

US Short Duration High Yield Fund

February 28, 2018

Class F Capitalization

SKY HARBOR
GLOBAL FUNDS

Portfolio Commentary

Market

A hawkish interpretation of Jerome Powell's first congressional testimony as the new Chairman of the Federal Reserve ignited rising inflation fears and a repricing of interest rate-related risk. Despite a backdrop of quarterly earnings growth of nearly 15%, the equity market sold off and high yield registered its weakest monthly return in two years. WTI Crude Oil ended the month down \$3.09 (or 4.77%) to \$61.64/bbl which put pressure on the Energy high yield sector. During the month, the US Dollar Index was up 1.66% and the US Treasury curve steepened with the 2-yr Treasury higher by 12 bps to 2.25% and the 10-yr Treasury yield rose 17 bps to 2.89%.

High yield mutual funds saw net outflows of \$11.8bn while loan funds saw inflows of \$1.1bn, as tracked by Lipper and Barclays, but the market slowed new issuance to create a cushion for the weak market. Bond new issuance decreased to \$12.2bn, offset by \$23.6bn in redemptions, leaving net supply at -\$11.4bn, per Barclays. The loan market priced \$83.3bn 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 2.7%; the comparable figure for the loan market (below 80% of par) also remained low at 2.3%. The par-weighted twelve-month HY bond default rate increased slightly to 1.25% at month-end, per BofA Merrill Lynch, and the loan market par-weighted trailing default rate increased to 2.52%, per JP Morgan.

The ICE BofAML US High Yield Index returned -0.93% in February, and the Credit Suisse Leveraged Loan Index returned 0.18%. The YTW for the HY index increased 38 bps to 6.13% and spreads increased 20 bps to 346 bps. The BB, B and CCC bond sub-indices returned -1.16%, -0.77% and -0.59%, respectively. Returns were negative across all sectors for the month, with Energy the bottom performer, returning -1.88%. Across risk types (defined by duration and yield to worst), all segments posted negative returns for the month with the shortest duration, most defensive part of the market outperforming the longest duration, more equity-like part of the market. High yield outperformed large and small cap equities, represented by the S&P 500's -3.69% and the Russell 2000's -3.86% returns, respectively, as well as investment grade corporate bonds, represented by the ICE BofAML US Corporate Index's -1.50% return.

Strategy

SKY Harbor Global Funds—US Short Duration High Yield Fund was not immune to the selloff in February, posting a negative return for the month but only capturing approximately one-third of the negative return of the overall high yield market (as defined by the ICE BofAML US High Yield Index) in USD-based share classes. A duration shorter than the broad high yield market helped to reduce some of the volatility experienced by the overall high yield market. During a month when most sectors posted negative returns, the top-performing Retail sector was a modestly positive contributor but was more than offset by negative returns in the bottom-performing Energy sector. By rating, lower quality led again this month, with Triple-Cs outperforming Single-Bs and then Double-Bs.

The YTW on the Fund rose 33 bps to 4.91% and represented 80% of the broad market yield at month-end. The duration-to-worst was 1.9 this month, or 48% of the broad market duration. The average coupon of 6.61% was nearly unchanged from last month's figure and was 24 bps above the average coupon in the broad market. Exclusive of cash, Fund holdings (380 issues, representing 268 issuers) comprised 32% bonds with maturities of less than three years and 68% in longer maturities but trading to expected early take-outs inside this three-year period. We continue to believe that companies will proactively refinance debt ahead of stated maturities to capture the favorable interest rate environment that the new issue market still offers. Overall credit quality decreased modestly in the Fund this month: at month-end Double-B rated holdings represented 34.5% of the portfolio, Single-Bs were 53.7% and Triple-Cs were 9.4%.

Outlook

Despite the dramatic equity market selloff and spread widening in February, 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 and generally synchronous global growth. We have acknowledged that valuations are tight, though less so after this past month, and rising rates present potential risks, but believe high yield could have further spread compression absent a general spike in risk premiums. Given the equity response in February, we believe equity investors have been underprepared for the impact of rising rates, unlike high yield investors who have been focused on this risk for quite some time. We nonetheless continue to have a high degree of conviction around the near-term fundamentals of high yield issuers and expect returns to benefit from the market income 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 fundamentally changed although we have been opportunistic purchasers during market volatility.

We continue to believe the Fund is well positioned to take advantage of any potential volatility associated with changing geopolitical situations or rising concerns related to increasing rates. Natural turnover, created by calls, tender and maturities, should be high considering the large amount of front-end maturities and expected near-term calls held in the portfolio, which will allow us to be continually optimizing the portfolio for the current market environment. Overall, we believe the Fund has attractive income per unit of duration, which positions it well within the asset class.

Investment Objective

To generate a high level of current income while also experiencing lower volatility than the broader high yield market. The Fund principally invests in US below-investment-grade corporate debt securities that are expected to be redeemed through maturity, call or other corporate action within three years. The strategy seeks to capture the current income of the high yield market with substantially less volatility through the consistency of monthly returns and reinvestment.

