

US Short Duration High Yield Fund

May 31, 2017

Class E Capitalization

Portfolio Commentary

Market

Sentiment around risk assets remained positive in May, lifting equity prices to record highs as supportive macro-economic data was the necessary offset to the Trump administration's stalling reform agenda and the unwind of the "Trump Trade." WTI Crude Oil prices fell \$1.01 (or 2.05%) to \$48.32/bbl by month-end, causing Energy to continue to lag the broader market. The US Dollar Index was down 2.13%, and the US Treasury curve flattened with the 2-yr Treasury higher by 2bps to 1.28% and the 10-yr Treasury yield lower by 8bps to 2.20%.

High Yield technicals were mixed in May but generally supportive despite reduced investor demand. HY mutual funds saw net outflows of \$1.9bn and loan funds had inflows of \$1.1bn, as tracked by Lipper. New issuance increased slightly to \$26.4bn, offset by \$28.3bn in redemptions, leaving net supply at -\$1.8bn, according to Barclays. The percentage of the market trading at distressed levels (below 70% of par) ended the month at 2.1%, per JP Morgan. The par-weighted twelve-month default rate decreased to 2.2% at month-end, per BofA Merrill Lynch. Excluding commodities, the default rate was 1.3%.

The BofA Merrill Lynch US High Yield Index returned 0.89% in May. The YTW declined 11 bps to 5.44% and spreads decreased 6 bps to 368 bps. The BB, B and CCC sub-indices posted returns of 0.85%, 0.80% and 1.26%, respectively. By sector, Healthcare was the top performer while Energy lagged although all sectors registered positive returns. Across risk types (defined by duration and yield to worst) all segments were positive contributors to returns, led by the most speculative, equity-like portion of the market while the most defensive, shortest duration part of the market lagged. High Yield underperformed investment grade corporate bonds, represented by the BofA ML US Corporate Index's 2.17% return, as well as large cap equities, represented by the S&P 500's 2.45% return, but outperformed small cap equities, represented by the Russell 2000 -0.96% return.

Strategy

SKY Harbor Global Funds—US Short Duration High Yield Fund returned its current income again in May, capturing over 70% of the broader high yield market return on a gross of fee basis (as measured by the BofA Merrill Lynch US High Yield Index). In general, lower-rated securities outperformed better quality in the month with Triple-Cs outperforming Single-Bs and Double-Bs. With the exception of Consumer Goods, all sectors posted positive returns, led by Healthcare which contributed nearly a third of the monthly return.

The YTW on the Fund decreased 6 bps to 4.22% and represented 78% of the broad market yield at month-end. The duration-to-worst rose to 1.7, or 47% of the broad market duration. The average coupon of 6.73% was unchanged from last month, 24 bps above the average coupon in the broad market. Exclusive of cash, Fund holdings (430 issues, representing 294 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 in the Fund increased modestly in May: at month-end Double-B rated holdings represented 35.4% of the portfolio, Single-Bs were 48.8% and Triple-Cs were 12.9%.

Outlook

May was a continuation of current trends, leaving our outlook largely unchanged. Further spread compression leaves the market more vulnerable to the impact of rising rates and other sources of higher risk that might create a risk-off environment and a weaker market technical. Tighter valuations continue to be balanced by improving fundamentals, a falling default rate and the possibility that despite an increase in the Fed funds rate, Treasury yields do not increase meaningfully. Geopolitical risks remain the dominant source of risk for surveyed credit investors. The risk of a retrenchment in commodity prices – oil in particular – is a risk that is on the rise and would negatively impact the US high yield market, although not to the extent of the 2015 weakness given the large number of companies that have right-sized their balance sheets for lower oil prices over the last 18 months. Our conviction that fundamentals will continue to improve as we anniversary weak commodity prices and HY defaults will peak and recede over the course of 2017 remains high and the strongest driver of our overall risk-taking. We still expect high yield issuance to remain tilted towards better quality and refinancing, but generally be demand driven and sensitive to fund flows, which we expect to be more volatile.

