



SKY Harbor Capital Management, LLC

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Item 1 Cover Page

This brochure (the "Brochure") provides information about the qualifications and business practices of SKY Harbor Capital Management, LLC ("SKY Harbor" or the "Firm"). If you have any questions about the contents of this Brochure, please contact us directly at (203) 769-8800 or by email at geng@skyhcm.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

SKY Harbor is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Registration does not imply a certain level of skill or training.

Additional information about SKY Harbor also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

This section of the Brochure discusses only the material changes to this Brochure since the Firm's initial Brochure dated September 1, 2011. Those changes include:

- The number of advisory client accounts has increased from zero at inception to 15 client accounts.
- The amount of assets under management has increased from zero at inception to approximately \$729 million.
- Serving as subadviser to a management investment company, Westwood Short Duration High Yield Fund, (ticker: WHGHX), registered under the Investment Company Act of 1940.
- Serving as investment adviser to SKY Harbor Global Funds, a Luxembourg-registered UCITS fund.

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Item 4 Advisory Business

SKY Harbor is a Delaware limited liability company organized in August 2011 and registered as an investment adviser with the SEC under the Advisers Act. The Firm is a wholly-owned subsidiary of SKY Harbor Capital Holdings LLC, a Delaware limited liability company. As of the date of this Brochure, the Firm has client assets under management (“AUM”) totaling approximately \$ 729 million.

SKY Harbor provides portfolio management services in broad high yield and short duration high yield securities portfolios. The broad high yield strategy¹ is managed against the Bank of America Merrill Lynch US High Yield Master II Index, a commonly used benchmark for high yield corporate bonds and a measure of the broad U.S. high yield market. The short duration high yield strategy is an absolute return strategy and is therefore not managed against a benchmark.

The Firm manages separate accounts for U.S. and non-US institutional clients and high net worth individuals and tailors its advisory services to clients’ particular needs. Clients may impose reasonable restrictions on investing in certain types of securities or to impose other constraints on the way in which they want the Firm to manage their accounts. These restrictions or constraints to each client’s investment guidelines are set forth or incorporated by reference in the client’s Investment Advisory/Management Agreement.

SKY Harbor serves as subadviser to an open-end diversified management investment company (a mutual fund), the Westwood Short Duration High Yield Fund, ticker symbol: WHGHX. The Westwood Short Duration High Yield Fund is registered under the Investment Company Act of 1940. The management fee paid to SKY Harbor is described in the fund’s current prospectus and Statement of Additional Information. Anne Yobage, Director, serves as the lead portfolio manager of the fund.

SKY Harbor also serves as the investment adviser to SKY Harbor Global Funds, an open-ended investment company incorporated in Luxembourg and registered with the Commission de Surveillance du Secteur Financier (“CSSF”), the securities regulator in Luxembourg pursuant to the European UCITS IV Directive (Undertakings for Collective Investment in Transferable Securities). UCITS IV is a regulatory regime governing the marketing and distribution of securities within the European Union. Messrs. Thomas Kelleher, Director of the Firm, Gordon Eng, the Firm’s General Counsel & Chief Compliance Officer, and Bernhard Klocke, Principal employed by the Firm and Managing Director of SKY Harbor Capital Management GmbH, (a wholly owned subsidiary of SKY Harbor) serve as directors of SKY Harbor Global Funds. The management fee paid to SKY Harbor varies by each share class and fund as described in the prospectus. Such management fees range up to 1% of aggregate net assets on an annual basis. The fund is not open to U.S. investors.

¹ The broad high yield strategy was formerly referred to as the core high yield strategy in the initial Brochure dated September 1, 2011. Apart from the change in name, there is no change in the underlying investment strategy.

