SKY HARBOR
CAPITAL MANAGEMENT

Period ending April 30, 2020

Performance (%)	1 Week	MTD	Q1	YTD
SHGF-USHY USD A Cap (net)	0.05	3.14	-10.74	-7.95
ICE BofA US HY Index	0.33	3.80	-13.12	-9.82
Alpha	*-0.28*	*-0.67*	*2.38*	*1.87*

Key Characteristics	YTW	MTD Δ	YTD Δ	DTW	MTD Δ	YTD Δ	OAS	MTD Δ	YTD Δ
SHGF-USHY	7.27	-1.34	2.40	4.04	-0.44	1.69	683	-131	378
ICE BofA US HY Index	8.23	-0.88	2.86	4.00	-0.24	1.06	781	-84	422

One-day Fund Commentary

As a note, we do not expect to continue with daily Fund commentary after today's month-end wrap-up. We will reinstitute the practice should volatility spike again. As always, if you have specific questions please reach out to your SKY Harbor relationship manager.

The risks associated with lifting shelter-in-place restrictions and the restart to economies around the globe is the dominant risk at present. We see some growing market concern around China trade as the US administration seeks to assign blame to China for the spread of the virus in the US. In the final day of trading for the month the risks that are most impacted by COVID-19 led market returns higher although the exception was airline bonds which were sharply lower, taking aerospace down as well. Ad-supported media is also increasingly an area of investor concern and was weaker as more companies highlight reduced ad spending as part of their COVID-19 cost reduction programs. The focus away from Energy, Transportation and Media was the fallen angels that will be fully captured by HY market indices tomorrow. We were buyers of US-centric "staycation" related risk – with additions to our RV component manufacturing, theme parks and ski resorts exposure. We also added to one high conviction chemical company holdings that we believe benefits from strong liquidity from proceeds of a recent asset sale, one medical products manufacturer and one diversified manufacturer that has some positive demand from COVID-19 related products. On the sale side, we reduced exposures to bonds that we believe generally have less relative value appeal in light of other market opportunities.

MTD Fund Commentary

The COVID-19 crisis is not behind us (although apparently sunshine in the tri-state area as a concept is…). The risks associated with lifting shelter-in-place restrictions and work to restart economies around the globe lies ahead. But investors are forward looking and appear to now want to invest for the recovery on most, but not all, days. The high yield sectors that led the market higher yesterday were those heavily impacted by the virus: Energy, Transportation, Automotive and Media, while those sectors that are less directly impacted lagged. Lower dollar price and more off-the-run bonds led, according to trader commentary, but it's always hard to guess where pricing will settle out given continued wide bid-ask spreads. We continue to see the calendar be driven by liquidity-raising new issuance with no regular-way refinancings, leaving the front-end of credit curves cheap, in our view. We were mostly buyers yesterday, adding to our high conviction names as well as continuing to add to our BB holdings. One new position was added through the primary market while the balance was sourced in the secondary market. We opportunistically reduced our exposure to one CCC rated transportation-related issuer and finished selling our private credit card operator issuer

The news of the day for the tri-state region-centric financial markets was that it was a sunny spring day. Coincidentally or not, there were no new issues announced. The market was up modestly, supported by investor inflows and the lack of new issuance. More companies are reporting Q1 results that showed strength leading right up until regional shelter-in-place orders took hold. In general, very few companies are willing to provide forward guidance although they are providing insight into fixed versus variable expense and cash burn rates along with liquidity summaries. Unlike the GFC, there was no ambiguity around the seizing up of economic activity and companies took immediate action, utilizing common strategies around employee furloughs, management and board compensation cuts, travel and cost restrictions and business restructurings to facilitate working from home ("WFH"), contactless transactions and social distancing where relevant. As a

result, we believe companies—those that survive—will be far more efficient with profitability improved by reduced labor and other input cost pressures that were impacting margins in recent years. Our BHYM Fund continues to build defensive, up-in-quality exposure although we got no trades done. We are also focused on increasing our exposure to the parts of healthcare that will benefit from a restart of elective procedures and preventive health activity as we believe that these activities are likely to be green-lighted in most places in the near term. We sold one recent transportation new issue where we believe valuations will be less supportive over time as reopening statistics are reported around the globe.

