

Monthly Commentary

Market

High inflation, tightening financial conditions and a Fed that acknowledged that there is an increased risk to growth associated with their fight to rein in inflation expectations triggered a rotation away from more speculative assets as investors assign a higher weight to the probability of a near term recession. High Yield recorded its worst monthly performance since the onset of the pandemic in March 2020. The quarterly return of -9.97% was third worst (behind -13.12% for Q1 2020 and -17.63% for Q4 2008) on record for the ICE BofA US High Yield Index. Although still high, oil prices came down in June for the first time in over 6 months, with WTI Crude closing down \$8.91/bbl (7.77%) to \$105.76/bbl. The US dollar was up 2.88% on the month, and US Treasury curve flattened with the 2-yr Treasury increasing to 2.96% and the 10-yr Treasury yield increasing to 3.02%.

High Yield market technicals were mixed in June with funds seeing outflows along with negative net supply for the month. High Yield mutual funds/ETFs saw outflows of \$5.9bn, while loan funds experienced outflows of \$5.2bn, as tracked by Lipper and reported by Barclays. High yield new issuance remained extremely low in June at \$9.5bn, as tracked by Barclays, while \$12.3bn in bonds were redeemed or upgraded, leaving net supply at -\$2.8bn for the month. The percentage of the market trading at distressed levels (below 70% of par) ended the month at 5.9%; the comparable figure for the loan market (below 80% of par) was 3.7% at month end, per JP Morgan. The par-weighted twelve-month high yield bond default rate was unchanged at 0.57% at month-end, per BofA Merrill Lynch, and the loan market par-weighted trailing default rate ended June at 1.14%, per JP Morgan.

The ICE BofA US High Yield Index returned -6.81% in June while the Credit Suisse Leveraged Loan Index returned -2.06%. The yield-to-worst (YTW) for the global high yield was higher at 8.88% and spreads increased 171 bps to 585. By rating, the BB, B and CCC bond sub-indices returned -6.54%, -7.04 and -7.34%, respectively. Returns were negative across all sectors for the month with Capital Goods the top performer, returning -5.54%, while Real Estate was the bottom performer, posting -8.26%. Across risk types (defined by duration and yield to worst), the shorter duration, most defensive part of the market outperformed the more speculative (yielding 9%+). US High yield underperformed investment grade corporate bonds, represented by the ICE BofA US Corporate Index's -2.35% return, but outperformed large cap equities, represented by the S&P 500's -8.39% return, and small cap equities, represented by the Russell 2000's -8.37% return.

Strategy

SKY Harbor Global Funds US Short Duration Sustainable High Yield Fund posted a negative return again in June but was less negative than the broader US high yield market (as measured by the ICE BofA US High Yield index). By risk type, the most defensive securities, maturing within 3 years or less, outperformed longer duration (within the context of short duration) and more speculative securities. By sector, Retail and Automotive led while Media and Transportation lagged though all sectors were negative for the month. By rating, higher quality led, with Double-Bs outperforming Single-Bs and Triple-Cs.

The YTW on the Fund rose 166 bps to 8.44% (inclusive of cash) and captured 95% of the broader US high yield market yield at month-end. The duration-to-worst widened slightly to 2.8 and was 62% of the broad market duration. The average coupon increased to 6.22% and was 50 bps above the average coupon in the broad market. Exclusive of cash, Fund holdings (182 issues, representing 154 issuers) comprised 34% bonds with maturities of less than three years and 66% in longer maturities but trading to expected early take-outs inside this three-year period. Overall credit quality increased in the Fund: at month-end double-B rated holdings represented 39.2% of the portfolio, Single-Bs were 49.1% and Triple-Cs were 8.8%.

Investment Objective

ESG socially responsible active investment strategy seeking to generate a high level of current income with lower volatility by diversified investments in US dollar-denominated high yield corporate bonds expected to mature, be called or otherwise be redeemed within three years.

Benchmark

Active strategy not managed in reference to a benchmark index.

