



PART 2A of FORM ADV

FIRM BROCHURE

# **SKY Harbor Capital Management, LLC**

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March 29, 2019

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 [compliance@skyhcm.com](mailto:compliance@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 with the SEC or with any state securities authority 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](http://www.adviserinfo.sec.gov).

## Item 2      Material Changes

This Brochure is SKY Harbor's annual updating amendment for 2019. This page summarizes the material changes made to this Brochure since the last annual update of March 28, 2018. Current and prospective clients are encouraged to carefully review the entire contents of this Brochure as not all non-material changes have been summarized on this page. The following non-exclusive changes were made:

- Item 4 Advisory Business: updating the Firm's regulatory assets under management ("AUM") as of February 28, 2019; and adding to description the availability of benchmarked short duration high yield strategies.
- Item 8 Methods of Analysis, Investment Strategies and Risk of Loss: adding descriptions of the Short Maturity High Yield Strategy, the Short Maturity Sustainable High Yield Strategy, and noting some inherent risks related to sustainable investing.
- Item 10 Other Financial Industry Activities and Affiliations: noting that the Firm no longer has employees who are registered representatives of a registered broker-dealer.

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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 February 28, 2019, the Firm has total regulatory assets under management (“AUM”) totaling approximately \$ 4,631,146,000.

SKY Harbor provides continuous and regular supervisory or management services with respect to discretionary and non-discretionary portfolio management services in broad high yield and short duration high yield strategies that invest primarily in high yield debt securities and also in syndicated bank loans of high yield issuers. The Firm does not currently offer other types of investments. Additionally, in one account the strategy also invests in the common stock of high yield issuers.

The broad high yield market strategy<sup>1</sup> is typically managed against the ICE BofAML US High Yield Index<sup>2</sup>, a commonly used benchmark for high yield corporate bonds and a measure of the broad U.S. high yield market. Alternatively, the broad high yield market strategy may also be managed against a similar high yield benchmark to accommodate particular client needs.

The traditional short duration high yield strategy is an absolute return strategy and is generally not managed against a benchmark. Benchmarked versions of the short duration high yield strategy are also available for those investors who prefer a benchmark as a measure of relative performance. Those strategies are typically managed to the ICE BofAML 1-5 Year BB-B US Cash Pay High Yield Constrained Index, but other similar short duration high yield indices may also be employed to accommodate client needs.

Unless otherwise directed by a client account, the Firm generally has full power and authority to supervise and direct the investment of assets of its separate accounts and pooled investment vehicles and manages those assets for U.S. and non-U.S. institutional clients and will tailor 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 separate accounts, such as by incorporating environmental, social and governance considerations (commonly referred to as “ESG” or Responsible Investing “RI”).<sup>3</sup> These restrictions or constraints to each client’s investment guidelines are set forth or incorporated by reference in the

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<sup>1</sup> The broad high yield market strategy was formerly referred to as the core high yield strategy in the initial Brochure dated September 1, 2011. Despite the change in name, there is no change in the underlying investment strategy.

<sup>2</sup> The ICE BofAML US High Yield Index was previously called the Bank of America Merrill Lynch US High Yield Index. Apart from the name, the Index is unchanged.

<sup>3</sup> SKY Harbor is a signatory to the United Nations-supported Principles for Responsible Investment (“PRI”) and is a participant in the UN Global Compact, a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals.

client's Investment Advisory/Management Agreement or in the applicable Prospectus or Confidential Private Offering Memorandum.

SKY Harbor serves as subadviser to the following open-end diversified management investment companies (mutual funds), both of which are registered under the Investment Company Act of 1940, as amended (the “1940 Act”):

- The Westwood Short Duration High Yield Fund, ticker symbols: WHGHX and WSDAX for the “Institutional” and “A” Shares respectively. The management fee paid to SKY Harbor is described in the fund’s Statement of Additional Information. Ms. Anne Yobage, CFA, Director and co-founder of SKY Harbor, is the lead portfolio manager of the fund. David Kinsley, CFA, Principal, serves as back-up portfolio manager of the fund.
- The Westwood Opportunistic High Yield Fund (“Opportunistic Fund”), ticker symbols: WWHYX and WHYUX for “Institutional” and “Ultra” shares respectively.<sup>4</sup> The management fee paid to SKY Harbor is described in the fund’s Statement of Additional Information. The fund is managed by Ms. Hannah Strasser, CFA, Managing Director and co-founder of SKY Harbor, and Mr. Trevor Kaufman, CFA.