It's hard to know where bonds will be priced on any given day given wide bid-ask spreads, but today's market tone was viewed as positive despite the modest negative return and spread widening. Investors were most focused on how businesses planned to restart operations and the timetable for operational ramp-ups. Even New York and the tri-state area are beginning to talk about a timetable for the resumption of certain activities. IG issuance led the market while the HY calendar stayed empty, although the expectation is that tomorrow will see a reloading with potentially more issuers that are downstream of the domestic auto manufacturers and Boeing following guidance on their reopening plans. We continued to take advantage of market weakness to source up-in-quality, more defensive type risk. Today's trade in our BB/B rated food retailer brought that ticker to a high conviction weight and we added to our high conviction holding in our key healthcare service provider that is finding itself well-positioned to support healthcare organizations with supplies and data-based solutions. We participated in one low BBB rated transportation provider where collateral value was sufficiently compelling versus the 7% pricing. We further added to our behavior health exposure where we believe demand for their services remains high and growing. We further added to holdings in one semiconductor manufacturing service provider that recently came to market with a BB rated longer maturity. We sold two small weights of recent new issues where we found not enough relative value to build a more substantial position.

The market closed out the week negative largely on pressure from the steady supply of new issuance that was generally the focus of market activity throughout the week. A number of new issues failed to move much beyond issue price when free to trade, leaving market participants cautious about the clearing price for certain types of risk in the current environment. Certainly, investor fatigue is a reoccurring theme impacting trading volumes and liquidity on Fridays in particular. We were more active on the sale side on Friday with one sale of a recent new issue that moved beyond our valuation target and the reduction in exposure to a long-held infrastructure play that is likely to be more challenged by weak end-markets in the near term, the reduction of unsecured exposure to the iron ore/steel sector, and the continued exit of our exposure to a private credit card provider that is likely to have some near-term headwinds due to weak brick and mortar retailers. We initiated one new position in a recent new issue in the food distribution segment and added to an existing concrete/aggregates supplier.

Volatility remained and the total return for the week was negative with sectors that had led the market higher earlier in the month generally being a drag on market performance. COVID-19 news generally tracked expectations in terms of the number of new cases and fatalities around the globe tracking expectations. Discussions around the path of lifting shelter-in-place orders and restrictions on commerce accelerated and several US states began the opening of certain types of businesses. Even the New York tri-state area has begun to talk about a path to some lifting of restrictions. Despite the positive around the developing line of sight to the starting line of the reopening of global economies, it is indeed just that: the starting line. The non-partisan Congressional Budget Office (CBO) released its expectations for the evolution of GDP and unemployment that suggested a sharp contraction in Q2 and a slow U-shaped recovery that would leave unemployment at double-digit levels through 2021. Market technicals were a challenge with more issuers pressing to raise funds to bolster liquidity. While $12bn of new issuance was still somewhat lower than the prior-week's tally, the new supply was enough to put pressure on secondary market levels given estimated inflows of $2bn. Bifurcation in the market continues with credit that is less impacted by COVID-19 headwinds closing in on pre-COVID-19 levels and risk that is more directly impacted by COVID-19 moving to distressed levels. Oil prices also certainly were a source of investor concern as prices for near-term deliveries WENT NEGATIVE early in the week to rebound to positive territory as the week went on. Other sectors benefited from COVID-19 updates and the beginning of quarterly reporting.

The prior week wrapped up with more new issuance, bringing the high yield total to almost $16bn on the week. Most were BB rated although generally were for companies with large COVID-19 headwinds so hard to know where ratings end up. This included an $8bn three-tranche deal for Ford Motor – the auto producer rather than the credit sub – and $500mn secured debt for struggling AMC Entertainment. The large issuance was matched by record weekly inflows of $7.7bn for the week ended April 15, according to Refinitiv Lipper, surpassing the prior record set with the week ending April 1. On the negative side, WTI was lower, putting pressure on the Energy sector. Lagging participant human capital energy levels at the end of the week led to substantially lower trading volumes although there was a clear willingness to

take on risk going into the weekend despite reports of historically low economic activity earlier in the week. It seems the focus has shifted to reopening of economies around the globe – including parts of the US – which allows for debate around the shape of the recovery at the same time support for additional US stimulus to further help small business, healthcare and eventually state and local governments. We continue to work to efficiently invest excess cash to minimize transaction costs, build portfolio income, and evolve the portfolio towards a more barbelled risk positioning with an overweight to better-quality, shorter duration risk and an overweight to risk that is yielding in to above the market yield. We continue to target to remain underweight large market beta type risk that is heavily owned by ETFs and thereby subject to market volatility. The new issue market remains the most efficient way to invest cash and we continue to participate in most new issues and be add-on buyers on the break. We also are add-on buyers of our high conviction positions to keep our exposures at targeted levels. On the sale side, we continued to bring down our exposure to more leveraged homebuilders as we believe the cycle will be on pause for some period of time despite the strong fundamentals for the industry through February and early March. We also completed the exit of one of our (more successful) gas-focused energy investments as we believe they are likely buyers of distressed assets in the current environment.

