



PART 2A of FORM ADV

FIRM BROCHURE

# **SKY Harbor Capital Management, LLC**

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March 31, 2021

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. This page summarizes the material changes made to this Brochure since the last annual update of March 30, 2020. 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 December 31, 2020.
- Item 4 Advisory Business: the Firm became sub-adviser to the AXS Sustainable Income Fund, a registered investment company, which began business on October 19, 2020 (Ticker Symbols for Class A shares: AXSMX and for Class I shares: AXSKX).
- Item 5 Fees and Compensation: the Firm has entered into arrangements with institutional clients that provide for performance-based compensation.
- Item 6 Performance-Based Fees and Side-By-Side Management: the Firm has considered and 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.
- Item 8 Methods of Analysis, Investment Strategies and Risk of Loss: adding description of the Firm’s ESG-integration “FASST” process and additional BCP, ESG, Trade Errors, and Currency Risk as material risks.
- Item 8 Methods of Analysis, Investment Strategies and Risk of Loss: noting that all three socially responsible investment funds in SKY Harbor Global Funds has been awarded the LuxFLAG ESG Label for the period from April 1, 2021 to March 31, 2022. LuxFLAG is an independent and international non-profit association created in Luxembourg to promote the raising of capital for sustainable investments by awarding a recognizable label to eligible investment vehicles with the objective to ensure investors that the labelled investment vehicle invest in the responsible investment sector.
- Item 8 Methods of Analysis, Investment Strategies and Risk of Loss: noting that the version of the Short Maturity Sustainable High Yield Strategy in the firm-managed UCITS fund no longer employs a comparative performance benchmark.

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#### Item 4      Advisory Business

SKY Harbor is a women-led, independent investment management firm organized in August 2011 pursuant to the Delaware Limited Liability Company Act and registered as an investment adviser with the SEC under the Advisers Act. The Firm is exclusively focused on managing portfolios comprising corporate high yield bonds and leveraged loans for a global institutional and private wealth management client base. The firm's co-founders and senior leadership, Hannah Strasser and Anne Yobage, have invested together as a team continuously for over three decades and applied their investment process through a wide range of diverse market conditions and economic cycles. SKY Harbor's consideration of environmental, social and governance ("ESG") factors in its investment process was well underway before it publicly became a signatory to the UN-backed Principles for Responsible Investment ("PRI") in October 2015 and the UN Global Compact in 2017. The Firm is a wholly owned subsidiary of SKY Harbor Capital Holdings LLC, a Delaware limited liability company. As of December 31, 2020, the Firm has total regulatory assets under management ("AUM") totaling approximately \$ 4,657,000,000.

SKY Harbor provides continuous and regular supervisory or management services with respect to discretionary and non-discretionary portfolio management services in its two flagship corporate high yield strategies: the broad high yield market and the short duration high yield strategies, both of which invest primarily in below-investment grade ("high yield") debt securities and to a lesser extent also in syndicated bank loans of high yield issuers from time to time depending on market conditions. The Firm does not offer other types of investments, although the Firm offers a number of constrained or unconstrained variations of the flagship strategies including investment portfolios that have socially responsible investment objectives that incorporate at least three commonly-defined ESG strategies and standards, namely: ESG Integration, Negative Exclusions and Engagement.

The broad high yield market strategy is typically managed against the ICE BofA US High Yield Index, 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 or a customized version of the strategy.

The flagship short duration high yield strategy is an absolute return strategy and is generally not managed against a benchmark unless otherwise expressly disclosed in an offering document, requested by client for a particular account, or is one of the customized versions of the strategy.

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 investment management 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 expressly incorporating ESG or other socially responsible objectives. 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 or in the applicable Prospectus or Confidential Private Offering Memorandum.