Benchmark

Not a benchmarked strategy

Launch Date

April 5, 2012

Lead Portfolio Manager

Anne C. Yobage, CFA

- A founder and Director of SKY Harbor Capital Management, LLC.
- 30 years of investment experience.
- Has managed Short Duration High Yield strategies since 1992.
- Previously Co-Head of US Fixed Income, AXA Investment Managers.

Top 10 Holdings by Issuer Weight

Name	Ratings	Sector	Weight (%)
SPRINT NEXTEL CORPORATION	B2	Telecommunications	2.01
HCA HEALTHCARE INC	B1	Healthcare	1.50
DISH DBS CORPORATION	BB3	Media	1.48
TENET HEALTHCARE CORPORATION	BB3	Healthcare	1.29
CENTURYLINK INC.	B1	Telecommunications	1.23
DIAMOND 1 FINANCE CORP	BB2	Technology & Electronics	1.19
FRONTIER COMMUNICATIONS	B2	Telecommunications	1.19
ICAHN ENTERPRISES	BB2	Financial Services	1.17
ALLY FINANCIAL INC.	BB2	Banking	1.13
CSC HOLDINGS LLC	B2	Media	1.11

Fund Information*

Fund NAV (mn)	\$2,663
Average Credit Rating	B1
Average Coupon (%)	6.6
Yield to Worst (%)	4.9
Yield to Maturity (%)	5.5
Current Yield (%)	6.4
Average Maturity (yrs)	3.7
Avg Mod. Dur. to Wst	1.9
Average Price	102.9
No of Issuers/Issues	268 / 380
% of Top 10 Issuers	13.3

*securities portfolio only, excludes cash

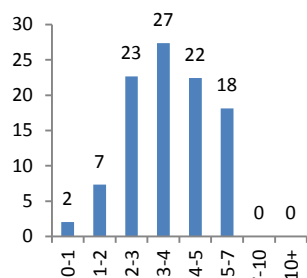
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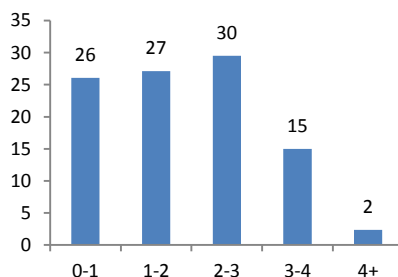
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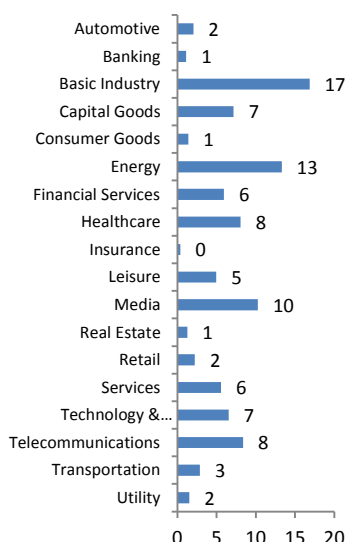
Maturity (%)



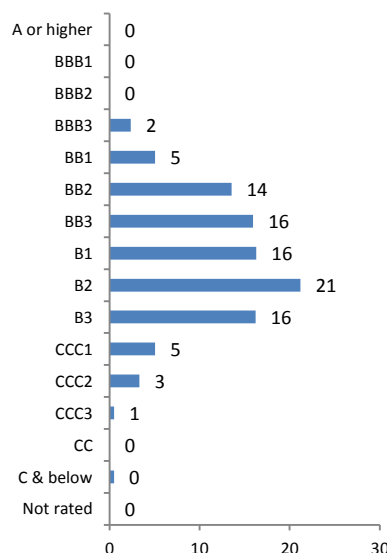
Modified Duration to Worst (%)



Sector (%)



Average Rating (%)



Fund Facts

Fund Type	Open-end
Legal Form	SICAV
Domicile	LUX
Countries of	AT, BE, CH, DE
Registration	DK, ES, FI, FR
	GB, IT, LU, NL
	NO, PT, SE
Min. Initial Inv	500 USD
Management Fee p.a.	100/110 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

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Find all fund documents at:

www.skyharborglobalfunds.com

Net Performance

Currency	ISIN	Cumulative			Ann. Since Inception
		1M	3M	YTD	
USD	LU0765419220	-0.35	0.27	0.14	2.87
EUR	LU0765419576	-0.48	-0.42	-0.20	2.02
GBP	LU0765419733	-0.42	-0.19	-0.05	2.62
CHF	LU0765419907	-0.52	-0.56	-0.27	1.59

Currency	ISIN	Cumulative			Ann. Since Inception
		1M	3M	YTD	
SEK	LU0765420152	-0.49	-0.47	-0.21	1.98
NOK	LU0765420319	NA	NA	NA	NA
DKK	LU0765420582	NA	NA	NA	NA

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

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.