

US Short Duration High Yield Fund

January 31, 2018

Class F Distribution

SKY HARBOR
GLOBAL FUNDS

Portfolio Commentary

Market

The positive momentum created by the impact of tax reform and expectations for strong Q4 corporate earnings, against a backdrop of synchronized global growth, fueled equity prices to record highs and high yield option-adjusted spreads to post-crisis tights. Half of S&P 500 constituents had reported earnings by the end of January and 75% of the reporters exceeded expectations and lifted forward guidance. Commodities remained strong, as WTI Crude Oil ended the month up \$4.31 (or 7.13%) to \$64.73/bbl, a multi-year high, lifting Energy 1.82% to be the top-returning sector in January. During the month, the US Dollar Index was down 3.25% and the US Treasury curve steepened with the 2-yr Treasury higher by 25 bps to 2.13% and the 10-yr Treasury yield rose 31 bps to 2.72%.

Technicals were mixed in January. HY and loan mutual funds saw net outflows of \$1.7bn and \$34mn, respectively, as tracked by Lipper and Barclays. Bond new issuance increased to \$24.1bn, offset by \$31.7bn in redemptions, leaving supportive net supply at -\$7.6bn, per Barclays. The loan market priced \$49.3bn during the month (\$15.6bn net), according to JP Morgan. The percentage of the HY bond market trading at distressed levels (below 70% of par) remained low at 2.6%; the comparable figure for the loan market (below 80% of par) also remained low at 2.8%. Similarly, default rates continue to be low. The par-weighted twelve-month HY bond default rate declined to 1.34% at month-end, per BofA Merrill Lynch, and the loan market par-weighted trailing default rate was 1.78%, per JP Morgan.

The ICE BofAML US High Yield Index returned 0.64% in January, and the Credit Suisse Leveraged Loan Index returned 1.08%. The YTW for the HY index decreased 2 bps to 5.75% and spreads decreased 32 bps to 326 bps. The BB, B and CCC bond sub-indices returned 0.11%, 0.82% and 1.95%, respectively. By sector, Energy led, while Automotive was the bottom performer, returning -0.25%. Across risk types (defined by duration and yield to worst), the most speculative, equity-like part of the market led while the better-quality, more rate sensitive part of the market lagged. High yield underperformed large and small cap equities, represented by the S&P 500's 5.72% and the Russell 2000's 2.61% returns, respectively, but outperformed investment grade corporate bonds, represented by the ICE BofAML US Corporate Index's -0.92% return.

Strategy

SKY Harbor Global Funds-US Short Duration High Yield Fund posted a positive return in January, capturing over 85% of the overall high yield market return (as defined by the ICE BofAML US High Yield Index) on a gross-of-fee basis. Generally, more speculative securities led, rallying from last month, while the shortest duration, most defensive securities lagged. By sector, Telecom and Healthcare were top performers, together contributing over one-third of the monthly return. All sectors posted positive returns with the exception of Banking and Real Estate, which were both slightly negative and had a muted impact on returns given our limited exposure. By rating, lower quality led, with Triple-Cs outperforming Single-Bs and Double-Bs.

The YTW on the Fund fell 7 bps to 4.58% and represented 80% of the broad market yield at month-end. The duration-to-worst was 1.8 this month, or 47% of the broad market duration. The average coupon of 6.62% decreased slightly from last month's figure and was 24 bps above the average coupon in the broad market. Exclusive of cash, Fund holdings (387 issues, representing 268 issuers) comprised 30% bonds with maturities of less than three years and 70% 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 modestly in the Fund this month: at month-end Double-B rated holdings represented 35.5% of the portfolio, Single-Bs were 52.9% and Triple-Cs were 9.2%.

