

US Short Duration High Yield Fund

August 31, 2017

Class F Capitalization

SKY HARBOR
GLOBAL FUNDS

Portfolio Commentary

Market

Escalating geopolitical tensions with North Korea, terrorist attacks in Spain and deteriorating sentiment surrounding President Trump's pro-growth agenda derailed risk assets, including high yield, leading to a modestly negative return for the month for the high yield market. Additionally, after rallying in July, WTI Crude Oil reversed course and closed the month down \$2.94 (or 5.86%) to \$47.23/bbl. The US Dollar Index was down 0.21%, and the US Treasury curve flattened by 15 bps with the 2-yr Treasury lower by 2bps to 1.33% and the 10-yr Treasury yield lower by 18bp to 2.12%.

High yield technicals were negative in August as HY and Loan funds experienced outflows and net supply increased. HY mutual funds saw net outflows of \$3.7bn and loan funds had outflows of \$380mn, as tracked by Lipper and provided by Barclays. New issuance increased to \$19.5bn, offset by \$19.3bn in redemptions, leaving net supply at \$200mn, according to Barclays. The percentage of the market trading at distressed levels (below 70% of par) ended August at 3.0%, per JP Morgan. The par-weighted twelve-month default rate was lower at the end of the month at 2.0%, per BofA Merrill Lynch. Excluding commodities, the default rate was 1.5%.

The BofA Merrill Lynch US High Yield Index returned -0.03% in August. The YTW increased 16 bps to 5.55% and spreads increased 25 bps to 381 bps. The BB, B and CCC sub-indices posted returns of 0.25%, -0.09% and -0.79%, respectively. Returns were mixed across sectors with Transportation the top performer, returning 1.35%, while Energy was the bottom performer, returning -0.77%. Across risk types (defined by duration and yield to worst), the most defensive and rate sensitive portions of the market outperformed while the most speculative, credit sensitive part of the market lagged as rates rallied and volatility increased. High Yield underperformed large cap equities, represented by the S&P 500's 0.31% return, as well as investment grade corporate bonds, represented by the BofA ML US Corporate Index's 0.85% return, but outperformed small cap equities, represented by the Russell 2000's -1.27% return.

Strategy

SKY Harbor Global Funds–US Short Duration High Yield Fund generated a positive return in USD-based share classes during a negative month for the overall high yield market. Due to interest rate differentials on the currency hedges, some non-USD share classes posted modestly negative returns for the month. Generally, shorter duration, more defensive securities outperformed longer duration, more speculative securities. By sector, Insurance and Automotive led while Telecommunications and Energy lagged.

The YTW on the Fund rose 19 bps to 4.27% and represented 77% of the broad market yield at month-end (as measured by the BofA Merrill Lynch US High Yield Index). The duration-to-worst was 1.6 again this month, or 46% of the broad market duration. The average coupon of 6.68% was nearly unchanged from last month's figure and was 22 bps above the average coupon in the broad market. Exclusive of cash, Fund holdings (424 issues, representing 286 issuers) comprised 34% bonds with maturities of less than three years and 66% in longer maturities but trading to expected early take-outs inside this three-year period. We continue to believe that companies will proactively refinance debt ahead of stated maturities to capture the favorable interest rate environment that the new issue market still offers. Overall credit quality increased slightly in the Fund this month: at month-end Double-B rated holdings represented 35.7% of the portfolio, Single-Bs were 49.7% and Triple-Cs were 11.2%.

Outlook

Our view of the economy and markets remains stable and we have not materially changed our outlook or our portfolio positioning. While a variety of geopolitical risks remain, markets are benefiting from the strongest corporate earnings growth in the last five years. The overall high yield market has not reached cycle tight spreads, yet parts of the market have or are approaching cycle tightness. We continue to believe further spread compression is possible absent a general spike in risk premiums. The possibility that longer-dated Treasury yields do not increase meaningfully and actually decrease, does, however, make us more willing to hold assets that have rate sensitivity. Our conviction that fundamentals will continue to improve and HY defaults will peak and recede over the course of 2017 remains high and the strongest driver of portfolio positioning nonetheless. However, we continue to believe we are generally not being paid to take "equity-like" risk at current market levels due to the underlying secular and/or cyclical changes that much of the remaining higher-yielding part of the market faces. We still expect high yield issuance to remain tilted towards better quality and refinancing, but generally be demand driven and sensitive to fund flows, which we expect to be more volatile. 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.

We continue to believe the Fund is well positioned to take advantage of any potential volatility associated with changing geopolitical risks considering the large amount of front-end maturities and expected near-term calls held in the portfolio. Additionally, we continue to moderate our underweight to the better quality, more spread sensitive segment of the market and will use market volatility to opportunistically add attractively priced positions to the Fund.

Top 10 Holdings by Issuer Weight

Name	Ratings	Sector	Weight (%)
SPRINT NEXTEL	B2	Telecommunications	2.04
ALLY FINANCIAL	BB2	Banking	1.46
CABLEVISION SYS	B3	Media	1.26
HCA HOLDINGS INC	B1	Healthcare	1.26
DISH DBS CORP	BB3	Media	1.25
DIAMOND 1 FIN/DI	BB2	Technology & Electronics	1.24
FRONTIER COMM	B2	Telecommunications	1.18
TENET HEALTHCARE	BB3	Healthcare	1.16
SPRINGLEAF FIN	B2	Financial Services	1.15
NAVIENT CORP	BB3	Financial Services	1.13

Investment Objective

To generate a high level of current income while also experiencing lower volatility than the broader high yield market. The Fund principally invests in US below-investment-grade corporate debt securities that are expected to be redeemed through maturity, call or other corporate action within three years. The strategy seeks to capture the current income of the high yield market with substantially less volatility through the consistency of monthly returns and reinvestment.

