impact. Generally, the most speculative securities (yielding 9%+) and longer duration securities (within the context of short duration) outperformed shorter duration, more defensive securities again in December. All sectors posted positive returns for the month with the exception of Insurance, which was very slightly negative. Transportation and Leisure, which are most tied to reopening risk, were the leading sectors for the month. By rating, lower quality led, with Triple-Cs outperforming Single-Bs and Double-Bs though the dispersion among ratings groups was minimal. Looking forward, we continue to focus on maintaining a relatively high current income by selling when valuations are too tight or negative convexity limits further upside and rotating into issuers that align with our 2021 outlook.

At month-end, the YTW on the Fund tightened another 43 bps to 4.09% and represented over 90% of the broad global high yield market yield at month-end. Duration-to-worst remained unchanged at 1.8 or ~50% of the market duration. The average coupon of 6.85% increased slightly from last month and was 122 bps above the average coupon for the market. Overall credit quality decreased slightly in the Fund: at month-end Double-B rated holdings represented 30.0% of the portfolio, Single-Bs were 50.1% and Triple-Cs were 19.6%. The Fund remains well diversified with 208 issues, representing 158 issuers.

Investment Objective

Global ESG socially responsible active investment strategy seeking to generate favorable risk-adjusted returns through current income by diversified investment in US and non-US dollar high yield corporate bonds with average expected maturity of five years or less.

Benchmark

Active strategy not managed in reference to a benchmark index.

Portfolio Management

Lead PM: David Kinsley, CFA
Anne Yobage, CFA

Fund Detail

Fund Inception	Dec 27, 2018
Fund AUM	$69.5 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/shortmaturitysustainablehighyieldbond.shtml

SKY HARBOR
GLOBAL FUNDS

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. Control of the US Senate has now also been settled, providing more clarity around the path forward for the upcoming Biden/Harris administration and additional near-term fiscal stimulus. The sharp rise in interest rates in recent trading sessions suggests investors have shifted towards focusing on the potential for less supportive monetary policy and potentially at path to higher rates.

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 should economic conditions warrant.

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 sector allocation and credit picking and are mindful of tighter valuations across better quality segments of the market. Unlike 2020 where picking bonds with recovering results and attractive valuations was a key driver of returns, in 2021 we expect returns will be a function of missing companies that stumble and are rerated to higher yields. Our valuation work suggests a bias towards cyclicals versus defensive issuers and smaller issue sizes over larger issues that have been pushed tighter by ETF buying.

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.

The LuxFLAG ESG Label is valid for the period ending on June 30, 2021. Investors must not rely on LuxFLAG or the LuxFLAG Label with regard to investor protection issues and LuxFLAG cannot incur any liability related to financial performance or default of the fund.

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.

Supplementary Information for UK Investors

This communication is only directed at persons in the UK reasonably believed to be persons who (1) have professional experience in matters relating to investments, falling within Article 19(5) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Financial Promotion Order") or (2) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order or (3) are persons to whom such a document may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons or will be engaged in only with relevant persons.