SKY Harbor's senior investment team, Hannah Strasser, Anne Yobage and Tom Kelleher (the "Senior Investment Team"), have worked together since 1992. From 1992 until 1995, they comprised the High Yield Bond Group of Deltec Asset Management LLC in New York City. In 1995, they — together with the Deltec Small Cap Equity Team — formed Cardinal Capital Management, L.L.C., an independent investment manager based in Greenwich, CT. In 2001, the Senior Investment Team joined AXA Investment Managers, Inc., a subsidiary of the AXA Group. In June 2011, they resigned their positions with AXA Investment Managers, Inc. and joined SKY Harbor in late-September 2011. See Item 10 below for information regarding entities affiliated with the Firm.

Item 5 Fees and Compensation

Clients are charged an annual management fee based upon the portfolio management strategy selected by the client. The Firm's standard fee schedules for each strategy are set forth below:

Broad High Yield

- 55 basis points ("bps") per annum on assets up to and including \$50 million
- 50 bps per annum on assets greater than \$50 million up to and including \$100 million
- 45 bps on assets greater than \$100 million up to and including \$300 million
- 40 bps on assets greater than \$300 million

Short Duration High Yield

- 55 bps on assets up to and including \$50 million
- 50 bps on assets greater than \$50 million up to and including \$100 million
- 45 bps on assets greater than \$100 million

The Firm's management fees are negotiable based upon several factors, including but not limited to the size of the account, nature of the investments to be made, servicing requirements applicable to the account, and other factors that may be deemed significant by us in any particular instance. Accordingly, separately negotiated management fees paid by a particular client may vary from the otherwise standard fees set forth in the schedule above.

In addition to, or in place of, the above asset-based fees, and as further described in Item 6 below, SKY Harbor may enter into arrangements that provide for compensation based upon the gains generated in a client's account. Such arrangements will be individually negotiated with the particular client.

SKY Harbor's management fees are charged quarterly in arrears, based on the net asset value of the account as of the last day of the preceding quarter. Typically, the Firm itself performs the valuation of each client's portfolio and calculates management fees in accordance with each client's Investment Management Agreement. Valuations generally are the sum of the cash and market value of the securities in the account as determined by an independent pricing service. Such market values may not necessarily precisely match valuations calculated by a client's

custodian for reasons more fully set forth in Item 15 below. Clients are generally invoiced for the management fees on a quarterly basis and pay such fees by check or wire transfer. Some clients may prefer the Firm to submit an invoice directly to their custodian who will pay the fees directly.

Because management fees will be paid in arrears, there will be no unearned prepaid fees that need to be refunded upon termination of a client account during a calendar quarter. A prorated management fee will be charged on accounts opened or terminated during a calendar quarter.

Additional Fees and Expenses

In addition to the Firm's management fees described above, clients are responsible for the payment of other charges and fees that may be assessed by the custodians maintaining their accounts, the broker-dealers transacting for their accounts and/or by other third parties. These may include "bid-ask spreads" charged by broker-dealers on fixed income transactions (i.e., the difference between the prices for which a broker-dealer is willing to buy or sell a particular security), brokerage commissions on any equity trades that are effected (which are expected to be limited or non-existent, given the Firm's focus on high yield fixed income securities), custodial fees, foreign currency hedging costs, where applicable, wire transfer and electronic fund transfer processing fees, and other fees charged by third parties. Additional information about SKY Harbor's brokerage practices is set forth in Item 12 below. SKY Harbor does not receive any part of the third-party fees or charges described above, and none of the persons associated with SKY Harbor receive, directly or indirectly, any compensation for the purchase or sale of any securities or other investments in a client account.

Item 6 Performance-Based Fees and Side-By-Side Management

On occasion, the Firm may enter into arrangements that provide for the payment of performance-based compensation based on the income generated, capital gains or capital appreciation generated in the client's account or on some other measure of the account's performance. Such performance-based fees may be paid in lieu of, or in addition to, the Firm's usual asset-based management fee. All performance-based compensation arrangements are separately negotiated, and in all cases comply with Rule 205-3 of the Advisers Act.