SKY Harbor is the investment manager to SKY Harbor Global Funds, an open-end umbrella management investment company with three sub-funds incorporated in Luxembourg and registered with the *Commission de Surveillance du Secteur Financier* (“CSSF”), (the securities regulator in Luxembourg), pursuant to Luxembourg laws that have been adopted in accordance with various Directives and Regulations issued by the European Parliament and Council of the European Union, of which the most applicable is referred to generally as the European UCITS Directive (an acronym for “Undertakings for Collective Interest in Transferable Securities”). The European UCITS Directive is a regulatory regime governing the establishment, obligations, operations, and investment policies of SKY Harbor Global Funds. Mr. Gordon Eng, the Firm’s General Counsel & Chief Compliance Officer, and Mr. Jeffrey Kazen, the Firm’s Chief Administrative Officer serve as a directors of SKY Harbor Global Funds along with two Managing Directors of SKY Harbor Capital Management GmbH<sup>5</sup> (“SKY Harbor GmbH”): Philippe Descheemaeker and Stefan Balog.

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<sup>4</sup> As sub-adviser to the Opportunistic Fund, SKY Harbor is a commodity trading adviser (“CTA”) as defined under the Commodity Exchange Act (“CEA”) because the Opportunistic Fund is permitted to invest in derivative instruments, principally futures and swaps (including credit default swaps and credit default swap indices). As a registered investment adviser, however, SKY Harbor is exempt from registration as a CTA with the Commodity Futures Trading Commission (“CFTC”) under certain provisions of the CEA because the firm’s business does not consist primarily of acting as a CTA, and the Opportunistic Fund is not engaged primarily in trading futures and derivatives or commodity interests. A notice of eligibility has also been filed in accordance with CEA Rule 4.5 to exclude the Opportunistic Fund from registration as a Commodity Pool Operator (“CPO”), which imposes certain limitations on the extent to which the fund may be positioned in derivative instruments. SKY Harbor acts as a CTA exclusively with respect to the Opportunistic Fund and is not normally in the business of offering CTA services.

<sup>5</sup> SKY Harbor GmbH is a wholly owned subsidiary of the Firm located in Frankfurt, Germany, and regulated by the German Federal Financial Supervisory Authority (“BaFin”). SKY Harbor GmbH is the Principal Distributor and

Mr. Justin Egan, Managing Director, Carne Global Financial Services Limited and Ms. Sophie Mosnier serve as independent 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 1.1% of aggregate net assets on an annual basis. The shares of SKY Harbor Global Funds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and SKY Harbor Global Funds has not been and will not be registered under the 1940 Act and accordingly, its shares may not be offered, sold, transferred, or delivered, directly or indirectly, in the United States or to any United States persons, except in compliance with the securities laws of the United States and any state thereof in which such offer or sale is made.

SKY Harbor is the sole General Partner and Investment Manager to SKY Harbor Short Duration High Yield Partners, LP and SKY Harbor Broad High Yield Market Partners, LP (together the “Private Funds”). Both entities are private funds established as Delaware limited partnerships exempt from registration under Section 3(c)(7) of the 1940 Act. The limited partnership interests offered have not been and will not be registered under the Securities Act of 1933 (“Act”), as amended, nor the 1940 Act, and such interests are to be offered in reliance upon exemptions under the Act to Accredited Investors as defined in Rule 501 of the Act and Qualified Purchasers as defined in the 1940 Act. SKY Harbor Short Duration High Yield Partners, LP began business on or about February 1, 2013, and SKY Harbor Broad High Yield Market Partners, LP began business on or about April 1, 2013.

SKY Harbor's senior investment team — Hannah Strasser and Anne Yobage — have worked together since 1990. From 1992 until 1995, they along with former co-founding partner, Tom Kelleher, 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, they 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 separately managed account fee schedules for each strategy are set forth below:

### Broad High Yield Market

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

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marketing arm of SKY Harbor Global Funds and does not trade securities for clients, charge brokerage commissions, nor manage client portfolios.

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 the Firm in any particular instance. Accordingly, separately negotiated management fees paid by a particular client may and do 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, occasionally, SKY Harbor has considered entering into arrangements that provide for compensation based upon the gains generated in a client's account. Such arrangements are to be individually negotiated with the particular client.

SKY Harbor's management fees are typically charged monthly or quarterly in arrears, based on the net asset value of the account as of the last day of the preceding applicable period taking into account additions or withdrawals. Typically, unless otherwise directed by the client, 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 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 monthly or quarterly basis and pay such fees by check or wire transfer.

