

US High Yield Fund

March 31, 2018

Class B Capitalization

SKY HARBOR
GLOBAL FUNDS

Portfolio Commentary

Market

Geopolitical and idiosyncratic events drove continued cross-market volatility that further weighed on markets. Despite strong Q4 corporate earnings, the combination of rising inflation fears, ongoing turmoil within the Trump administration, escalating trade war fears and tech giants coming under pressure due to self-inflicted wounds in the case of Facebook and Tesla and President Trump's attack on Amazon fueled rising risk premiums. As was widely anticipated, the FOMC implemented the first rate hike for 2018 in March, which had little impact on markets. WTI Crude Oil reversed February losses and ended March up \$3.30 (or 5.35%) to \$64.94/bbl. During the month, the US Dollar Index was down 0.71% and the US Treasury curve flattened with the 2-yr Treasury higher by 3 bps to 2.28% and the 10-yr Treasury yield declined 15 bps to 2.74%.

While loan funds received inflows of \$2.1bn, high yield mutual funds saw continued net outflows of \$4.2bn, as tracked by Lipper and reported by Barclays. Bond new issuance more than doubled in March to \$26.5bn, which was not offset by \$22.9bn in redemptions, leaving a modestly negative technical as net supply was 3.6bn, per Barclays. The loan primary market continued to meet exceptional demand, pricing \$109.1bn during the month, 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) was also low at 2.3%. The par-weighted twelve-month HY bond default rate was 1.43% at month-end, per BofA Merrill Lynch, and the loan market par-weighted trailing default rate was unchanged at 2.52%, per JP Morgan.

High Yield outperformed broad-based equities, but was not immune to the general weakness as the ICE BofAML US High Yield Index returned -0.62% in March. Senior floating rate loans continue to outperform as the Credit Suisse Leveraged Loan Index returned 0.32%. The YTW for the HY index increased 25 bps to 6.38% and spreads increased 32 bps to 378 bps. While Triple-Cs were the worst-performing rating class, Single-Bs notably outperformed BB rated bonds as rate concerns continue to impact the lowest coupon, longest duration portion of the market. The BB, B and CCC bond sub-indices returned -0.61%, -0.50% and -0.97%, respectively. With the exception of Real Estate at 0.16%, returns were negative across all sectors for the month, with Automotive the bottom performer at -1.42%. Across risk types (defined by duration and yield to worst), the shortest duration, most defensive part of the market outperformed the longer duration, more equity-like part of the market. High yield outperformed large cap equities, represented by the S&P 500's -2.54% return, but underperformed small caps, represented by the Russell 2000's 1.29% return, as well as investment grade corporate bonds, represented by the ICE BofAML US Corporate Index's 0.22% return, which benefited from the move in the yield curve during the month.

Strategy

SKY Harbor Global Funds—US High Yield Fund performed in line with the benchmark in March on a gross-of-fee basis in USD-based share classes (though slightly underperformed net-of-fees). Generally, shorter duration, more defensive securities outperformed longer duration, more equity-like securities during the continued selloff in March. By risk type, both security selection and allocation were positive contributors to relative performance. Security selection and an overweight to the top-performing short duration segment of the market were sources of outperformance offset by weaker selection in the intermediate risk and more speculative parts of the market. By sector, strong selection in Basic Industry and Capital Goods were sources of outperformance, offset by weaker selection in Energy.

The largest positive contributor to returns was Xerium Technologies (XRM) 9.5% notes due 2021, which traded up following Q4'17 results that exceeded expectations and the release of a strategic review that included a possible sale of the company. Last month's largest contributor, Rite-Aid Corp (RAD) 6.125% notes due 2023 were sold opportunistically following the announced acquisition by grocery store company Albertson's. This month's largest negative contributor was again Approach Resources Inc. (AREX), which gapped down in February and March along with the selloff in energy equities.

Outlook

Despite the dramatic increase in volatility, we maintain a consistent view of high yield market risks and opportunities and see little evidence to change our positioning at this point. Our greatest conviction remains around strong corporate fundamentals. We have acknowledged that valuations are fair, though more compelling after this last round of spread widening, and rising rates present potential risks, but believe high yield could have further spread compression as volatility stabilizes. Near-term fundamentals of high yield issuers remain strong and we expect returns to benefit from the market income opportunity and below-average default losses so long as risks outside the high yield market remain in balance (e.g., trade wars do not escalate, etc.). As a result, our positioning has not substantially changed over the last month although we have been opportunistic purchasers of better-quality, rate-sensitive risk that has repriced during the market selloff.

