US High Yield Fund

December 31, 2018

SKY HARBOR GLOBAL FUNDS

Monthly Commentary

Market

Risk assets sold off sharply in December as investors focused on the potential for slower economic growth should the Federal Reserve prove to be unresponsive to increasing financial instability. At its December meeting, the Federal Open Market Committee (FOMC) implemented its fourth rate hike for 2018 but did reduce its 2019 forecast from three rate hikes to two. OPEC agreed to curtail production, but the impact did not lift prices as WTI Crude finished the month down $5.52/bbl (or 10.84%) to $45.41/bbl. The US dollar was lower, down 1.13% on the month, while Treasuries rallied sharply. The slope of the US Treasury curve was relatively unchanged as the 2-yr Treasury was lower by 32 bps to 2.51% and the 10-yr Treasury yield decreased 32 bps to 2.69%.

Market technicals were cushioned by negative net supply in the face of substantial investor withdrawals. Loan and high yield funds saw outflows of $12.0bn and $8.9bn, respectively, as tracked by Lipper and reported by Barclays. On the positive, net supply remained negative with no High Yield bond new issuance – a rare occurrence – while $13.1bn in bonds were redeemed or upgraded, per Barclays. The loan primary market slowed as $8.3bn priced during December, according to JP Morgan. The percentage of the high yield bond market trading at distressed levels (below 70% of par) increased to 4.9%; the comparable figure for the loan market (below 80% of par) was 3.3%. The par-weighted twelve-month high yield bond default rate was 0.88% at month-end, per BofA Merrill Lynch, and the loan market par-weighted trailing default rate increased to 1.63%, per JP Morgan.

The ICE BofAML US High Yield Index returned -2.19% for December while the Credit Suisse Leveraged Loan Index returned -2.29%. The YTW for the HY index increased 78 bps to 7.93% and spreads increased 111 bps to 533 bps. By rating, the BB, B and CCC bond sub-indices returned -1.39%, -2.47% and -4.43%, respectively. All sectors were negative, with Banking being the top performer, returning -0.21%, while Energy was once again the bottom performer, posting -3.94%. Across risk types (defined by duration and yield to worst), generally shorter duration, more defensive segments outperformed more speculative risk although all risk segments were negative. High Yield outperformed large cap equities, represented by the S&P 500's -9.03% return, as well as small cap equities, represented by the Russell 2000's -11.88% return, but underperformed investment grade corporate bonds, represented by the ICE BofAML US Corporate Index's 1.50% return.

Strategy

SKY Harbor Global Funds–US High Yield Fund performed in line with the benchmark in December on a gross-of-fee basis and excluding currency impact. By risk type, both allocation and security selection were positive contributors to performance. The primary drivers of relative performance were an overweight to the most defensive, short duration part of the market as well as strong selection in the better-quality part of the market (yielding 5-6%). This was offset by weaker selection in the intermediate risk portion of the market and an underweight to the more rate-sensitive part of the market. By sector, an underweight to the bottom-performing Energy sector was a source of outperformance, offset by weaker selection in Basic Industry.

The largest positive contributor to returns was Kraton Polymers (KRA) 7% notes due 2025, which rebounded in December after trading down on weak earnings in November. Last month's largest contributor, Consolidated Communications (CNSL) 6.5% notes due 2022 was among the bottom contributors to returns this month. The largest bottom contributor, Ahern Rentals (AHEREN) 7.375% notes due 2023 traded down with other equipment rental companies but was more heavily penalized post Q3 results that saw reduced forward deleveraging guidance and mixed management commentary on the operating environment. Last month's bottom contributor, Brand Industrial Services (BRANDI) 8.5% notes due 2025, was among bottom contributors again in December.

Investment Objective

To outperform the broad US high yield market over a full market cycle with less volatility through investing across the full maturity spectrum of the US below-investment-grade debt market. The Fund principally invests in a diversified portfolio of high yield debt securities issued by companies domiciled or listed in the US.

Benchmark

ICE BofAML US High Yield Index (H0A0)

Portfolio Management

Lead PM: Hannah H. Strasser, CFA
Trevor Kaufman, CFA

Fund Detail

Fund Inception	Apr 05, 2012
Fund AUM	$152.1mn
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/ushighyield.shtml

SKY HARBOR GLOBAL FUNDS

Outlook

We recognize that the risk of decelerating global growth has increased, however, we continue to believe that markets are over-discounting the risk that the US business cycle turns negative. We remain positive on corporate fundamentals and believe defaults will remain near cyclical lows. Importantly, valuations are significantly more supportive of high yield risk taking given the December selloff and the market has repriced to a point where the carry provides a compelling relative return even if spreads do not tighten. Strong technicals associated with lower issuance on the bond side and a potential move from loans back to bonds should also continue to provide support for the market. Taken in whole, we have not substantially altered our risk positioning, although we are mindful of the market's reflection of a peaking profit cycle and the associated shift higher in risk premiums.

Our Broad High Yield Market portfolios remain underweight the better-quality, more rate-sensitive segment of the market. We continue to use volatility to reduce our current underweight to higher-rated longer-duration bonds with a focus on those industry groups that are best positioned for sustainable growth in an aging economic cycle. The market repricing has also given us the opportunity to add income through credit picking among companies with improving earnings. Our BHYM portfolios remain more concentrated in high conviction holdings than has been the case in recent years and are benefiting from outperformance by this part of the portfolio generally. Based on our view of risks and valuations across the market, we continue to believe Single-B rated credit offers the best opportunity for attractive returns through credit picking.

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 BofAML Index data referenced herein is the property of ICE Data Indices, LLC (“ICE BofAML”) and/or its licensors and has been licensed for use by SKY Harbor. ICE BofAML PERMITS USE OF THE ICE BofAML 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 BofAML 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.

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, Affolternstrasse 56, 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.