Global Sustainable High Yield Fund

April 30, 2022

SKY HARBOR GLOBAL FUNDS

Responsible Investing for a Sustainable Future

Monthly Commentary

Market

First quarter's selloff in risk assets continued into April and High Yield registered its fourth straight month of negative returns. The ongoing war in Ukraine, COVID related lockdowns in China, and Fed policy weighed on investor sentiment. Commodity prices continued to rise in April, with WTI Crude closing up $4.41/bbl (4.40%) to $104.69/bbl for the month. The US dollar was up 4.73% on the month, and US Treasury curve steepened with the 2-yr Treasury increasing to 2.72% and the 10-yr Treasury yield increasing to 2.94%.

High Yield market technicals were mixed in April with funds seeing outflows along with negative net supply for the month. High Yield mutual funds/ETFs saw outflows of $6.6bn, while loan funds experienced inflows of $5.0bn, as tracked by Lipper and reported by Barclays. High Yield new issuance remained slow in April at $10.9bn, as tracked by Barclays, while $16.9bn in bonds were redeemed or upgraded, leaving net supply at -$6.0bn for the month. The percentage of the market trading at distressed levels (below 70% of par) ended the month at 1.5%; the comparable figure for the loan market (below 80% of par) was 2.0% at month end, per JP Morgan. The par-weighted twelve-month high yield bond default rate was 0.44% at month-end, per BofA Merrill Lynch, and the loan market par-weighted trailing default rate ended April at 0.85%, per JP Morgan.

The ICE BofA Global High Yield Index returned -3.24% in April while the Credit Suisse Leveraged Loan Index returned 0.17%. The yield-to-worst (YTW) for the global high yield was higher at 7.08% and spreads increased 47 bps to 457. By rating, the BB, B and CCC bond sub-indices returned -3.39%, -2.98% and -3.21%, respectively. Returns were negative for all sectors for the month with Banking the top performer, returning -1.54%, while Media was the bottom performer, posting -4.30%. Across risk types (defined by duration and yield to worst), the shortest duration, most defensive part of the market relative to rate risk, outperformed longer duration. Global High yield outperformed investment grade corporate bonds, represented by the ICE BofA US Corporate Index's -4.97% return, as well as large cap equities, represented by the S&P 500's -8.80% return, and small cap equities, represented by the Russell 2000's -9.95% return.

Strategy

SKY Harbor Global Funds – Global Sustainable High Yield Fund modestly underperformed its index during the sharp selloff in April. By risk type, both allocation and security selection were sources of underperformance. An underweight to the bottom-performing, long duration part of the market helped relative returns but was offset by weaker selection within the most speculative securities. By sector, weaker selection in Media and lack of Banking exposure were sources of underperformance but were moderation by strong selection in Consumer Goods and Automotive. By rating, weaker selection in Triple-Cs was a source of underperformance somewhat moderated by an overweight to higher-performing Single-Bs.

The largest positive contributor to returns was Nexeo Plastics (NEXEOP) 10.125% notes due 2026 which traded up on market speculation that the bonds will be refinanced given a stated demand to deleverage the business and solid fundamental earnings over the last several quarters. Last month's top contributor, Cano Health (CANHEA) 6.25% notes due 2028, was down in April. The largest bottom contributor to returns was Diebold Nixdorf Inc (DBD) 8.5% notes due 2024, which traded down sharply following weak earnings from competitor NCR Corp (NCR) and concern over the company's European exposure. Last month's bottom contributor, Virtusa Inc. (VRTU) 7.125% notes due 2028, was among the bottom contributors to returns again in April.

Investment Objective

Global ESG socially responsible active investment strategy seeking to outperform the global high yield market with lower volatility by diversified investments in US and non-US dollar high yield corporate bonds of all available maturities and below-investment grade ratings.

Benchmark

ICE BofA Global High Yield Index (HW00) with discretion to derogate from index attributes.

Portfolio Management

Lead PM: Hannah H. Strasser, CFA

Fund Detail

Fund Inception	Apr 05, 2012
Fund AUM	$77.6 mn
Order Cut-off	12:00 CET
Settlement	T+3
Dealing Frequency	Daily
Valuation Frequency	Daily

Statistics on performance, risk measures and portfolio characteristics are presented in share class Fund Factsheets available online at:

http://skyharborglobalfunds.com/funds/globalsustainablehighyield.shtml

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Outlook

We hope that our investors are receiving our Weekly Briefings as we use those briefs to give timely insights into how we see high yield risks and opportunities evolving during this period of heightened volatility.

Since the beginning of the year, the sell-off has been driven by the dual impact of the Fed's push to remove accommodation and normalize monetary policy after pandemic-induced extraordinary measures to stabilize the economy and markets AND the current and projected impact associated with war in Ukraine. Our Broad High Yield Market portfolios are generally well positioned for the threat of rising rates. We are biased towards shorter duration risk taking and the bonds of issuers that we believe have sustainable operating trends despite current headwinds. Portfolios have been less well-positioned for the extended conflict-induced spike in energy commodities. Our underweight to the Energy sector is a tough headwind as that sector outperforms.

Like in all periods of excess volatility, we are challenging our assumptions, debating potential outcomes and supporting our discussions with quantitative analysis to quantify specific risks and opportunities. We acknowledge that war-related risks are unique in today's world and history is not a perfect guide and are moderating our conviction levels overall, bringing down our high conviction weights in some cases where we see protracted headwinds or new risks. High yield balance sheets are sufficiently strong and default risk remains low. Our bias away from low-coupon, longer duration risk is steadfast although we find opportunities to add this type of risk as it reprices to levels that we think are consistent with long-term value.

About SKY Harbor Capital Management

SKY Harbor Capital Management, LLC ("SKY Harbor"), an independent investment manager registered with the US Securities and Exchange Commission, is the appointed Investment Manager for SKY Harbor Global Funds. SKY Harbor offers a range of US high yield and leveraged loan strategies for global institutional investors and private 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. SKY Harbor's 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.

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www.skyharborglobalfunds.com

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