Our Broad High Yield Market portfolios remain underweight the better-quality, more rate-sensitive segment part of the market. We continue to look for opportunities to add income through credit picking among companies with improving earnings. 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.

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 (HOAO)

Launch Date

April 5, 2012

Lead Portfolio Manager

Hannah H. Strasser, CFA

- A founder and Managing Director of SKY Harbor Capital Management, LLC.
- 35 years of investment experience.
- Has managed Broad High Yield Market strategies since 1988.
- Previously Head of US Fixed Income, AXA Investment Managers.

Top 10 Holdings by Issuer Weight

Name	Ratings	Sector	Weight (%)
SPRINT CAPITAL CORPORATION	B2	Telecommunications	2.11
VALEANT PHARMACEUTICALS	B3	Healthcare	1.60
HCA INC.	BB3	Healthcare	1.47
AHERN RENTALS INC.	B3	Services	1.22
AMERICAN AXLE & MANUFACTURING INC.	B1	Automotive	1.17
XPO LOGISTICS INC.	B1	Transportation	1.15
CALUMET SPECIALTY PRODUCTS	CCC2	Energy	1.14
INFOR (US) INC.	CCC2	Technology & Electronics	1.13
QUAD/GRAPHICS	B2	Media	1.07
MASTEC INC.	BB3	Services	1.07

Fund Information	SHGF*	Benchmark
Market Value (mn/bn)	\$302.4	\$1,279.4
Average Credit Rating	B2	B1
Average Coupon (%)	6.9	6.4
Yield to Worst (%)	6.4	6.4
Yield to Maturity (%)	6.8	6.6
Current Yield (%)	6.9	6.5
Average Maturity (yrs)	6.2	6.1
Avg Mod. Dur. to Wst	3.8	4.0
Average Price	100.3	98.2
No of Issuers/Issues	252 / 324	885 / 1904
% of Top 10 Issuers	13.1	12.5

*securities portfolio only, excludes cash

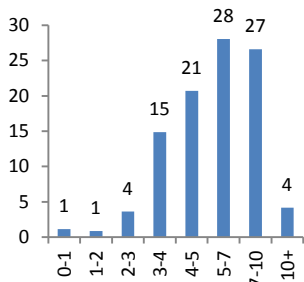
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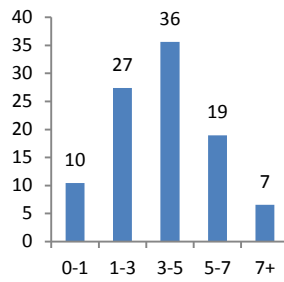
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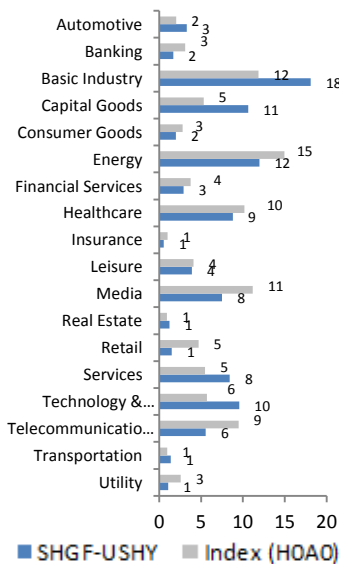
Maturity (%)



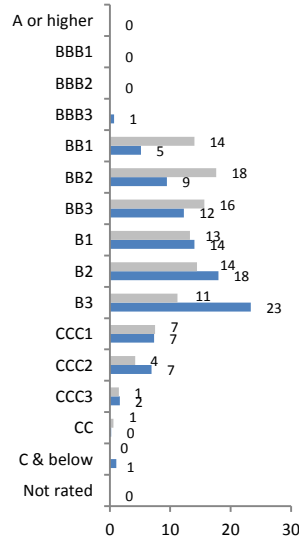
Modified Duration to Worst (%)



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, IT, LU, NL, NO, PT, SE
Min. Initial Inv	1M USD
Management Fee p.a.	75 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	LU0765422448	-0.71	-1.17	-1.17	5.14	SEK	LU0765423339	NA	NA	NA	NA
EUR	LU0765422794	-1.01	-1.79	-1.79	4.21	NOK	LU0765423503	-0.87	-1.50	-1.50	4.96
GBP	LU0765422950	NA	NA	NA	NA	DKK	LU0765423768	NA	NA	NA	NA
CHF	LU0765423172	NA	NA	NA	NA	ICE BofAML US High Yield Index (HOAO)†		-0.64	-0.92	-0.92	6.34

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

† Index performance inception date is the first share class launch date - April 5, 2012

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.