Portfolio Management Group

Anne C. Yobage, CFA

David Kinsley, CFA

Ryan Carrington, CFA

Fund Detail

Fund Inception	Apr 05, 2012
Fund AUM	\$2,378.1 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/usshortdurationssustainablehighyield.shtml>

US Short Duration Sustainable High Yield Fund

June 30, 2022

SKY HARBOR

GLOBAL FUNDS

Responsible Investing for a Sustainable Future

Outlook

Fed Chairman Powell commented in recent testimony that “we hope that growth will remain positive.” While “hope” appears to have become a monetary policy tool, we typically remind ourselves that “hope” is not part of our fundamental investment process. Our process is grounded in quantifying issuer-specific corporate financial flexibility that is associated with profitability trends and credit market conditions. As a reminder, Q1 earnings generally surprised to the upside as companies were in many cases able to push through sufficient price increases to recoup margin lost to supply chain related pressures over the last year. We acknowledge the negative impact on overall economic growth and corporate profitability associated with the feedback loop of weak consumer, business, and investor confidence. Upcoming quarterly earnings are likely to quantify that negative impact and redefine credit market fundamentals, leading investors to price in more default risk. Our probability weighted spread target model suggests fair value remains about 100 bp’s higher than present market spreads, but incoming data is likely to shift our scenario weightings, leading to a higher spread target.

Our portfolios have been very much offside for indiscriminate selling of lower rated credit risk – the exact risk that drove our excess returns as the market recovered from pandemic lows. We have continued to moderate our conviction levels overall, bring down our high conviction weights in some cases and add higher rated risk with durations generally inside of the portfolio. There are risks that are unique to this market cycle that are redefining sector and industry cyclicalities, leaving us more focused on screening for strong management execution skills and track records than for sector/industry-based valuation opportunities.

As a note, we have updated our ESG-factor based Value Rubric, having completed our 4th annual bottom-up assessment of the overall US high yield issuer universe for factors that we believe help us to calibrate the risks and opportunities associated with a transition to a more sustainable and inclusive economy. While the perception is that the high yield issuer is rife with “ESG laggards”, we would note that over 70% of the issuer universe (up over 60% from 2021) have either a sustainability report and/or notable sustainability commentary, nearly half have dedicated sustainability ownership through either a Chief Sustainability Officer (or committee), over 40% have Chief Diversity Officers (or committees) and nearly 40% highlight sustainable products or services as part of their corporate offerings.

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.

Contact

info@skyhcm.com

+49 69 75938622

+1 203 769 8800

Find all fund documents at:

www.skyharborglobalfunds.com

A Message to Investors

This performance discussion and outlook (“Commentary”) of SKY Harbor Global Funds (the “Fund”) is provided by SKY Harbor Capital Management GmbH, the Fund’s authorized principal distributor, and is designed to be read by institutional investors for marketing and summary information purposes only. This material is not intended as an offer or solicitation for the purchase or sale of any security. This Commentary does not consider the circumstances, investment objectives, risk tolerances, tax or legal situation of any investor. Investing in high yield below-investment-grade corporate debt securities entails risk of loss and may be unsuitable to your circumstances. Past performance is not indicative of future results. The information herein is subject to change without notice and is derived or obtained from sources believed to be reliable, but SKY Harbor Capital Management GmbH or its affiliates and their respective directors, officers, employees, and agents (collectively SKY Harbor) do not warrant its completeness or accuracy except with respect to any disclosures relative to SKY Harbor. Forward-looking statements such as our outlook for interest rates, Fed policy, the economy, high yield markets and the like, or our intended adjustments to the portfolios within our strategies are subject to inherent risks, biases, and uncertainties that are beyond the control of SKY Harbor and may cause actual results to differ materially from the expectations expressed herein. This document does not replace, revise or reinterpret the information, risk factors, and other important disclosures set forth in the Fund Prospectus, KIID, Annual and Semi-annual reports, which along with other disclosures (collectively, “Offering Materials”) are available without charge from the following sources: (i) SKY Harbor Capital Management GmbH, located at: 4 an der Welle, 60322 Frankfurt, Germany; (ii) JPMorgan Bank Luxembourg S.A., the Fund’s transfer agent, fund accountant and custodian located at: 6, route de Trèves, L-2633 Senningerberg, Luxembourg; (iii) online at the Fund’s website at www.skyharborglobalfunds.com; or (iv) from the Swiss Representative (see below). It is every investor’s responsibility to read with care the Fund Offering Materials before investing. SKY Harbor Global Funds is established and registered for public distribution in Luxembourg. The Fund is also registered for public distribution in a number of jurisdictions in Europe. Refer to Fund’s website for a more complete listing of registered jurisdictions. The Fund may not be sold in jurisdictions where the Fund is not registered unless an applicable exemption from registration exists such as under a private placement regime. The Fund is not registered under the US Securities Act of 1933 nor the US Investment Company Act of 1940 and may not be offered or sold in the United States (or to a US person) absent registration or an applicable exemption from the registration requirements. SKY Harbor disclaims any liability or responsibility for any transaction in the Fund’s shares by investors or sub-distributors not in compliance with law. Further information is available on request from your SKY Harbor relationship contact or by email at skyharborgmbh@skyhcm.com.