Outlook

We maintained a consistent view of market risks and opportunities for most of 2017's second half and saw little evidence to support a change in January. Our greatest conviction remains around strong corporate fundamentals and generally synchronous global growth. We have acknowledged that valuations are tight and rising rates present potential risks but believe high yield could have further spread compression absent a general spike in risk premiums. Given the continued absence of volatility, high yield spreads grinded to post-crisis cycle tights in January. However, as many conjectured it would at some point, volatility returned in the first week of February via the equity market causing high yield spreads to widen, though much more muted relative to equities. Beyond the impact from low volatility unwinds and algorithmic trading, we believe that equity investors have been underprepared for the impact of rising rates, unlike high yield investors who have been focused on this risk for quite some time. We nonetheless continue to have a high degree of conviction around the near-term fundamentals of high yield issuers and expect returns to benefit from the market income and below-average default losses. As a result, our positioning has not changed although we have been opportunistic purchasers during market volatility.

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 CORPORATION	B2	Telecommunications	2.05
HCA HEALTHCARE INC	B1	Healthcare	1.55
DISH DBS CORPORATION	BB3	Media	1.54
ALLY FINANCIAL INC.	BB2	Banking	1.36
TENET HEALTHCARE CORP	BB3	Healthcare	1.29
CENTURYLINK INC.	B1	Telecommunications	1.21
ICAHN ENTERPRISES	BB2	Financial Services	1.20
DIAMOND 1 FINANCE CORPORATION	BB2	Technology & Electronics	1.19
FRONTIER COMMUNICATIONS CORP	B2	Telecommunications	1.16
CSC HOLDINGS LLC	B2	Media	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)	\$2,823
Average Credit Rating	B1
Average Coupon (%)	6.6
Yield to Worst (%)	4.6
Yield to Maturity (%)	5.3
Current Yield (%)	6.4
Average Maturity (yrs)	3.7
Avg Mod. Dur. to Wst	1.8
Average Price	103.8
No of Issuers/Issues	268 / 387
% of Top 10 Issuers	13.7

*securities portfolio only, excludes cash

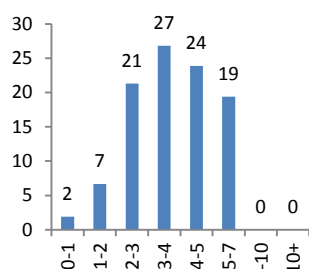
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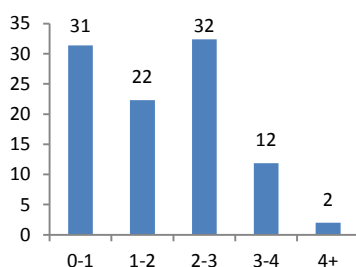
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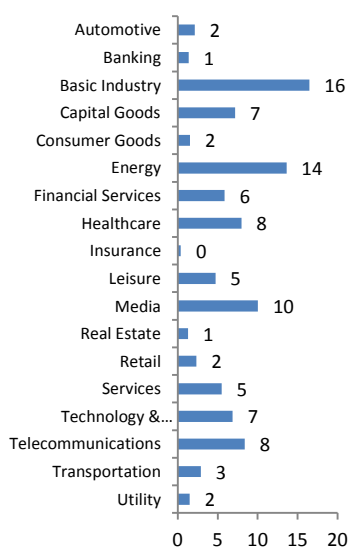
Maturity (%)



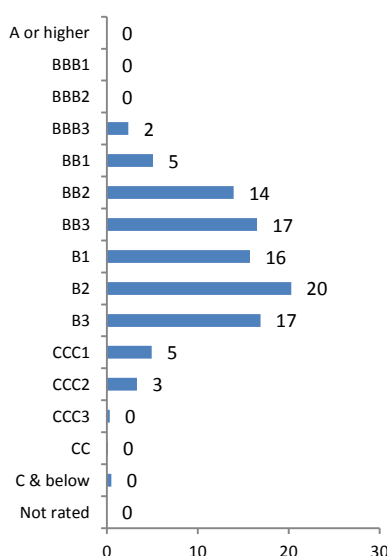
Modified Duration to Worst (%)



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

Contact

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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	0.29	-0.35	0.29	2.12	3.95
EUR	LU0765419659	0.27	-0.25	0.27	2.01	3.98	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.