

US Short Duration High Yield Fund

December 31, 2017

Class F Distribution

SKY HARBOR
GLOBAL FUNDS

Portfolio Commentary

Market

The archetypical slowdown seen at year-end provided stable trading conditions with low activity in both the primary and secondary markets. Despite passage of the US tax bill, continuing strong equity markets and ongoing rally in oil prices, High Yield posted a modest return, driven predominantly by coupon income. As expected, the FOMC raised rates for a third time in 2017, which did not have a large impact. WTI Crude Oil ended the month up \$3.02 (or 5.26%) to \$60.42/bbl, a multi-year high, lifting Energy 0.83% to be the top-returning sector in December. During the month, the US Dollar Index was down 0.99% and the US Treasury curve flattened with the 2-yr Treasury higher by 8 bps to 1.88% and the 10-yr Treasury yield fell 2 bps to 2.41%.

Technicals were mixed in December. HY mutual funds saw net outflows of \$3.4bn while loan funds had outflows of \$1.1bn, as tracked by Lipper and provided by Barclays. Bond new issuance decreased to \$17.6bn, offset by \$24.5bn in redemptions, leaving net supply at -\$6.9bn, per Barclays. The loan market priced \$71.5bn during the month (\$21.5bn net), according to JP Morgan. The percentage of the HY bond market trading at distressed levels (below 70% of par) ended December at 3.2%, the comparable figure for the loan market (below 80% of par) was 3.9%, and the loan par-weighted trailing default rate was 1.84%, per JP Morgan. The par-weighted twelve-month HY bond default rate moved lower to 1.65% at month-end, per BofA Merrill Lynch. Excluding commodities, the default rate was 1.53%.

The ICE BofAML US High Yield Index returned 0.29% in December, and the Credit Suisse Leveraged Loan Index returned 0.39%. The yield-to-worst (YTW) for the high yield index increased 6 bps to 5.77% and spreads increased 1 bp to 358 bps. The BB, B and CCC bond sub-indices posted returns of 0.07%, 0.35% and 0.88%, respectively. By sector, Energy led, while Telecom was the bottom performer, returning -0.47%. Across risk types (defined by duration and yield to worst), the intermediate risk part of the market was strongest while the better quality, more rate sensitive part of the market lagged. High yield underperformed large cap equities, represented by the S&P 500's 1.10% return, as well as investment grade corporate bonds, represented by the ICE BofAML US Corporate Index's 0.85% return, but outperformed small caps, represented by the Russell 2000's -0.41% return.

Strategy

SKY Harbor Global Funds—US Short Duration High Yield Fund posted a positive return in December, outperforming the overall high yield market (as defined by the ICE BofAML US High Yield Index) on a gross-of-fee basis. By sector, Energy and Basic Industry were among the top performers, together contributing approximately half of the monthly return. All sectors posted positive returns with the exception of Telecom and Banking, which had negative but muted impact on returns. Single B-s were the top-performing ratings group, followed by Triple-Cs and then Double-Bs.

The YTW on the Fund rose 17 bps to 4.65% and represented 81% of the broad market yield at month-end. The duration-to-worst was 1.8 this month, or 48% of the broad market duration. The average coupon of 6.67% was essentially unchanged from last month's figure and was 26 bps above the average coupon in the broad market. Exclusive of cash, Fund holdings (371 issues, representing 260 issuers) comprised 31% bonds with maturities of less than three years and 69% 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 was nearly unchanged in the Fund this month: at month-end Double-B rated holdings represented 34.8% of the portfolio, Single-Bs were 53.4% and Triple-Cs were 9.3%.

Outlook

We maintained a consistent view of market risks and opportunities for most of the second half of 2017 and, as a result, our risk positioning has been generally unchanged. While various geopolitical risks remain, markets are benefiting from the strongest corporate earnings growth in the last five years and the default rate has fallen from the peak reached early in 2017. However, while the high yield market has not hit cycle tight spreads, parts of the market have or are approaching cycle tightness. We believe further spread compression is possible, absent a general spike in risk premiums from a risk that is currently underappreciated in the market. Interest rate expectations seem to be rising, although in our view not meaningfully enough to completely derail the most rate and spread sensitive parts of the market that benefit from crossover buyers. We expect high yield issuance to remain tilted towards better quality and refinancing, but generally be demand driven and sensitive to fund flows. Our conviction that fundamentals will continue to improve and high yield defaults have peaked remains high and the strongest driver of portfolio positioning. However, while corporate fundamentals are strong, we 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. 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.

Entering 2018, we believe the Fund is well positioned to take advantage of any potential volatility associated with changing geopolitical situations or rising concerns related to increasing rates. Natural turnover, created by calls, tender and maturities, should be high considering the large amount of front-end maturities and expected near-term calls held in the portfolio, which will allow us to be continually optimizing the portfolio for the current market environment. Overall, we believe the Fund has attractive income per unit of duration, which positions it well within the asset class.