With respect to the domestic and foreign registered open-end investment management companies and the two Private Funds managed by the Firm, valuations are performed by the respective fund administrators in accordance with the respective Prospectus or Offering Memorandum. The Firm's management fees are paid monthly in arrears, based on the accrued daily net asset value or the net asset value as of the last day of the preceding month of the respective Private Fund as the case may be after taking account of contributions or withdrawals during the billing period.

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 an interim period.

*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,

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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, given the Firm's primary 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

Under appropriate circumstances, the Firm will consider entering 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 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 shall comply with Rule 205-3 of the Advisers Act. The Firm has entered into a limited number of arrangements that provides for incentive performance-based compensation for institutional clients, of which the total of such assets comprise about 1% of the Firm's total regulated assets under management.

A performance-based fee may create a conflict of interest for the Firm, as there may be an incentive for the Firm 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 equitably 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 through separately managed accounts or pooled investment vehicles on a global basis to institutional investors, such as registered investment companies, pooled investment vehicles (other than investment companies), public or



private pension plans, insurance companies, foreign separate accounts, trusts, non-profit institutions, global wealth advisers and private investment funds. A minimum initial investment of \$20 million is generally required to open a separately managed account, but accounts with less than \$20 million may be and have been 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

For more than 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 (i.e., idiosyncratic and issuer-specific) and top-down (i.e., 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 Market Strategy

The Broad High Yield Market 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 ICE BofAML US High Yield 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 ("NRSRO"). Some below-investment-grade corporate debt securities are not rated by a NRSRO.

The Broad High Yield Market Strategy also has discretion in the Westwood Opportunistic High Yield Fund to invest in equity securities, credit derivatives, and fixed or floating rate bank loans on a senior secured, second lien or other subordinated basis, through assignments or participations.

### 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 an absolute return strategy and is generally 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, and for some client accounts, the Short Duration High Yield Strategy also invests in bank loans as described in the preceding description of the Broad High Yield Strategy. 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. Shorter maturity bonds, which have correspondingly shorter duration and typically lower yields, 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.

### Short Maturity High Yield Strategy

A benchmarked version of the Short Duration High Yield Strategy described above, the objective of the Short Maturity High Yield strategy is to generate high risk-adjusted returns over a full market cycle with a focus on current income, preservation of principal and low volatility. The strategy is managed to the ICE BofAML 1-5 Year BB-B US Cash Pay High Yield Constrained Index or similarly constrained high yield index selected by our clients.

The investment objective for the Short Maturity High Yield Strategy is achieved by investing in a diversified portfolio of U.S. dollar-denominated debt securities, primarily rated below-investment-grade and predominantly issued by U.S. companies, and, to a lesser extent, high yield first- and second-lien loans. 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. Shorter maturity bonds, which have correspondingly shorter duration and typically lower yields, 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 longer duration bonds.

### Short Maturity Sustainable High Yield Strategy

The primary objective of the Short Maturity Sustainable High Yield Strategy is to seek favorable risk-adjusted returns over a full market cycle with a focus on current income, preservation of principal and low volatility with attention to values-based environmental, social and governance (“ESG”) factors aimed at minimizing environmental degradation and controversial activities and promoting diversity, transparency and sustainability leadership. The strategy invests principally in a diversified portfolio of U.S. dollar denominated below-investment grade debt securities, that are expected to deliver a high income with low volatility, for an attractive risk-adjusted return. The strategy aims to be compared with the ICE BofAML 1-5 Yr BB-B US Cash Pay High Yield Constrained Index over a full market cycle while implementing critical fundamental and ESG-related criteria.

### 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 (i.e., 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.
- **Call/Extension Risk:** Fixed income securities have a stated maturity date when the issuer must repay the principal amount of the bond. Some fixed income securities, which the Firm will purchase, are known as callable bonds, which may repay principal earlier than the stated maturity date. Fixed income securities are most likely to be called when interest rates are low or falling because the issuer can refinance at a lower rate.

Call risk involves the risk that an issuer will exercise its right to pay principal on an obligation held in a Client portfolio earlier than expected. This may happen when there is a decline in interest rates. Under these circumstances, the Client portfolio may be unable to recoup all of its initial investment and will also suffer from having to reinvest in lower yielding securities.

Extension risk involves the risk that an issuer will exercise its right to pay principal on an obligation held by in a Client portfolio later than expected. This may happen when there is a rise in interest rates. Under these circumstances, the value of the obligation will decrease, and the Client portfolio will also suffer from the inability to invest in higher yielding securities.

