US High Yield Fund

February 28, 2019

SKY HARBOR GLOBAL FUNDS

Monthly Commentary

Market

The drivers behind the January rally in risk assets continued to move risk assets higher in February. The release of the minutes from the January Federal Open Market Committee (FOMC) meeting reconfirmed a dovish and highly data-dependent Fed. Q4 earnings were largely better than low expectations, and markets took comfort in the end of the partial government shutdown and further positive rhetoric concerning the US/China trade agreement. Like the prior month, commodities continued to move higher with WTI Crude finishing up $3.43/bbl (or 6.38%) to $57.22/bbl. The US dollar was up 0.61% on the month, and the slope of the US Treasury curve was relatively unchanged as the 2-yr Treasury was higher by 6 basis points (bps) to 2.53% and the 10-yr Treasury yield increased 8 bps to 2.72%.

Also continuing the trend from January, high yield mutual funds and ETFs saw inflows of $6.2bn while loan funds experienced outflows of $2.7bn in February. Despite steady inflows, net supply was positive in the month, as tracked by Lipper and reported by Barclays, with $20.1bn of new issuance pricing while $11.8bn in bonds were redeemed or upgraded, for net supply of $8.3bn. The loan primary market picked up in the month as $24.9bn priced during February, according to JP Morgan. The percentage of the high yield bond market trading at distressed levels (below 70% of par) decreased to 3.6%; the comparable figure for the loan market (below 80% of par) was 2.8%. 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 decreased to 0.95%, per JP Morgan.

The ICE BofAML US High Yield Index returned 1.69% for February while the Credit Suisse Leveraged Loan Index returned 1.57%. The yield-to-worst (YTW) for the high yield index decreased 34 bps to 6.52% and spreads decreased 41 bps to 389 bps. By rating, the BB, B and CCC bond sub-indices returned 1.63%, 1.67% and 1.99%, respectively. By sector, returns were mostly positive for the month with Utility the top performer, returning 2.60%, while Transportation was the bottom performer and only negative sector, posting -0.36%. Across risk types (defined by duration and yield to worst), longer duration securities outperformed shorter duration, more defensive securities in February. High yield underperformed large cap equities, represented by the S&P 500's 3.21% return, as well as small cap equities, represented by the Russell 2000's 5.19% return, but outperformed investment grade corporate bonds, represented by the ICE BofAML US Corporate Index's 0.36% return.

Strategy

SKY Harbor Global Funds–US High Yield Fund modestly outperformed the benchmark in February on a gross-of-fee basis and excluding currency impact. By risk type, security selection was a source of slight underperformance while allocation was a source of outperformance. The primary drivers of outperformance were strong selection within the short duration parts of the market as well as an overweight to the top-performing intermediate risk segment (yielding 8-9%). By sector, strong selection in Services and Basic Industry were sources of outperformance, partially offset by weaker selection in Retail and Capital Goods.

The largest positive contributor to returns was once again Ahern Rentals (AHEREN) 7.375% notes due 2023, which continued to trade up on a positive outlook for equipment rental industry players. The largest bottom contributor was again Weight Watchers Inc. (WTW) 8.625% notes due 2025, trading down in February on weak Q4'18 earnings and disappointing guidance.

Outlook

Central risks we have identified have not materially changed despite the market rally. We remain concerned about the risk of decelerating global growth led by distress in Europe and slowing in China. Investors will also need to look past weak first quarter earnings for US companies. However, the Fed pivot has alleviated investor

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	$69.4mn
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

Outlook (cont.)

concerns that an aggressive tightening cycle would lead to a recession in the US. Investor sentiment continues to focus on trade discussions in the near term and ever-present geopolitical risks. Taken in whole, we expect investors to weigh signs of economic activity and corporate profitability versus overall valuations. We remain cautiously positive on 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. Post the Q4'18 selloff, valuations were extremely attractive, which triggered inflows and retracement of losses such that this has been one of the strongest starts to the market in history. Today, valuations are less attractive, although still better than the tight spreads we saw in late Q3 last year and appropriate for this point in the economic cycle. Overall, we continue to believe the high yield market can provide attractive full-year returns with some elevated volatility.

Our Broad High Yield Market portfolios remain underweight the better-quality, more rate-sensitive segment of the market in favor of higher allocations to defensive short duration parts of the market and credit picking among the higher-yielding part of the market. We continue to use volatility and the primary market 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. We have substantially reduced our exposure to US housing, the Energy sector and industries that have a high degree of sensitivity to Chinese growth. 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.

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www.skyharborglobalfunds.com

SKY HARBOR GLOBAL FUNDS

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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.