Top 10 Holdings by Issuer Weight

Name	Ratings	Sector	Weight (%)
SPRINT NEXTEL CORP	B2	Telecommunications	2.13
DISH DBS CORPORATION	BB3	Media	1.55
ICAHN ENTERPRISES	BB2	Financial Services	1.51
HCA HEALTHCARE INC	B1	Healthcare	1.45
ALLY FINANCIAL INC.	BB2	Banking	1.45
DIAMOND 1 FINANCE CORP	BB2	Technology & Electronics	1.26
TENET HEALTHCARE CORP	BB3	Healthcare	1.23
CSC HOLDINGS LLC	B2	Media	1.18
REYNOLDS GROUP	B1	Capital Goods	1.13
FRONTIER COMMUNICATIONS	B2	Telecommunications	1.12

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.
- 30 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)	\$2,713
Average Credit Rating	B1
Average Coupon (%)	6.7
Yield to Worst (%)	4.7
Yield to Maturity (%)	5.4
Current Yield (%)	6.4
Average Maturity (yrs)	3.7
Avg Mod. Dur. to Wst	1.8
Average Price	103.8
No of Issuers/Issues	260 / 371
% of Top 10 Issuers	14.0

*securities portfolio only, excludes cash

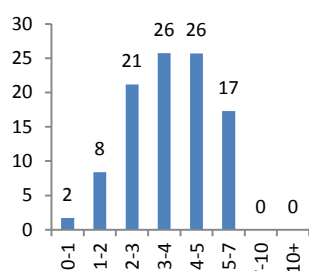
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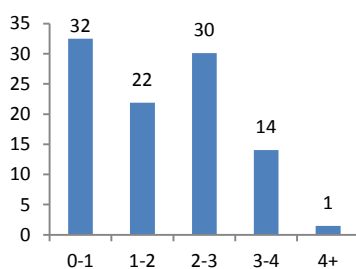
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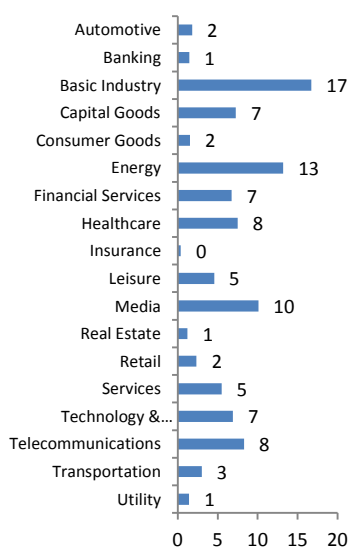
Maturity (%)



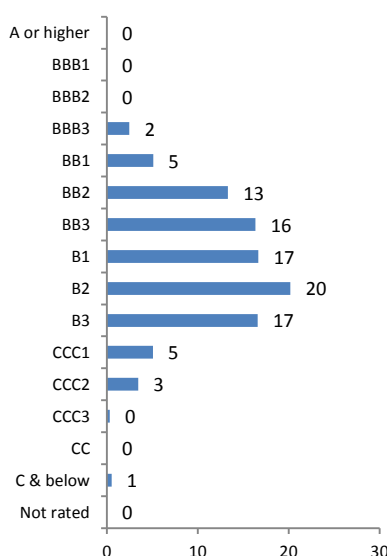
Modified Duration to Worst (%)



Sector (%)



Average Rating (%)



Fund Facts

Fund Type	Open-end
Legal Form	SICAV
Domicile	LUX
Countries of	AT, BE, CH, DE
Registration	DK, ES, FI, FR GB, IT, LU, NL NO, PT, 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

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Find all fund documents at:

www.skyharborglobalfunds.com

Net Performance and Yield

Currency	ISIN	Cumulative			Ann. Since Inception	Ann. Div. Yield†	Currency	ISIN	Cumulative			Ann. Since Inception	Ann. Div. Yield†
		1M	3M	YTD					1M	3M	YTD		
USD	LU0765419493	NA	NA	NA	NA	NA	SEK	LU0765420236	-0.25	-0.47	1.61	2.10	3.81
EUR	LU0765419659	-0.13	-0.34	1.91	1.99	3.90	NOK	LU0765420400	NA	NA	NA	NA	NA
GBP	LU0765419816	NA	NA	NA	NA	NA	DKK	LU0765420665	NA	NA	NA	NA	NA
CHF	LU0765420079	NA	NA	NA	NA	NA							

† Annualized Dividend Yield = Most Recent Dividend / NAV as of Ex Date × Annual Frequency. Historical data provided and does not imply prospective returns or yields.

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.