Companies that have been hanging on in recent years by issuing secured debt, exchanging near-term maturities, buying in discounted bonds and selling assets appear to be willing to use COVID-19 as the opportunity to right-size their balance sheets through full restructurings. The HY market is bifurcating as companies that have established they can adapt their operating model for current challenges and have sufficient financial flexibility to withstand headwinds until as late as 2022 are benefiting from strong market support and their capital structures are repricing back to levels approaching mid-February. For other issuers, investors are looking for some guidance during upcoming quarterly calls and their bonds are drifting lower. While valuations appear to price in a lower default rate than what seems realistic at this moment, additional fiscal stimulus is likely to further support business and stabilize consumer and business confidence to put a floor on corporate bankruptcies and technicals and time will drag risk premiums lower. For the Fund, new issue activity continued to be our focus, but pricing is getting tighter and tighter. We have stayed in the book on several deals that priced well inside of initial price talk as we believe the lack of bid-ask spreads make even tight spread new issuance more attractive than sourcing in the secondary market in many cases. Away from new issues, we were add-on buyers to high conviction names and recent new deals that we believe have flexible business models to withstand a protracted period of economic weakness and sufficient liquidity to bridge operating results to a recovery. We have reduced our exposure to auto residuals, the global Ti02 market, and homebuilding as we believe the longer-term risks are underpriced in the current market and our exposure was either larger than prudent or over-risked in light of the change in current economic conditions.

First Quarter Fund Commentary

The human toll of the COVID-19 crisis is unprecedented. The shutdown of global economic activity and restrictions on populations around the world drove central banks and governments to equally unprecedented policy response. No financial market was spared as volatility exploded and all asset class correlations jumped to near 1.0. High yield spreads moved from their tightest quartile early in the quarter to their widest decile as default expectations spiked higher. Credit curves flattened and bid-ask spreads widened for even BB rated issues. Details around broad-based US fiscal stimulus measures put a floor on the HY market at levels approaching those reached at the weakest point during the 2002 recession. The market was further stabilized by the primary market opening up and putting a price on risk that is directly impacted by COVID-19 shutdowns.

The Fund outperformed during the quarter with significantly less negative performance on the down days and somewhat lagged performance on the up. Going into the downturn, the Fund was generally biased away from global growth dependent commodities and trade-related headwinds and positioned to benefit from a strong US consumer-driven economy. We were overweight front-end high yield risk and underweight the most speculative end of the high yield market where we believed default risk was on the rise in secularly challenged sectors such as Energy, Retail and parts of the Telecom sector. We owned less market risk and more credit risk with a bias towards companies benefiting from M&A, restructuring and other “self-help” measures.

During the quarter, we chose to sell some risk that we believe is potentially impaired due to longer-term consequences associated with the pandemic. Our view is that global business travel will be slow to recover, commercial real estate will be under some extended pressure, and there will be certain regional restrictions on large gatherings for a more protracted period of time, and we are factoring these views into our fundamental analysis. We added across the portfolio where our stress-testing demonstrated the ability to withstand near-term operating pressures and longer-term shifts in consumer and business behaviors. Cash remained sufficient throughout which allowed us to be rational sellers and opportunistic buyers.

SHGF-USHY: Sector			
MTD	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Energy	0.4	38.76	0.16
Real Estate	0.9	9.48	0.07
Healthcare	12.9	6.88	0.94
Automotive	2.7	-2.67	-0.12
Media	7.4	-0.46	-0.02
Insurance	2.3	-0.28	-0.02

Index: Sector			
MTD	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Energy	9.3	15.07	1.34
Banking	1.8	5.48	0.10
Leisure	4.9	4.44	0.21
Transportation	1.1	-1.71	-0.02
Financial Services	4.4	0.03	-0.01
Services	5.7	0.27	0.02

Performance for the month was most impacted by the underweight to the Energy sector, although some small benefit was associated with strong security selection in the sector. The Fund benefited on the positive side by its overweight position and strong security selection within the Healthcare sector. The Fund's underweight to the Telecom sector and strong security selection in that sector was also a significant source of positive relative performance. Security selection within the Services sector was also a positive for relative performance although the net positive was reduced by our significant overweight as this sector significantly lagged the market.