- **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.
- **Valuation Risk:** A lack of reliable, objective data or market quotations may make it more difficult to value below investment grade securities accurately.
- **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.
- **Bank Loans Risk:** Unlike stocks and bonds, corporate loans that are syndicated and traded are treated as non-securities under U.S. law and thereby not subject to all disclosure requirements that typically apply to publicly traded securities. Investments in bank loans (through both assignments and participations) are generally subject to the same risks as investments in other types of debt securities, including, in many cases, investment in high

yield bonds. There may be limited public information available regarding bank loans and bank loans may be difficult to value. If the client account holds a bank loan through another financial institution, or relies on a financial institution to administer the loan, its receipt of principal and interest on the loan may be subject to the credit risk of that financial institution. It is possible that any collateral securing a loan may be insufficient or unavailable to the account, and that the account's rights to collateral may be limited by bankruptcy or insolvency laws. In addition, the secondary market for bank loans may be subject to irregular trading activity, wide bid/ask spreads, and extended trading settlement periods, which may cause the account to be unable to realize the full value of its investment in a bank loan.

- Environmental, Social and Governance (“ESG”) factors: in addition to the risks associated with high yield fixed-income securities, high yield ESG strategies that focus on sustainable investing may underperform other high yield strategies that do not evaluate ESG criteria. The inclusion of ESG criteria affects the ESG strategy's exposure to certain sectors or types of businesses and may hinder the portfolio's relative performance in certain market environments. Because a high yield ESG strategy seeks to exclude holdings deemed inconsistent with its applicable ESG criteria, the universe of investments available to the ESG strategy will be more limited than other comparable high yield strategies that do not apply ESG criteria. An ESG portfolio, for example, will be precluded from purchasing, or required to sell, certain investments that otherwise meet its investment performance and/or risk objectives.
- Equity Risk: to the extent investments in equity securities are made, an account is subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of an account's equity securities may fluctuate a great deal from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response.
- Cybersecurity Risk: In recent years, cybersecurity-related attacks on companies worldwide have become not only more numerous and diverse but also more damaging and disruptive with new types of cyber incidents emerging frequently. Preventive activities and defensive tools and training can lower the risk of incidents but not all cyber incidents can be prevented. All companies employing digital technologies and the Internet are susceptible to operational, information security and related risks. The Firm and its Clients are no exception to cyber-related risks. Cyber incidents that may affect the Firm, and other service providers (including, but not limited to, accountants, custodians, transfer agents, financial intermediaries and Clients' service providers) can cause serious disruption that adversely affect business operations and potentially can result in financial losses, impairment to trading and transacting business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational harm, reimbursement or other compensatory costs, or additional compliance costs. Moreover, while the Firm's or Client's service providers may have established business continuity plans or risk management systems to

prevent cyber incidents, there are inherent limitations in such plans or systems because of emerging new threats and cyber risks yet to be identified. The Firm cannot control the cyber security plans and systems in place by third parties who provide services to the Firm or to its Clients. Accordingly, Clients could be negatively affected by such cyber incidents.

- **ERISA Considerations:** Certain Client assets may be considered “plan assets” and subject to Title I of the U.S. Employee Retirement Income Security Act of 1972, as amended, (“ERISA”), or Section 4975 of the Internal Revenue Code (the “Code”). Such Client plan assets will be subject to fiduciary, prohibited transaction, reporting and disclosure rules under ERISA and the Code that would not otherwise be applicable and which could require the Firm to forgo, from time to time, investments or other arrangements on behalf of Client plan assets that might otherwise have been desirable for the Client.

In general, issuers of high yield debt securities and syndicated loans have a greater likelihood of defaulting on the payment of interest and/or principal than issuers of investment grade rated bonds. High yield bonds may be more volatile than bonds with higher credit 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. Moreover, SKY Harbor’s investment managers continuously and regularly monitor their portfolios and adhere to a disciplined sell strategy to reduce the risk of a negative credit event.

There can be no assurance that the Firm will be able to achieve its 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 its management personnel has been the subject of any such legal or disciplinary matters and, therefore, there is 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 associated person of a futures commission merchant, commodity pool operator or commodity trading advisor<sup>6</sup>.

Since the last annual update, due to personnel changes, the Firm no longer has any employees who are registered representatives of SDDCO Brokerage Advisers LLC (“SDDCO-BA”), a

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<sup>6</sup> See FN 4 above.



registered broker-dealer and member of FINRA and SIPC with principal offices at 485 Madison Avenue – Floor 15, New York, NY 10022. SDDCO-BA and its affiliates are independent and not affiliated with SKY Harbor.

