Short Maturity Sustainable High Yield Bond Fund

September 30, 2019

SKY HARBOR GLOBAL FUNDS

Monthly Commentary

Market

The high yield market powered through the heaviest new issue calendar in years and continuing negative headlines concerning trade and slowing global growth to register a modestly positive return for the month. Investor concern around slower global growth was offset by further monetary easing as the Federal Reserve lowered the fed funds rate a quarter point in September. The Energy sector remained volatile, first spiking in price after an attack on Saudi Arabia's energy production, but quickly falling once supply was restored, causing WTI Crude Oil to close the month down $1.03/bbl (or 1.87%) to $54.07/bbl. The US dollar was up 0.47% on the month, and the slope of the US Treasury curve was relatively unchanged as the 2-yr Treasury increased 14 basis points (bps) to 1.67% and the 10-yr Treasury yield increased 17 bps to 1.68%.

Technicals were mixed in September with heavy new issuance somewhat offset by investor inflows and positive net supply for the month. High yield mutual funds/ ETFs saw inflows of $4.2bn, while loan funds experienced continued outflows of $2.1bn, as tracked by Lipper. High yield new issuance picked up significantly with $30.7bn coming to market, as tracked by Barclays, while $11.8bn in bonds were redeemed or upgraded, for a lift in net supply to $18.9bn. The loan primary market ticked up as $35.5bn priced during September, according to JP Morgan. The percentage of the high yield bond market trading at distressed levels (below 70% of par) increased to 5.2%; the comparable figure for the loan market (below 80% of par) increased to 4.9%. The par-weighted twelve-month high yield bond default rate was 1.67% at month-end, per BofA Merrill Lynch, and the loan market par-weighted trailing default rate decreased to 1.42%, per JP Morgan.

The ICE BofAML US High Yield Index returned 0.32% in September while the Credit Suisse Leveraged Loan Index returned 0.42%. The yield-to-worst (YTW) for the high yield index increased 2 bps to 5.82% and spreads decreased 10 bps to 398 bps. By rating, the BB, B and CCC bond sub-indices returned 0.28%, 0.44% and 0.06%, respectively. Most sector returns were positive for the month with Automotive the top performer, returning 1.82%, while Energy was the bottom performer, posting -0.77%. Across risk types (defined by duration and yield to worst) the intermediate risk part of the market outperformed the most speculative part of the market. High yield underperformed large cap equities, represented by the S&P 500's 1.87% return, as well as small cap equities, represented by the Russell 2000's 2.08% return, but outperformed investment grade corporate bonds, represented by the ICE BofAML US Corporate Index's -0.62% return.

Strategy

SKY Harbor Global Funds–Short Maturity Sustainable High Yield Bond Fund posted a solid return in September, modestly outperforming the ICE BofAML 1-5 Year BB-B US Cash Pay High Yield Constrained Index (the comparison index) on a net-of-fees basis, excluding currency impact. By risk type, the Fund benefited from an underweight to and positive selection in the most speculative part of the market, offset by an underweight and weaker selection in the longest duration (in the context of short duration) portion of the market. By sector, strong selection in Healthcare and Transportation were positive contributors to relative performance, partially offset by weaker selection in financial services and Media.

The largest positive contributor to returns was Kraton Polymers (KRA) 7% notes due 2025, which traded up on solid Q2 results. The largest bottom contributor was Northwest Acquisitions (NORACQ) 7.125% notes due 2022 which we liquidated during the month following a series of operational and funding challenges.

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.

Comparison Index

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

Not an index replication strategy

Portfolio Management

Lead PM: David Kinsley, CFA
Anne Yobage, CFA

Fund Detail

Fund Inception	Dec 27, 2018
Fund AUM	$37.3mn
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

ESG

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Strategy (cont.)

At month-end, the YTW on the Fund came in 4 bps to 3.97%, compared to the index's YTW of 4.76%. Duration-to-worst was unchanged at 1.6, below the index duration of 1.8. The average coupon of 6.17% was unchanged from last month and was 12 bps above the average coupon for the index. By rating, the Fund is modestly lower credit quality with 6.5% of the portfolio currently CCC rated securities. The Fund remains diversified with 297 issues, representing 188 issuers.

Outlook

While trade discussions, geopolitical risks and China are likely to continue to impact risk premiums, overall high yield fundamentals and technicals remain generally supportive, in our view. We see growing concern around second half of the year earnings and some increased concerns around the timing of the next cyclical downturn. With the market's recent adjustment to lower Treasury rates and somewhat weakening US manufacturing and other indicators of economic activity, we view high yield 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 Bond Fund portfolio remains well positioned, in our view, with a high proportion of the portfolio trading to near-term expected refinancings, which will provide strong natural cash flow to reinvest in an increasingly volatile market. We continue to focus on companies we believe will show improving fundamentals, are generally more US consumer centric and are less tied to global growth. 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 (~70%), 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.