We continue to believe the Fund is well positioned to take advantage of potential volatility associated with changing geopolitical risks and rising interest rates considering the large amount of front-end maturities and expected near-term calls held in the portfolio. This helps to dampen duration extension risk and also provides cash which can be reinvested at prevailing market rates. Most recently, we have moderated our underweight to the better-quality, more-spread-sensitive segment of the market and will use market volatility to opportunistically add attractively priced positions to the Fund.

Top 10 Holdings by Issuer Weight

Name	Ratings	Sector	Weight (%)
SPRINT NEXTEL	B2	Telecommunications	1.76
TENET HEALTHCARE	BB3	Healthcare	1.57
ALLY FINANCIAL	BB2	Banking	1.44
CENTURYLINK INC	BB2	Telecommunications	1.36
HCA HOLDINGS INC	B1	Healthcare	1.28
FRONTIER COMM	B1	Telecommunications	1.26
DIAMOND 1 FIN/DI	BB2	Technology & Electronics	1.20
DISH DBS CORP	BB3	Media	1.18
CSC HOLDINGS LLC	B2	Media	1.11
NAVIENT CORP	BB3	Financial Services	1.10

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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.
- 29 years of investment experience.
- Has managed Short Duration High Yield strategies since 1992.
- Previously Co-Head of US Fixed Income, AXA Investment Managers.

Fund Information*

Fund NAV (mn)	\$2,750
Average Credit Rating	B1
Average Coupon (%)	6.7
Yield to Worst (%)	4.2
Yield to Maturity (%)	5.1
Current Yield (%)	6.4
Average Maturity (yrs)	3.7
Avg Mod. Dur. to Wst	1.7
Average Price	104.6
No of Issuers/Issues	294 / 429
% of Top 10 Issuers	13.3

*securities portfolio only, excludes cash

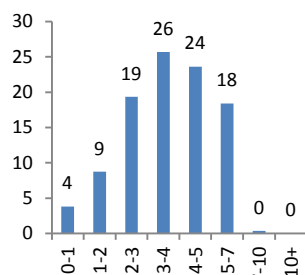
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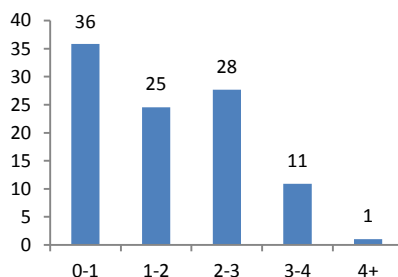
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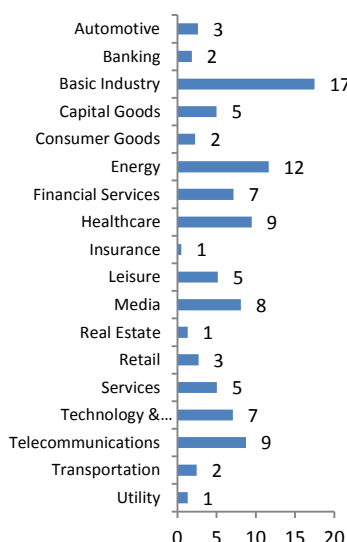
Maturity (%)



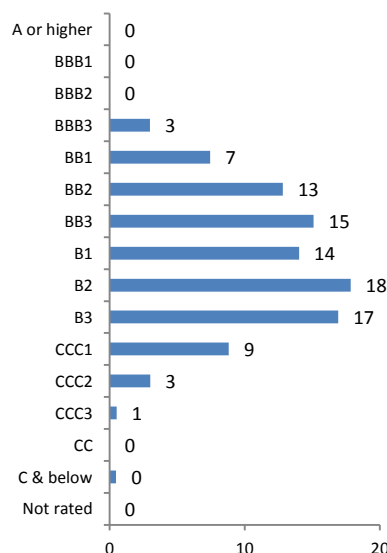
Modified Duration to Worst (%)



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, LU, NL, NO
	SE
Min. Initial Inv	500 USD
Management Fee p.a.	100 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

Contact

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Find all fund documents at:

www.skyharborglobalfunds.com

Net Performance

Currency	ISIN	Cumulative			Ann. Since Inception
		1M	3M	YTD	
USD					
EUR	LU0765419063	0.36	0.66	1.70	1.99
GBP					
CHF					

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.