Short Maturity Sustainable High Yield Bond 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

In March, SKY Harbor Global Funds–Short Maturity Sustainable High Yield Bond Fund underperformed its benchmark on a gross-of-fee basis and excluding currency impact. Generally, risk and duration were rewarded, with longer duration and more speculative securities outperforming shorter duration, more defensive securities. By risk type (defined by duration and yield to worst), both security selection and allocation were slight sources of underperformance. The primary driver of under-performance was an underweight to duration, particularly in the higher-quality, longer duration portion of the market. Partially offsetting was our allocation across the intermediate portion of the market – bonds trading to 1-2 year calls that we believe will fundamentally improve over the next several quarters. By sector, strong selection in Healthcare and Consumer Goods were positive contributors to relative performance but were offset by weaker selection in Telecom and Transportation.

The largest positive contributor to returns was Bausch Health Companies (BHCCN) 5.875% notes due 2023, which traded up on strong Q4'18 earnings. The largest bottom contributor was Consolidated Communications (CNSL) 6.5% notes due 2022, which traded down earlier in the month on concerns over weakness in wireline post a Windstream bankruptcy filing. We have since exited this position.

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	$18.5mn
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

Strategy (cont.)

The YTW on the Fund at month-end was 4.86% compared to the benchmark's YTW of 5.28%. The duration-to-worst was 1.9 versus 2.0 for the benchmark. The average coupon of 6.17% was slightly higher compared to the benchmark's 6.09%. Despite investment restrictions, the Fund remains well diversified with 266 issues, representing 188 issuers. By rating, the Fund is modestly lower credit quality with out-of-benchmark CCC rated securities comprising 5.2% of the portfolio.

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.

From a risk perspective, the Short Maturity Sustainable High Yield portfolio is most overweight securities 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 have worked to shift duration modestly higher on the margin, although as some of our credit picks move up in price, the bond trades to increasingly shorter call prices with negative convexity limiting remaining potential. Looking to strike a balance of relative value and risk-adjusted potential, we are unwilling to overly reach for yield in credits with less compelling fundamentals and remain under-weight the most speculative part of the market as a result. Q1'19 earnings will be an important data point with company guidance offering clues about the forward directionality of corporate profitability. 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.

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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.