Clients are advised that a performance-based fee may create a conflict of interest for an investment adviser, as there may be an incentive for the adviser to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee. In addition, if some of the Firm's clients pay a performance-based fee while others do not, or if clients pay different levels of asset- or performance-based fees, this may also give rise to potential conflicts of interest. For example, the Firm may have an incentive to favor those accounts for which it receives a performance-based fee because the Firm would receive a higher fee if their performance exceeds the applicable benchmark. Similarly, the Firm may have an incentive to favor those accounts that pay a higher management fee over those accounts that pay a lower management fee because the Firm would receive greater compensation if it did so. Under SKY Harbor's Code of Ethics, the Firm and all its employees, officers and directors are required to treat

all clients equally and fairly and not to favor any one client or type of client over any other client in allocating investment opportunities. SKY Harbor's compliance and supervisory personnel monitor client accounts on a continuous and regular basis to assure that all client accounts are treated fairly in all respects.

Item 7 Types of Clients

SKY Harbor provides investment advisory services to U.S. and non-U.S. institutional investors, such as public or private pension plans, trusts, and private investment funds. The Firm also services U.S. and non-U.S. investment companies and clients, as well as high net worth individuals within and outside the U.S. A minimum initial investment of \$10 million is generally required to open a managed account, but accounts with less than \$10 million may be accepted at the Firm's sole discretion and only when appropriate for the client.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Over two decades, the Senior Investment Team has professionally managed high yield debt portfolios through numerous market and economic cycles. In doing so, they have employed an investment process that is based upon fundamental analysis of issuers and markets coupled with robust quantitative valuation and risk monitoring tools. The Firm's investment process is guided by an investment philosophy that seeks superior long term returns built through the compounding of income over time and the avoidance of principal losses. The goal of SKY Harbor's investment process is to identify attractively priced income streams across the full range of ratings and maturities of the high yield market and build portfolios around those income streams to meet the unique risk and return characteristics targeted by our clients. The Firm's three-step investment process focuses on assessing, valuing and managing high yield fixed income risk.

Step 1: Assessment of risk through fundamental credit analysis. In the first step of the investment process, we perform in-depth financial analysis to identify the micro and macroeconomic risks to assess the credit profile of each issuer of potential portfolio securities. This is designed to uncover the key drivers of an issuer's business, its sensitivity to various internal and external factors, and the issuer's long-term ability to operate within its existing capital structure under realistic assumptions.

Step 2: Valuation of risk through market segmentation. In the second step of our investment process, we seek to identify relative and absolute value opportunities by evaluating the fundamental characteristics and risk/return profile of each issuer against those of the market. In this analysis, we use a quantitative evaluation tool that relies upon data from FactSet, a third party analytics platform. FactSet® is used to analyze a number of different criteria, such as internal credit assessment, credit rating, industry classification, credit curve position and capital structure. The application facilitates comparison of credit risks and market yields in order to segment the market into "buckets" or pools of securities with similar return and risk characteristics.

Step 3: Management of risk through portfolio positioning. In the third step of our investment process, we seek to balance bottom-up (idiosyncratic, i.e., issuer-specific) and top-down (systemic and market-related) risks against the various return opportunities we have identified. Our integrated investment process utilizes both quantitative and qualitative processes in constructing our client portfolios.

Investment Strategies

Broad High Yield Strategy

The Broad High Yield Strategy (formerly identified as the Core High Yield Strategy) invests in U.S. dollar-denominated debt securities, primarily below-investment grade and issued by U.S. companies. The strategy's investment objective is to achieve a long-term total return in excess of the Bank of America Merrill Lynch U.S. High Yield Master II Index or a mutually agreeable similar high yield benchmark selected by our clients. Generally, below investment grade corporate debt securities are rated below BBB- (i.e. BBB minus) by Standard & Poor's or below Baa3 by Moody's or an equivalent rating by another Nationally Recognized Statistical Rating Organization.