SKY Harbor, SKY Harbor Capital Management GmbH, and any of the Firm's management personnel do not have a relationship or an arrangement material to the Firm's advisory business with any affiliated broker-dealer, investment adviser (except for Stone Point Capital as set forth below), or any other affiliated 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, a registered investment adviser, 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 (collectively, the "Stone Point Funds").

In July 2017, certain Stone Point Funds (but not Trident V) indirectly acquired a substantial minority interest in SumRidge Partners, LLC, ("SumRidge"), a registered broker-dealer with whom SKY Harbor has had an arms-length trading relationship for more than five years predating the investment by the Stone Point Funds. In accordance with the procedures described in Item 12, SKY Harbor intends to continue its arms-length trading relationship with SumRidge on behalf of SKY Harbor's non-ERISA client accounts. Because of Stone Point Funds' interests in SumRidge and to comply with ERISA, the Firm does not execute trades with SumRidge on behalf of the Firm's ERISA accounts.

SKY Harbor's management believes that none of the indirect relationships that the Firm may have with any companies, including SumRidge, through common control or its indirect relationship with Stone Point Capital LLC or the Stone Point Funds are material to the business of the Firm or cause a conflict of interest with the Firm's activities on behalf of its clients.

The Firm does not recommend or select other investment advisers for our 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's employees owe a duty of loyalty, care, and good faith when acting on behalf of its clients, and have an obligation to adhere not only to the letter of our Code of Ethics but also to the spirit of the general principles that underlie its requirements. The Code of Ethics is designed to ensure that the Firm's employees comply with applicable law and employees' 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 by 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 employees 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 [compliance@skyhcm.com](mailto:compliance@skyhcm.com) or by telephone at (203) 769-8800.

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

#### Personal Trading

With respect to their personal trading accounts, SKY Harbor's employees are generally prohibited from buying or selling any securities, whether debt, equity or any other securities class, issued by the same issuers of the debt securities or by syndicated bank loan borrowers that the Firm transacts for its advisory portfolios. Any exception must be approved by the Chief Compliance Officer. 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 or remedy 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. Fair and equitable treatment does not mean identical treatment of all clients. Rather, it means the Firm does not



discriminate on an impermissible basis against one client or group of clients. When the Firm transacts in securities for more than one account, the investment opportunities and trades must be allocated in a manner consistent with our fiduciary duty.

### 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. Except for items of nominal value, the receipt of any gifts or entertainment must be reported on the Firm's gift and entertainment monitoring system, and any gift or entertainment that exceeds the limitations established by our Code of Ethics requires the prior approval of a Manager of the Firm. The Code of Ethics prohibits employees from, among other things, receiving extravagant business-related gifts or entertainment.

### Conflicts of Interest Created by Side-by-Side Management

Although the Firm expects to devote as much time to the management of clients' portfolios as the Firm deems appropriate to perform its duties in accordance with its fiduciary duties and its responsibilities under the management agreements, Firm professionals may have conflicts in allocating time and services among clients.

SKY Harbor acts as a general partner, promoter, investment adviser, or sub-adviser to a number of different types of clients and investment vehicles, including ERISA accounts (private pension plans), domestic and foreign mutual funds, private investment limited partnerships exempt from registration as investment companies under Section 3(c) of the 1940 Act, insurance company investment accounts, or other entities for which SKY Harbor solicits investors. These practices create a conflict of interest because SKY Harbor or a related person has an incentive to recommend its products to clients or investors based on its own financial interests rather than solely the interests of a client or investor.

With respect to Private Funds, the Firm requires investors to complete subscription documents, which determine not only if investors are eligible to invest in such funds under the federal securities laws, but also whether the decision to do so was made on an independent basis.

In several instances where the client advised by SKY Harbor is an investment vehicle – for example, a domestic mutual fund or a Section 3(c)(7) partnership – SKY Harbor itself with company funds and/or SKY Harbor's employees, principals, (including the portfolio manager of the account), or affiliates are, have been or intend to be investors in that entity as well. The potential conflict of interest is in favoring those accounts in allocating or aggregating orders. The Firm believes it is obligated to seek best execution of all trades for all its clients, including those client-accounts in which the Firm or persons affiliated with the Firm are among the investors. In seeking to minimize the risk that any particular client would be or could be systematically advantaged or disadvantaged by such potential conflicts of interest, the Firm is committed to engaging in fair and equitable policies and procedures with respect to the allocation and aggregation of orders and by adhering to established standards of conduct in accordance with its fiduciary duty.

## 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 seeks to allocate such opportunities among participating accounts on a fair and equitable basis and where feasible on a *pro rata* basis.