This document constitutes marketing communications concerning SKY Harbor Global Funds, a Luxembourg UCITS authorized in accordance with Article 5 of Directive 2009/65/EC, as amended. Lemanik Asset Management S.A. (the “manco”) is the appointed management company of the Fund and is responsible on a day-to-day basis under the supervision of the Board of Directors, for providing administration, marketing, distribution, investment management and advisory services in respect of all the Sub-Funds and has delegated part or all of such functions to third parties including but not limited to SKY Harbor Capital Management, LLC as investment manager and SKY Harbor Capital Management GmbH as Principal Distributor. The manco has the right to terminate arrangements made for the marketing of the shares of this UCITS in accordance with Article 93 of Directive 2009/65/EC, as amended.

Social responsible investing does not guarantee optimal asset allocation and may not necessarily comport with an investor’s subjective, moral or ethical standards and aspirations.

Investor rights to file complaints regarding the operation of the Fund is set forth in the Fund’s prospectus, which is available free of charge in English and French at www.skyharborglobalfunds.com, where the Fund’s Key Investor Information Documents may also be accessed free of charge in English, French, German (including Swiss German), Spanish, Italian, Portuguese, Swedish, Danish, Norwegian, and Dutch.

The ICE BofA Index data referenced herein is the property of ICE Data Indices, LLC (“ICE BofA”) and/or its licensors and has been licensed for use by SKY Harbor. ICE BofA PERMITS USE OF THE ICE BofA INDICES AND RELATED DATA ON AN “AS IS” BASIS, MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE BofA INDICES OR ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM, ASSUMES NO LIABILITY IN CONNECTION WITH THE USE OF THE FOREGOING, AND DOES NOT SPONSOR, ENDORSE, OR RECOMMEND SKY HARBOR OR ANY OF ITS PRODUCTS OR SERVICES.

Supplementary Information for Swiss Investors

This document is designed primarily for institutional investors for marketing, advertising, and information purposes only and is not intended as an offer or solicitation for the purchase or sale of any security. The foregoing additional disclaimers shall also apply to Swiss investors. The state of the origin of the fund is Luxembourg. In Switzerland, the Swiss Representative is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich, whilst the paying agent is Banque Cantonale Vaudoise, Place Saint-François 14, 1001 Lausanne, Switzerland. The Prospectus, the Key Investor Information Documents, the articles of incorporation as well as the annual and semi-annual reports may be obtained free of charge from the Swiss Representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units.

Supplementary Information for UK Investors

This communication is only directed at persons in the UK reasonably believed to be persons who (1) have professional experience in matters relating to investments, falling within Article 19(5) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the “Financial Promotion Order”) or (2) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order or (3) are persons to whom such a document may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons or will be engaged in only with relevant persons.