Short Duration High Yield Strategy

The objective of the Short Duration High Yield Strategy is to generate a relatively high level of current income while experiencing lower volatility than the broader high yield market. This is a total return strategy and is not managed against any particular benchmark.

The investment objective for the Short Duration High Yield Strategy is achieved by investing in U.S. dollar-denominated debt securities, primarily rated below investment grade and predominantly issued by U.S. companies. The securities in this strategy are expected to be retired in three years or less as a result of either the maturity of the security or some anticipated corporate action such as a tender or a call. SKY Harbor's investment managers continuously and regularly monitor the portfolio and adhere to a disciplined sell strategy to reduce the risk of a negative credit event. Shorter maturity bonds, which have correspondingly shorter duration, are generally less sensitive to interest rate movements than bonds with longer average maturities and duration. Accordingly, the Firm expects less volatility resulting from interest rate changes in this strategy than in a strategy that utilizes longer maturity or duration bonds.

Material Risks

The principal risks of SKY Harbor's investment strategies include, but are not limited to, the following:

- **Loss of Income and Principal:** Debt securities, especially high-yield debt securities, are subject to credit risk, which is the risk that the issuer of the security will be unable to make interest and principal payments when due. The risk of such a default is the central risk of investing in securities rated below investment grade. Issuers of high-yield securities are also particularly subject to real or perceived economic changes (such as an economic downturn or a prolonged period of rising interest rates), political changes or adverse developments specific to an issuer (so-called "idiosyncratic" risk), all of which could negatively affect the market value of such securities.
- **Opportunity Cost:** The risk that an issuer's credit trends deteriorate and that investors demand a higher level of compensation to support ongoing investment in the issuer's credit relative to the initial investment level, creates an investment opportunity cost associated with being undercompensated for ongoing risks. In addition, changes in the credit rating of a debt security held in client accounts could also reduce the market value of those securities, resulting in a realized loss of principal if the security were to be sold.
- **Interest Rate Risk:** This is the risk of a change in capital market and/or economic conditions that causes interest rates or credit spreads to shift, resulting in changing market values for fixed income securities that are not driven by the underlying fundamentals relating to a specific security in a portfolio. As a general rule, market values of debt securities decrease when interest rates increase, although the effect on the market values of high yield debt securities may not be directly correlated with changes in general levels of interest rates. However, any such increase in overall interest rates or in the interest rates that the market demands of high-yield bonds in particular, may negatively affect the value of securities in a client's portfolio.
- **Liquidity Risk:** At any time there may be a lack, or a limited number, of willing buyers for the lower-rated securities in which the Firm will invest. In such event, we may have to sell such securities at lower prices or may not be able to sell them at all, both of which would negatively affect the performance of client accounts.
- **Selection Risk:** This is the risk that the particular securities selected by the Firm will underperform the relevant benchmark for high yield bonds or other securities that may have been selected as alternatives.

In general, issuers of high yield debt securities have a greater likelihood of defaulting on the payment of interest and/or principal than issuers of investment grade bonds. High yield bonds also tend to be more volatile than bonds with higher investment ratings. SKY Harbor's investment managers adhere to an investment process that focuses on fully analyzing investment risks, whether peculiar to the particular securities or systemic to the entire market.

There can be no assurance that the Firm will be able to achieve our investment objectives or avoid substantial losses. Investing in securities involves risk of loss that clients should be prepared to bear.

Item 9 Disciplinary Information

In this Item, registered investment advisers are required to disclose certain legal or disciplinary matters regarding the adviser or its management personnel that may be material to a client's or prospective client's evaluation of its business or the integrity of its management. Neither SKY Harbor nor any of our management personnel have been the subject of any such legal or disciplinary matters and, therefore, we have nothing to disclose in this section.