While a *pro rata* allocation is generally one of our guiding principles, for a number of considerations as further explained below, a strict *pro rata* allocation of combined or block trades is not always practical or in our judgment under some circumstances even in the best interest of a particular account. The different size of the various accounts under management — which may be quite significant — the amount or lack of cash in an account, the amount of bonds that may become available for purchase or sale at any given point in time during the trading day, the availability or unavailability of follow-up trades in cases of partial fills, and timing differences in filling whole or partial fills are just some examples of the confounding factors that make a strict *pro rata* allocation impractical on any given day or moment in time. Moreover, to the extent accounts have chosen their own custodians, the transactions fees charged by these custodians (for which the Firm has no control or influence) may vary significantly. As a result, in some instances, the transactions cost may be disproportionately expensive relative to the size of an allocation amount when a relatively small trade is involved.

For all the reasons stated here, we do not exercise our *pro rata* allocation principle in a mechanical and inflexible manner. Rather, our portfolio managers weigh these and other factors and make timely judgments as to the how best to allocate particular trades while discharging our fiduciary duty to treat all our accounts/clients fairly and equitably over time. Accordingly, it is not uncommon that on any particular block trade or any particular trading day a trade is not allocated on a strictly *pro rata* basis. We view the success of our endeavors to treat all our clients fairly and equitably by the fact that over a period of time the performance and portfolio characteristics of the accounts with the same or reasonably similar strategy do not manifest material divergences.

SKY Harbor is not obligated and has no duty to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any other client solely because SKY Harbor purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its sole and absolute discretion, such security, transaction, or investment opportunity does not appear under the circumstances to be suitable, practical, or appropriate for the client.

All trade allocations are documented at the time an order is placed in the market.

## Block Trades

Transactions for each client generally will be effected in a combined or block order (also referred to as aggregation of orders) 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 in accordance with the Firm's Allocation Policy. Block trades are executed only when such transactions are deemed by the Firm's trading desk to be 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 or non-use (by way of approved broker-dealer lists) of a particular broker-dealer(s) 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 or at the narrowest bid-asked spread. The Firm's investment managers consider many factors in selecting executing broker-dealers, including but not limited to the following: (1) the broker's ability to efficiently and economically execute the transaction; (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) a broker's capital position; (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 Operations, 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.

## Cross-Trades

Cross transactions are those in which one client account purchases or sells securities against another client account. Because of potential conflicts of interest, as well as the restrictions placed by either (i) the Employee Retirement Income Security Act of 1974 ("ERISA") Prohibited Transactions rules that bar investment managers from engaging in cross-trades absent an exemption where client accounts are subject to ERISA; or (ii) Rule 17a-7 of the 1940 Act when we act as a sub-

adviser to a registered investment company, SKY Harbor generally does not engage on behalf of any of its clients in cross-trades, whether through an external broker-dealer or internally, even where reduced transaction costs for client accounts could be achieved. Any exceptions to this policy requires a pre-trade written consent from all affected client accounts and is permitted only where such a trade does not violate any law, rule or regulation.

#### Soft Dollar Benefits

SKY Harbor has not entered into any so-called “soft dollar” agreement or understanding by which we receive research or other services from a broker-dealer in addition to transaction execution in exchange for the brokerage commissions from transactions in managing discretionary clients’ accounts.

SKY Harbor, however, receives, without cost, proprietary research and related services, within the meaning of Section 28(e) of the Securities Exchange Act, from certain broker-dealers with whom we trade. Proprietary research generally includes access to company executives, conferences, analysis, forecasts, in-house research, including information on the economy, industries or specific companies, market and other statistical data and other information that may affect our view of the economy or security prices or both. This type of proprietary research does not have an identifiable value and is provided based on SKY Harbor’s total client trading activity or by simply opening an account. SKY Harbor does not view such services and research as soft dollar benefits.

#### Directed Brokerage

Clients are permitted to direct the exclusive use of a particular broker-dealer or group of permitted/approved broker-dealers 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 full 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

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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.

### Trade Errors

In the course of managing accounts it is possible from time to time that trade errors will occur. SKY Harbor believes it has established adequate procedures to reasonably minimize the risk of trade errors and to resolve them expeditiously should any trade error occur. There is, however, no assurance that trade errors will not occur.