Benchmark

Not a benchmarked strategy

Launch Date

April 5, 2012

Lead Portfolio Manager

Anne C. Yobage, CFA

- A founder and Director of SKY Harbor Capital Management, LLC.
- 29 years of investment experience.
- Has managed Short Duration High Yield strategies since 1992.
- Previously Co-Head of US Fixed Income, AXA Investment Managers.

Fund Information*

Fund NAV (mn)	\$2,815
Average Credit Rating	B1
Average Coupon (%)	6.7
Yield to Worst (%)	4.3
Yield to Maturity (%)	5.2
Current Yield (%)	6.4
Average Maturity (yrs)	3.6
Avg Mod. Dur. to Wst	1.6
Average Price	104.3
No of Issuers/Issues	286 / 424
% of Top 10 Issuers	13.1

*securities portfolio only, excludes cash

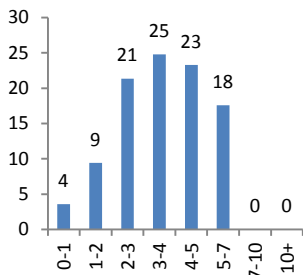
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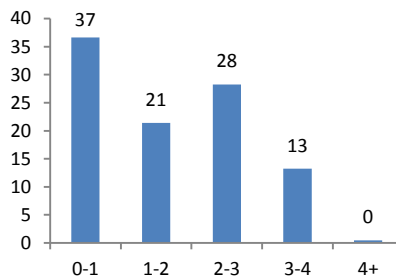
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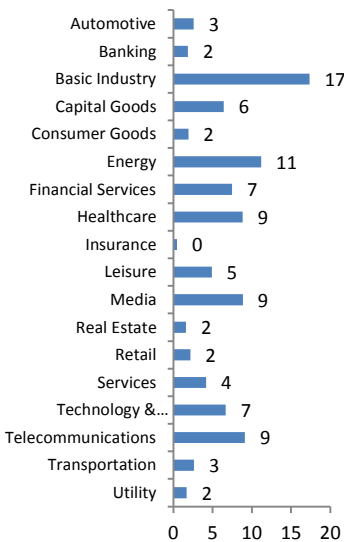
Maturity (%)



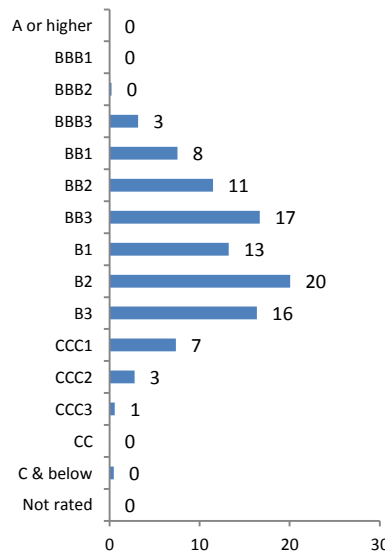
Modified Duration to Worst (%)



Sector (%)



Average Rating (%)



Fund Facts

Fund Type	Open-end
Legal Form	SICAV
Domicile	LUX
Countries of Registration	AT, BE, CH, DE DK, ES, FI, FR GB, LU, NL, NO SE
Min. Initial Inv	500 USD
Management Fee p.a.	100/110 bps
Order Cut-off	12:00 CET
Settlement	T+3
Custodian	JP Morgan Luxembourg
Fiscal Year End	31-Dec
Dealing Frequency	Daily
Valuation Frequency	Daily
Swing pricing	None

Contact

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Find all fund documents at:

www.skyharborglobalfunds.com

Net Performance

Currency	ISIN	Cumulative			Ann. Since Inception	Currency	ISIN	Cumulative			Ann. Since Inception
		1M	3M	YTD				1M	3M	YTD	
USD	LU0765419220	-0.01	0.60	3.20	2.98	SEK	LU0765420152	-0.20	0.01	1.75	2.26
EUR	LU0765419576	-0.19	0.07	1.91	2.27	NOK	LU0765420319	NA	NA	NA	NA
GBP	LU0765419733	-0.12	0.27	2.46	2.85	DKK	LU0765420582	NA	NA	NA	NA
CHF	LU0765419907	-0.22	-0.03	1.65	1.84						

Net Performance is calculated as of the last NAV date of the reporting period.

About SKY Harbor Capital Management

SKY Harbor Capital Management, LLC, an independent investment manager registered with the US Securities and Exchange Commission ("SKY Harbor"), is the appointed Investment Manager for SKY Harbor Global Funds. SKY Harbor offers Broad High Yield and Short Duration High Yield strategies for institutional investors and global 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. Our 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.

A Message to Investors

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Supplementary Information for Swiss Investors

The representative in Switzerland is ACOLIN Fund Services AG, Affolternstrasse 56, CH-8050 Zurich. The paying agent in Switzerland is Banque Cantonale Vaudoise, Place Saint-François 14, 1001 Lausanne, Switzerland. The relevant Fund documents such as the prospectus, the key investor information document (KIIDs), the articles of association, and the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.