Item 10 Other Financial Industry Activities and Affiliations

Neither the Firm nor any of its management personnel are registered or are seeking registration as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or registered representative of a broker-dealer or associated person of a futures commission merchant, commodity pool operator or commodity trading advisor. In addition, neither SKY Harbor nor any of its management personnel have a relationship or arrangement material to the Firm's advisory business with any broker-dealer, other investment adviser, or any other securities or financial industry entity.

SKY Harbor is 100% owned by SKY Harbor Capital Holdings LLC, which is controlled by Trident SKY PL Holdings LLC. Trident SKY PL Holdings LLC is indirectly controlled by Trident V Parallel Fund, L.P. and Trident V, L.P. (together, the "Trident V Funds"). Stone Point Capital LLC, an investment advisor, is the investment manager of the Trident V Funds. Stone Point Capital LLC manages private equity funds (including the Trident V Funds) that invest in companies operating in the financial services industry. SKY Harbor's management believes that none of the indirect relationships that the Firm may have with any such companies through its indirect relationship with Stone Point Capital LLC are material to the business of the Firm nor cause a conflict of interest with the Firm's activities on behalf of its clients.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

SKY Harbor has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act which sets forth the high ethical standards of business conduct that the Firm requires of all its employees, including compliance with applicable federal securities laws. The Firm and its personnel owe a duty of loyalty, fairness, and good faith when acting on behalf of our clients, and have an obligation to adhere not only to the letter of our Code of Ethics but to the spirit of the general principles that underlie its requirements. The Code of Ethics is designed to assure that the Firm's personnel comply with applicable law and that employee personal securities transactions, activities and interests do not interfere with their ability to make decisions in the best interest of clients.

The Code of Ethics contains provisions that cover the following matters:

- Personal trading of employees
- Prevention of trading on inside information
- Equitable and fair allocation of trades among clients
- Reporting of actual or apparent conflicts of interest
- Approval of outside business activities
- Political contributions
- Confidentiality of client information
- Gifts and entertainment
- Reporting of violations

All of the Firm's personnel must acknowledge annually their compliance with the terms of the Code of Ethics, and a violation of the Code of Ethics can result in the discipline of the employee, up to and including termination of employment. A copy of the Code of Ethics will be provided to clients or prospective clients upon request by email to geng@skyhcm.com or by telephone at (203) 769-8812.

Set forth below is a summary of certain of the provisions of our Code of Ethics.

Personal Trading

No director, officer or employee is permitted to buy or sell any securities, whether debt, equity or any other securities class, issued by the same issuers of the debt securities that the Firm transacts for its advisory portfolios. The Code of Ethics also requires periodic reporting of personal transactions by Firm personnel, through duplicate copies of account statements or by other means to enable surveillance by Compliance and prevent any violations of the Code of Ethics or other conflicts of interest which could result from employee personal trading activities.

Allocation of Investment Opportunities

As more fully described in Item 12 below, SKY Harbor has adopted a policy for the allocation of trades among clients that requires all clients to be treated fairly and equitably.

Gifts

The Firm's Code of Ethics limits the types and value of business-related gifts and entertainment that employees may give or receive, including those to and from broker-dealers, vendors, or current or prospective clients. The receipt of any gifts or entertainment must be reported to the Chief Compliance Officer, and any gift or entertainment that would exceed the limitations established by our Code of Ethics require the prior approval of a Manager of the Firm. The Code of Ethics prohibits employees from receiving extravagant business-related gifts or entertainment.

Item 12 Brokerage Practices

Allocation Policy

SKY Harbor has adopted a trade allocation policy that applies in situations in which an investment opportunity cannot be fully implemented for all accounts for which the transaction would be appropriate because of the limited supply of the security that may be available. The guiding principle of this policy is that the allocation of such investments must be made among our clients fairly and equitably to the extent practicable. To avoid the incentive to allocate such trades to accounts that may pay a performance-based fee or accounts paying relatively larger fees than other accounts, the Firm generally allocates such opportunities among participating accounts on a *pro rata* basis. Accordingly, if the entire intended order cannot be filled, then all accounts will participate fairly in the same relative proportions as originally intended. In some particular instances, however, allocations may be subject to rounding or to other adjustments to ensure that the resulting lot sizes are economic and tradable in the market. In addition, the Firm may be unable to make allocations to a particular account because, among other reasons, (i) client guidelines and restrictions would prohibit the transaction, (ii) an account may not have sufficient cash to make the investment, or (iii) the allocation to an account would result in a position that would be too small to be economically tradable in the market. All trade allocations are documented at the time an order is placed in the market, and material deviations from an ordinary *pro rata* allocation require the approval of a Firm Manager.

