

US High Yield Fund

May 31, 2017

Class F Capitalization

SKY HARBOR
GLOBAL FUNDS

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 High Yield Fund outperformed the benchmark in May on a gross basis but underperformed net of fees. From a risk positioning standpoint, security selection was a source of outperformance while allocation was a drag on performance. The primary driver of outperformance was security selection within the most speculative, equity like portion of the market partially offset by an overweight to the shortest duration, most defensive segment which did not keep pace. By sector, security selection within Healthcare, Services and Energy were positive contributors to relative performance although they were partially offset by an underweight to the top-performing Healthcare and Banking sectors.

The largest positive contributor was Approach Resources Inc. (AREX), last month's largest detractor, which rallied in May after reporting better-than-expected earnings and reaffirmed guidance. Last month's largest positive contributor, Sprint Capital Corp (S) 8.75% notes due 2032 was again among the top contributors to returns, continuing momentum from positive earnings, progress on its operational turnaround and speculation around a merger with T-Mobile. The largest negative contributor was Bonanza Creek Energy Inc. (BCEI), which traded down this month in tandem with falling oil prices.

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. Based on our view of risks and valuations across the market, we continue to believe lower-rated credit offers the best opportunity for attractive returns through credit picking.

We believe our Broad High Yield Market portfolios continue to be well positioned for the current market environment although we recently moderated our underweight to the better-quality, more-spread-sensitive segment of the market and reduced our Energy sector exposure somewhat as sector valuations had become less compelling. We remain overweight the higher-yielding portions of the market that are most sensitive to the idiosyncratic fundamentals at the issuer level where we can pick credits that fundamentally improve over the course of the year. Importantly, however, we are now underweight the most speculative, equity-like part of the market due to valuations and the limited opportunity set.

Top 10 Holdings by Issuer Weight

Name	Ratings	Sector	Weight (%)
SPRINT CAP CORP	B2	Telecommunications	2.33
VALEANT PHARMA	CCC1	Healthcare	1.31
CCO HOLDINGS LLC	BB2	Media	1.13
HCA INC	BB3	Healthcare	1.13
CSC HOLDINGS LLC	B2	Media	1.11
DISH DBS CORP	BB3	Media	1.06
TMS INTL CORP	B3	Services	1.02
TENET HEALTHCARE	CCC1	Healthcare	0.87
CHS/COMMUNITY	CCC1	Healthcare	0.84
FREEMPORT-MCMORAN	BB3	Basic Industry	0.83

Investment Objective

To outperform the broad US high yield market over a full market cycle with less volatility through investing across the full maturity spectrum of the US below-investment-grade debt market. The Fund principally invests in a diversified portfolio of high yield debt securities issued by companies domiciled or listed in the US.

Benchmark

BofA Merrill Lynch US High Yield Index (H0A0)

Launch Date

April 5, 2012

Lead Portfolio Manager

Hannah H. Strasser, CFA

- A founder and Managing Director of SKY Harbor Capital Management, LLC.
- 34 years of investment experience.
- Has managed Broad High Yield Market strategies since 1988.
- Previously Head of US Fixed Income, AXA Investment Managers.

Fund Information	SHGF*	Benchmark
Market Value (mn/bn)	\$347.1	\$1,323.2
Average Credit Rating	B2	B1
Average Coupon (%)	7.0	6.5
Yield to Worst (%)	5.7	5.4
Yield to Maturity (%)	6.4	5.9
Current Yield (%)	6.9	6.4
Average Maturity (yrs)	6.2	6.2
Avg Mod. Dur. to Wst	3.3	3.6
Average Price	102.1	101.8
No of Issuers/Issues	304 / 399	881 / 1917
% of Top 10 Issuers	11.6	12.8

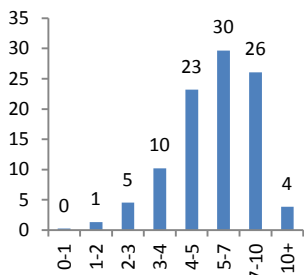
*securities portfolio only, excludes cash

US High Yield Fund

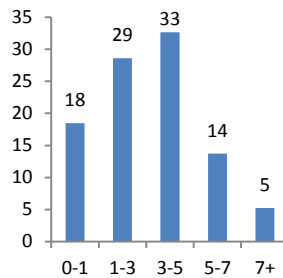
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Class F Capitalization

Maturity (%)



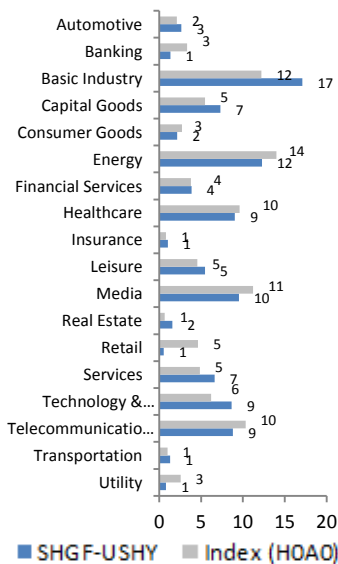
Modified Duration to Worst (%)



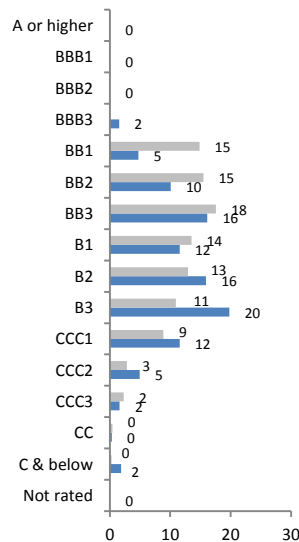
Fund Facts

Fund Type	Open-end
Legal Form	SICAV
Domicile	LUX
Countries of Registration	AT, BE, CH, DE, DK, ES, FI, FR, GB, LU, NL, NO
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

Sector (%)



Average Rating (%)



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Find all fund documents at:

www.skyharborglobalfunds.com

Net Performance

Currency	ISIN	Cumulative			Ann. Since Inception	Currency	ISIN	Cumulative			Ann. Since Inception
		1M	3M	YTD				1M	3M	YTD	
USD	LU0765424147	0.80	1.32	4.12	8.25	SEK	LU0765425037	0.64	0.80	3.27	5.12
EUR	LU0765424493	0.65	0.86	3.38	4.23	NOK	LU0765425201	NA	NA	NA	NA
GBP	LU0765424659	NA	NA	NA	NA	DKK	LU0765425466	NA	NA	NA	NA
CHF	LU0765424816	NA	NA	NA	NA	BofA Merrill Lynch US High Yield Index (HOAO)†		0.93	1.82	4.80	7.06

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

† Index performance inception date is the first share class launch date - April 5, 2012

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.