US High Yield 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

SKY Harbor Global Funds–US High Yield Fund modestly outperformed the benchmark in March on a gross-of-fee basis and excluding currency impact. By risk type, security selection was a source of outperformance while allocation was a source of under-performance. The primary drivers of relative performance were strong selection within the intermediate risk (yielding 8-9%) and shortest duration parts of the market. These were partially offset by an underweight to the higher-performing most rate-sensitive part of the market (yielding 0-5%) and weaker selection within this segment. By sector, strong selection in Healthcare and Media were sources of outperformance, partially offset by weaker selection in Capital Goods and Automotive.

The largest positive contributor to returns was Townsquare Media Inc. (TSQ) 6.5% notes due 2023, which traded up in March on strong Q4'18 earnings. Last month's top contributor, Ahern Rentals (AHEREN) 7.375% notes due 2023, was a top contributor again this month. The largest bottom contributor was Cleaver-Brooks Inc. (CLEAVB) 7.875% notes due 2023, which traded down on weak Q3'FY19 results and market technical although has rebounded in recent trading. Last month's bottom contributor, Weight Watchers Inc. (WTW) 8.625% notes due 2025, was among bottom contributors again in March.

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	$68.0mn
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

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.

Our Broad High Yield Market portfolios remain underweight the better-quality, more rate-sensitive segment of the market in favor of higher allocations to credit picking among the higher-yielding part of the market and an overweight to the defensive short duration parts 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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Find all fund documents at:
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.