Global Short Maturity 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 Short Maturity Sustainable High Yield Fund posted a negative return during the sharp volatility in April but outperformed the broader global high yield market (as measured by the ICE BofA Global High Yield Index) on a gross of fee basis and excluding currency impact. A duration shorter than the broad high yield market continues to help dampen some of the volatility experienced by the broader high yield market during the month. By risk type, shorter duration, more defensive securities were less negative than longer duration (within the context of short duration) and more speculative securities. By sector, Transportation and Consumer Goods led while Technology and Financial Services lagged though all sectors were negative for the month. By rating, higher quality led, with Single-Bs and Double-Bs outperforming Triple-Cs. Looking forward, we continue to focus on maintaining a relatively high current income as we believe credit spread tightening can resume, though not necessarily in a linear manner.

At month-end, the YTW on the Fund rose to 6.55% (inclusive of cash) capturing nearly 90% of the broader global high yield market yield at month-end. The duration-to-worst increased slightly to 2.7 and was 63% of the broad market duration. The average coupon was 6.52%, 120 bps above the average coupon in the broad market. Overall credit quality increased slightly in the Fund: at month-end Double-B rated holdings represented 26.0% of the portfolio, Single-Bs were 65.3% and Triple-Cs were 8.1%. The Fund remains well diversified with 164 issues, representing 133 issuers.

Investment Objective

Global ESG socially responsible active investment strategy seeking to generate favorable risk-adjusted returns through current income by diversified investment in US and non-US dollar high yield corporate bonds with average expected maturity of five years or less.

Benchmark

Active strategy not managed in reference to a benchmark index.

Portfolio Management

Lead PM: David Kinsley, CFA
Mike Salice, CFA
Ryan Carrington, CFA

Fund Detail

Fund Inception	Dec 27, 2018
Fund AUM	$79.1 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/globalshortmaturitysustainablehighyield.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 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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