Block Trades

Transactions for each client generally will be effected in a combined or block order so that all clients who participate in such order will pay or receive the same prices and transaction costs for that transaction. Under this procedure, transactions will generally be averaged as to price and allocated among the participating clients on a *pro rata* basis. Block trades are executed only when such transactions are beneficial to clients. The advantages of block trading include: the ability to execute trades in a more timely and equitable manner; reduction in overall transaction costs thereby benefiting clients; and the assurance that all clients who participate in a particular investment opportunity will pay or receive the average price obtained in any multiple executions of the transaction. As described below under "Directed Brokerage," the Firm may not be able to include in a block trade a particular client who directs the use of a particular broker-dealer to execute its trades. Because of the associated cost and expense in having to place separate, non-simultaneous transactions in the same security for multiple clients, a client may ultimately pay more or experience poorer trade execution where the Firm is unable to aggregate trades due to client-imposed constraints.

Selection of Broker-Dealers

In selecting broker-dealers for the execution of client transactions, the Firm has a duty to obtain "best execution" for such transactions. Best execution, however, does not necessarily mean that the transaction will be executed at the lowest possible commission or commission-equivalent. The Firm's investment managers consider many factors in selecting executing broker-dealers, including but not limited to the following: (1) a broker's capital position; (2) the breadth of a broker's market access; (3) knowledge of prevailing bid-ask spreads; (4) our valuation of the security to be bought or sold; (5) the nature of the market for the security to be bought or sold; (6) the broker's ability to efficiently and economically execute the transaction; (7) the broker's operational capabilities; and (8) the reasonableness of the commission or bid-ask spread on the transaction. After the Firm's investment managers weigh these or other factors, a client may pay a higher brokerage commission or wider bid-ask spread in a particular transaction than the same transaction executed by another broker at the same point in time and under the same or similar market conditions. The Firm's Operational Risk and Control Committee (the "ORCC"), periodically and regularly reviews the performance of the broker-dealers selected in light of our duty to obtain best execution.

Brokered Cross-Trades

From time to time, the Firm's portfolio managers may determine that, it is in the best interests of both clients involved for one SKY Harbor client to purchase the same security at the same point in time that is desirable for another SKY Harbor client to sell. Such transactions would only be made, however, when the transaction is in the best interest of both accounts involved, such as, for example, when there is a need to raise cash in the selling client's account, and the security is underweighted in the buying client's account. Under such circumstances, the "cross-trade" is

executed through a broker-dealer unaffiliated with SKY Harbor. The price of the cross-traded security would be the same as the price of such security most recently provided by SKY Harbor's independent pricing service for purposes of establishing the net asset value of accounts managed by SKY Harbor. If, however, SKY Harbor is simultaneously executing a bona fide purchase or sale of such security with an unaffiliated counterparty, then the same price may be used for such brokered cross-trade, so long as it is executed simultaneously with the transaction with the unaffiliated broker-dealer. The Firm does not execute any cross-trades between two client accounts if either of the accounts is subject to the Employee Retirement Income Security Act of 1974 ("ERISA") in accordance with the prohibited transaction rules under ERISA, which bar investment managers from engaging in cross-trades absent an exemption.