No standard industry definition exists as to what is a “trade error,” but some examples of trade errors in our view would include: (i) buying securities not legally permitted for an account or fund, or not within an account’s or fund’s investment guidelines; (ii) buying or selling the wrong securities for an account or fund, or selling a security when it should have been bought or vice versa; or (iii) buying or selling securities for the wrong account or fund. We do not view errors that do not result in actual transactions (such as missed opportunities to buy or sell at desired prices or desired amounts, or missed corporate actions for early tenders, or “passive breaches” of investment guidelines) as trade errors. We also do not view errors caused by brokers or third parties as SKY Harbor trade errors.

SKY Harbor believes that every trade error is based on its own unique facts and circumstances and accordingly not susceptible to a standard one-size-fits-all treatment. If a trade error occurs, SKY Harbor will determine the overall impact of the error taking into account relevant facts and circumstances such as prevailing market conditions, volume of transactions, investment guidelines, the nature of the activity giving rise to the error, the degree of departure, if any, from established standards of care imposed on us by our Investment Management Agreements (“IMA”) or Fund Prospectus/Confidential Offering Memorandum, and any Limitation of Liability or Indemnity provisions in the governing agreements. In the context of above considerations and based on our judgment, SKY Harbor would determine whether a full, partial or no reimbursement to a client account or fund is warranted. In determining whether SKY Harbor has satisfied the standard of care such that we are responsible for a loss resulting from a trade error, SKY Harbor will have a conflict of interest between its economic interest and the economic interest of the account or fund. The standard of care set forth in the IMA or Fund Prospectuses/Confidential Offering Memoranda does not constitute a waiver of any right that a client or fund may have, or a limitation by SKY Harbor of any responsibility or liability, under the U.S. federal securities laws. Moreover, SKY Harbor generally expects to reimburse clients and funds for losses from errors by reason of willful misconduct, bad faith, or gross negligence in the performance of our obligations.

Where a client loss arises from conduct of third parties, SKY Harbor will seek to recover the amount of the loss from the third party, although SKY Harbor is not responsible for ensuring that third parties compensate clients in such cases. SKY Harbor will take reasonable steps, short of instituting litigation or an arbitration proceeding, to recover the amount of losses resulting from a third-party trade error.

While we will attempt to correct a trade error promptly, correction of trade errors may be delayed in certain cases where investigation of the error is necessary or where further consultation with a particular client is sought.

#### 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 investment and operations teams for changes that could significantly affect client accounts. Our senior portfolio managers also monitor performance of client accounts on a regular and continuous basis. 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 contained in client portfolios.

SKY Harbor provides monthly and 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

Relationships with Consultants: Many of our Clients and prospective Clients retain investment consultants to advise them on the selection and review of investment managers. SKY Harbor has certain Clients that were introduced through consultants. These consultants or their affiliates in the ordinary course of their investment consulting business recommend SKY Harbor's investment advisory services or otherwise place SKY Harbor into searches or other selection processes for a particular client.

Investment consultants are paid by their clients and not by SKY Harbor. SKY Harbor has, however, extensive interactions with investment consultants, both in the consultants' role as adviser for their clients and through independent business relationships. Specifically, the Firm provides consultants with information on portfolios the Firm manages on behalf of mutual clients, pursuant to Client instructions. SKY Harbor also provides information on our investment strategies to consultants, who use that information in connection with their recommendations or searches for their clients. SKY Harbor will also respond to Requests for Proposals ("RFPs") from prospective clients or their consultants in connection with those and other-sourced searches. The Firm relies on each consultant to make appropriate disclosure to its clients of any conflict that the consultant may believe exists due to its relationship with SKY Harbor.

Relationships with Brokers: As previously discussed in Item 12, SKY Harbor does not maintain any soft dollar arrangements. The Firm, however, does receive research and related brokerage services (e.g., invitations to investment-related conferences) from certain counterparties that execute trades for our Client accounts, and the Firm may consider these services in evaluating the overall quality of brokerage services in our selection of counterparties. SKY Harbor has a duty to seek overall best execution for our Clients and has instituted policies and procedures designed to

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ensure that the Firm is receiving best execution for Client transactions over time, taking into account all pertinent factors as set forth in more detail in Item 12 – Brokerage Practices.

Other Relationships: SKY Harbor through its subsidiary in Germany has entered into agreements with offshore third-party financial institutions to pay compensation for investor referrals to SKY Harbor Global Funds, a Luxembourg mutual fund for which the Firm is the investment adviser. These payments for investor referrals come from SKY Harbor's own resources in amounts based upon a portion of the investment management fees earned for assets under management in SKY Harbor Global Funds with respect to investors introduced by the third party. The fact that SKY Harbor may share with third parties a portion of the compensation that SKY Harbor receives for its investment advisory services do not result in any Client or investor being charged investment management fees at a rate in excess of the rate or level or advisory fee disclosed in the offering documents or in excess of fees customarily charged by SKY Harbor for similar services to comparable accounts, nor will SKY Harbor levy any charge for the purpose of offsetting its cost of obtaining an investor or Client through a third-party referral.