SHGF-USHY: Rating			
MTD	Average Weight (%)	Total Return (%)	Contribution to Return (%)
BBB	1.2	15.77	0.19
BB	28.0	4.07	1.29
B	44.0	2.61	1.32
CCC	18.9	4.02	0.76
Non Rated	0.4	3.58	0.03
Cash	7.6	0.01	0.00
Total	**100.0**	**3.58**	**3.58**

Index: Rating			
MTD	Average Weight (%)	Total Return (%)	Contribution to Return (%)
BBB	0.0	0.00	0.00
BB	51.8	4.92	2.55
B	35.5	3.34	1.18
CCC	12.7	0.56	0.07
Total	**100.0**	**3.80**	**3.80**

Bifurcation in the market was a dominant theme throughout the month and BB rated credit significantly outperformed lower-rated credit. We were poorly positioned relative to ratings although our CCC rated holdings outperformed the overall market. The Fund's BB weight is steadily moving higher although we are disciplined with respect to valuation as investors crowd into higher-rated risk.

SHGF-USHY: Risk			
MTD	Average Weight (%)	Total Return (%)	Contribution to Return (%)
More Speculative (ex-energy)	31.9	4.31	1.37
Speculative Energy	0.4	42.11	0.16
Intermediate Risk	19.0	3.54	0.67
Interest Rate Sensitive	27.5	3.93	1.08
Short Duration	11.2	1.03	0.11
Cash	7.6	0.01	0.00
New Issue & Exchanged	2.5	13.63	0.18
FactSet Return	**100.0**	**3.58**	**3.58**

Index: Risk			
MTD	Average Weight (%)	Total Return (%)	Contribution to Return (%)
More Speculative (ex-energy)	24.3	2.38	0.58
Speculative Energy	7.7	15.81	1.22
Intermediate Risk	15.0	3.59	0.54
Interest Rate Sensitive	36.8	3.14	1.16
Short Duration	16.0	1.91	0.31
Total Return	**100.00**	**3.80**	**3.80**

The Fund's more speculative holdings outperformed for the month and have been a significant contributor to overall returns, offset by the lack of speculative energy-related holdings. Our short duration holdings have lagged their market cohort. Cash was a positive contributor although transaction costs associated with investing in a market with wide bid-ask spreads generally offset the value of cash inflows.

Forward Outlook

We believe that investors have progressively shifted their focus from initially tracking the pace of global COVID-19 metrics, to monitoring fiscal and monetary stimulus measures, to then assessing the impact of shelter-in-place orders on economic activity, to now a vision for what reopening entails for different sectors and regions of the global economy and what new treatment efforts or vaccines are in the pipeline that might mitigate reopening risks.

To support our risk-taking, we are focused on consumer and business behavior as restrictions are lifted around the globe. We believe current positioning suggests good potential market capture to the upside so long as Energy is not the driver of the upside but are mindful that low dollar bonds are likely to gap higher in the absence of further selling pressure. Given the large overhang of IG energy downgrades, secular and cyclical demand destruction, and historically low oil prices, we do not see speculative Energy being a driver of sustained upside returns. The bonds of higher-quality leisure-related issuers have the potential to be the driver of returns in a recovering market and we are focused on prudently adding these opportunities.

Our central scenario has not changed. We expect rising default risk in the energy, retail, leisure and potentially the transportation sectors despite an eventual stabilization of coronavirus-related impact to demand in the second half of the year. Fiscal and monetary stimulus around the globe appears ready to resize and evolve on an as-need basis.

While we acknowledge strong relative performance during this period of volatility, we are mindful that "pensioners cannot eat relative returns" when those relative returns are negative. As a result, we are highly focused on preservation of principal and creating a sustainable income stream that rewards our investors for their risk-taking.

We believe in the resilience of the people that are behind markets and economies and we are ourselves optimistic by nature. That said, the reality of the moment is without precedent and we will continue to be as transparent around risks and opportunities as possible as we move deliberately forward investing funds on behalf of our clients around the globe.