Soft Dollar Benefits

On occasion, the Firm may receive research or other products or services other than execution ("soft dollar benefits") in certain transactions. Generally, pursuant to SEC guidelines, SKY Harbor will only acquire soft dollar benefits from an unaffiliated broker-dealer who is executing a brokered cross-trade for the Firm (see above for description of brokered cross-trades). The Firm only obtains such soft dollar benefits when permitted under the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)"). Clients should be aware that more favorable pricing may be available from a different broker-dealer who offers no research services and/or minimal securities transaction assistance. Client transactions may incur a greater bid-ask spread or other higher cost as a result of the Firm obtaining certain soft dollar benefits from a broker-dealer or third party. Because the Firm does not have to produce or incur the expense associated with soft dollar benefits, an incentive may exist to select or favor a broker-dealer because of soft dollar benefits. Such an incentive is inconsistent with client interests in receiving the most favorable execution of trades. Accordingly, at all times the Firm's acceptance of soft dollar benefits in a particular transaction is made only after a good faith determination that the amount of commission or bid-ask spread in the transaction is fair and reasonable in relation to the value of the soft dollar brokerage and research services provided when viewed in the context of the particular transaction and the Firm's high standard of fiduciary duty.

Soft dollar benefits may be used in serving all clients. Thus certain client accounts that did not generate any soft dollar credits may nevertheless share in the soft dollar benefits generated by other client accounts. Conversely, it is also possible that all soft dollar benefits that the Firm receives will be used for the client account(s) that generated the soft dollar credits. The Firm does not allocate soft dollar benefits to client accounts in corresponding proportion to the soft dollar credits generated by any particular client account.

The Firm expects that the soft dollar benefits it acquires through client transactions will include both proprietary research (research created or developed by the broker-dealer providing the research) and third party research (research developed or created by a third party) that aid in the Firm's investment decision making, as well as other services permissible within Section 28(e), including the following:

- information on the economy, industries, groups of securities and individual companies
- statistical information and market data
- information regarding political developments
- pricing services
- credit analysis, performance analysis and other information regarding matters that may affect the economy and/or securities prices

There may be occasions when a portion of the brokerage and research products and services received in a particular transaction is eligible under the safe harbor of Section 28(e), while another portion thereof is not eligible. In these "mixed use" situations, the Firm will bear that portion of the cost attributable to such non-eligible services based upon our allocation of expected use. The receipt of these mixed-use products and services, and the Firm's own determination of the appropriate allocation between its own cash payments and the use of client brokerage commissions and funds, creates a conflict of interest because the Firm will benefit to the extent that client brokerage commissions and funds pay a portion of cost of the products and services. The ORCC is responsible to make the allocation between the eligible and non-eligible use of such services.

The ORCC is responsible for approving soft dollar benefit providers and eligible soft dollar benefits, including research services.

Directed Brokerage

Clients are permitted to direct the exclusive use of a particular broker or dealer to execute transactions for their accounts. However, clients should understand that they may pay higher commissions on some transactions and/or may receive less favorable execution of some transactions, than they would have had they given the Firm discretion in selecting the executing broker-dealer. Also, clients that direct brokerage may not be able to participate in block trades. A client's absence in block trades because of a directed brokerage constraint may result in lost opportunities to purchase securities at more favorable prices or size than securities that were purchased for other clients participating in the Firm's block trades.

Transition Managers

From time to time, a new client may utilize a transition manager for purposes of transitioning authority to SKY Harbor from an account previously managed by a different investment

manager or according to a different benchmark or strategy. In those instances where a client chooses to use a transition manager, the Firm expects to provide the transition manager with a target portfolio, which is to be implemented by the transition manager in advance of the Firm's acceptance of discretionary authority over the account. During this transition period, the transition manager will assume trading authority for the account, including investment in the target portfolio provided by SKY Harbor. As a result of possible limitations on liquidity in the fixed income or high yield markets, the transition manager's implementation of the target portfolio may require transacting in the same securities being transacted by the Firm for other client accounts at close to the same instant in time and consequently may adversely affect the liquidity or pricing of those securities.