SKY Harbor has also entered into written referral fee agreements with solicitors to compensate for referring potential clients for the Firm's Separately Managed Accounts. In its written agreements, the Firm seeks to comply with Rule 206(4)-3 under the Advisers Act including the duty to advise potential clients that the solicitor is engaged by the Firm for a fee.

The Firm does not receive any economic benefits from non-clients for providing investment advice or other advisory services.

## Item 15      Custody

All client assets in Separately Managed Accounts are held at custodians chosen by the client with the exception of commingled investment vehicles sponsored by the Firm (e.g., the Private Funds, SKY Harbor Global Funds), in which case the custodians are chosen by the Firm for the purpose of providing independent administration, depository, custodial and other related services to those vehicles. 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.

Because SKY Harbor serves as a general partner to our Private Funds, we are deemed to have custody of each Private Fund's assets pursuant to Rule 206(4)-2(d)(2) promulgated under the Advisers Act (the "Custody Rule"). SKY Harbor complies with the requirements of the Custody Rule because the assets of each Private Fund are maintained with The Northern Trust Company, a Qualified Custodian that sends an account statement to each limited partner monthly; each Private

Fund is audited annually by KPMG, an independent public accountant that is registered with, and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB No. 185); and the audited financial statements for each Private Fund will be distributed to all investors within 120 days of the end of each Private Fund's fiscal year.

With respect to the Separately Managed Accounts, SKY Harbor does not have possession of client funds or securities in its Separately Managed Accounts or the ability to deduct fees. Therefore, the Firm is not deemed to have custody with respect to such accounts for the purposes of the Custody Rule.

#### Item 16      Investment Discretion

Unless otherwise directed by a client, SKY Harbor generally manages all its client accounts with full power and authority to supervise and direct the investment assets including discretion to make purchases and sales of assets for such accounts without obtaining prior consent from the client. This grant of discretionary authority is contained in the respective Investment Management Agreement or Subscription Agreement that each client and investor must execute upon the opening an account with the Firm or subscribing to a pooled investment vehicle. 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 syndicated bank loans or high yield securities of particular issuers or industries that may be purchased for the account. In addition the Firm complies with applicable securities or tax laws and regulations that may impose certain additional restrictions on an account's investment guidelines. In all instances, however, investment guidelines must be appropriate and in context with the nature of the high yield strategies of the Firm. Clients generally establish their own custodial arrangements and provide the custodian with a letter granting us the authority to manage the investments in their accounts. See Item 4 for additional information concerning the Firm's investment discretion.

#### Item 17      Voting Client Securities

SKY Harbor's authority to vote proxies for its clients is established by its investment management agreements or comparable documents. Because SKY Harbor primarily invests in debt securities, the Firm does not normally receive proxy proposals with respect to most of its managed accounts. On occasions when holders of debt securities may be asked to vote (e.g., a corporate restructuring) or for an account in which SKY Harbor invests in equity securities (such as the Opportunistic Fund), SKY Harbor has established proxy voting policies and procedures that are administered by the Chief Compliance Officer and the Operations team that are designed to ensure that proxies are voted in the best interest of our clients.

Where it has the opportunity to vote, SKY Harbor will seek to vote proxies in the best interest of its clients and in accordance with these policies and procedures. SKY Harbor's portfolio managers in conjunction with the Chief Compliance Officer and Chief Administrative Officer have the ultimate responsibility for the implementation and monitoring of our proxy voting policy and procedures including resolving conflicts of interest, recordkeeping and disclosure.

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SKY Harbor shall generally vote in favor of routine corporate housekeeping proposals, including election of directors (absent material corporate governance issues), selection of auditors, and increases in or reclassification of common stock.

For other proposals, SKY Harbor shall determine whether a proposal is in the best interest of its client and take into account factors including but not limited to the following:

- (i) Whether the proposal is recommended by management in light of SKY Harbor's opinion of the quality of the incumbent management;
- (ii) Whether the proposal acts to entrench existing management or conversely to protect competent management against inappropriate outside influence;
- (iii) Whether the proposal fairly compensates management for past or future performance; and
- (iv) Whether the proposal is consistent with industry standards and corporate governance best practices.

Upon request, SKY Harbor will provide a client with a copy of its proxy voting policies and procedures and all relevant proxy voting records and information concerning a client's account.

#### 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.