Item 13 Review of Accounts

Securities in client accounts are normally priced by an independent pricing service on a daily basis, and such pricing is monitored by the Firm's team of portfolio managers for changes that could significantly affect client accounts. Our senior portfolio managers also review client accounts on a regular and periodic basis to monitor performance. In addition, client accounts may also be reviewed as a result of (a) client requests, (b) interest rate changes, (c) the occurrence of economic, market or political events that may impact clients, or (d) material events that affect issuers of securities in which clients have invested.

SKY Harbor will provide quarterly commentaries on its Broad High Yield Market and Short Duration High Yield Strategies to clients invested in those strategies. In addition, reports on separately-managed accounts, including performance reviews, will be provided to clients as mutually agreed.

Item 14 Client Referrals and Other Compensation

Neither SKY Harbor nor any of our personnel has, or intends to have, any arrangement to directly or indirectly compensate any person for client referrals. Moreover, the Firm does not receive compensation from sources other than our clients for providing investment advice to our clients, other than the soft dollar benefits described in Item 12 above.

Item 15 Custody

All client accounts are held at custodians chosen by the client, and the Firm does not intend to have actual custody of any client assets. Clients are expected to receive periodic statements from their own custodians in keeping with general market custom and practice. Clients should carefully review those statements and compare the account statements that they receive from their custodians with those that are provided by SKY Harbor. It is possible that differences arising from varying pricing methodologies, accrued interest in bonds, timing of the settlement dates of trades or differences in the dates themselves may result in some variance between account statements issued by client custodians and those issued by SKY Harbor. In those instances, the Firm welcomes the opportunity to discuss these variations with our clients upon request.

Item 16 Investment Discretion

SKY Harbor manages all its client accounts on a discretionary basis and has the authority to make purchases and sales of securities for such accounts without obtaining prior consent from the client. The power of attorney that grants this discretionary authority is contained in the Investment Management Agreement that each client must execute upon the opening of his, her or its account with the Firm. The client's Investment Management Agreement and any investment guidelines that are agreed to with a particular client will specify the limits, if any, placed on the Firm's discretionary authority. Investment guidelines may, for example, set forth limits on the amount of high yield securities of particular issuers or industries that may be purchased for the account. In all instances, however, investment guidelines must be appropriate and in context with the nature of the high yield strategies associated with the Firm. Clients generally establish their own custodial arrangements and provide the custodian with a letter granting us the authority to manage their accounts.

Item 17 Voting Client Securities

On behalf of its advisory clients, SKY Harbor invests only in debt securities issued primarily by U.S. corporations and, as a general rule, does not invest in equity securities that would require SKY Harbor to have voting power. Accordingly, the Firm does not expect to receive proxy proposals with respect to any portfolio securities. It is possible that, on rare occasions, the Firm may receive a proxy for a corporate restructuring of a debt issuer or some other unusual situation in which holders of debt securities are permitted to vote. SKY Harbor will vote any proxies received in a timely manner unless a client specifically reserves the right, in writing, to vote its own proxies.

SKY Harbor's general policy is to vote proxies in a manner that is in the best interest of the client, as determined by the Firm, taking into account factors described in the Firm's proxy policy. Whenever the Firm becomes aware of a conflict of interest that may affect its ability to vote any proxy, the Firm will disclose the conflict to the client and obtain the consent of the client before voting the proxy or, if that is not possible for any reason, the Firm will delegate the voting authority to an independent third party. Clients who wish to obtain either a copy of SKY Harbor's voting policies and procedures or information as to the manner the Firm has voted securities in their account should contact Gordon Eng, General Counsel and Chief Compliance Officer, by email at geng@skyhcm.com or telephone at (203) 769-8812.

Item 18 Financial Information

In this section of the Brochure, investment advisers are required to provide clients with certain financial information or disclosures about their financial condition which are reasonably likely to impair their ability to meet contractual commitments to clients. We have no such information to disclose.