SKY Harbor is the exclusive investment manager to SKY Harbor Global Funds, an open-end umbrella management investment company currently with three socially responsible 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. Messrs. Gordon Eng, the Firm’s General Counsel & Chief Compliance Officer, and Jeffrey Kazen, the Firm’s Chief Administrative and Risk Officer serve as a directors of SKY Harbor Global Funds along with two Managing Directors of SKY Harbor Capital Management GmbH<sup>1</sup> (“SKY Harbor GmbH”): Messrs. Philippe Descheemaeker and Stefan Balog. Mr. Justin Egan, Managing Director, Carne Global Financial Services Limited and Ms. Sophie Mosnier serve as an 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 Investment Company Act of 1940 (“ICA”) 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.

As of October 16, 2020, SKY Harbor has been appointed sub-adviser to the AXS Sustainable Income Fund (the “Mutual Fund”) following the reorganization of the SKY Harbor Short Duration High Yield Partners, LP, which was a Delaware limited partnership that commenced operations on February 1, 2013 and ended operations on October 19, 2020 (the “Predecessor Fund”). The AXS Sustainable Income Fund is an investment company registered under the ICA with ticker symbols AXSMX for Class A share and AXSKX for Class I shares (the “Mutual Fund”). The Mutual Fund’s objectives, policies, guidelines and restrictions are materially equivalent to those of the Predecessor Fund, which was not registered under the ICA. Following the reorganization the Predecessor Fund has been closed.

SKY Harbor is the sole General Partner and Investment Manager to SKY Harbor Broad High Yield Market Partners, LP (the “Private Fund”), a Delaware limited partnerships exempt from registration under Section 3(c)(7) of the ICA. The limited partnership interests offered have not been and will not be registered under the Securities Act of 1933 (“Act”), as amended, nor the ICA, and such

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<sup>1</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 marketing arm of SKY Harbor Global Funds and does not trade securities for clients, charge brokerage commissions, nor manage client portfolios.

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 ICA. SKY Harbor Broad High Yield Market Partners, LP began business on 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 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  
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 entered into arrangements that provide for compensation based upon the gains generated in a client's account. Such arrangements are 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.

AXS Investments LLC, a Delaware limited liability company formed in August 2019 ("AXS") and registered as an investment adviser with the SEC acts as the investment adviser to the Mutual Fund pursuant to an investment advisory agreement with the Investment Managers Series Trust II. As stated in the Prospectus of the Mutual Fund, AXS is entitled to receive an annual management fee of 0.70% of the Mutual Fund's average daily net assets, calculated daily and payable monthly. AXS in turn compensates SKY Harbor as Sub-Adviser out of the advisory fee that AXS receives from the Mutual Fund.

With respect to the non-US registered open-end investment management company and the remaining Private Fund managed by the Firm, valuations are performed by the respective unaffiliated 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 Private Fund 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, 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 has considered and 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 arrangements with institutional clients that provide for incentive performance-based compensation.

A performance-based fee creates a potential conflict of interest for the Firm by possibly incentivizing the Firm to make investments that are riskier or more speculative than would be 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-based or performance-based fees, this may also give rise to potential conflicts of interest. For example, the Firm could have an incentive to favor those accounts for which it receives a performance-based fee because the Firm will receive a higher fee if their performance exceeds the applicable benchmark. Similarly, the Firm could 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 advisers, registered investment companies, pooled investment vehicles (other than registered 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 have been accepted at the Firm's 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 three 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. In the most recent decade, the fundamental analysis has been increasingly incorporating ESG factors into the investment process. 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 has always been first and foremost 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 in separate account mandates and by our investors in the pooled funds that we manage. We have strived to refine our time-tested fundamental analytics with evolving techniques, one of which is ESG-integration.

ESG integration, often referred to in the context of "sustainable investing," can generally be defined as the explicit inclusion of ESG risks and opportunities into traditional financial analysis based on a systematic process. The explicit consideration of ESG factors is inextricably intertwined with traditional financial analysis and seeks to identify the potential impact of positive and negative ESG issues on company fundamentals, which in turn may significantly influence portfolio construction.

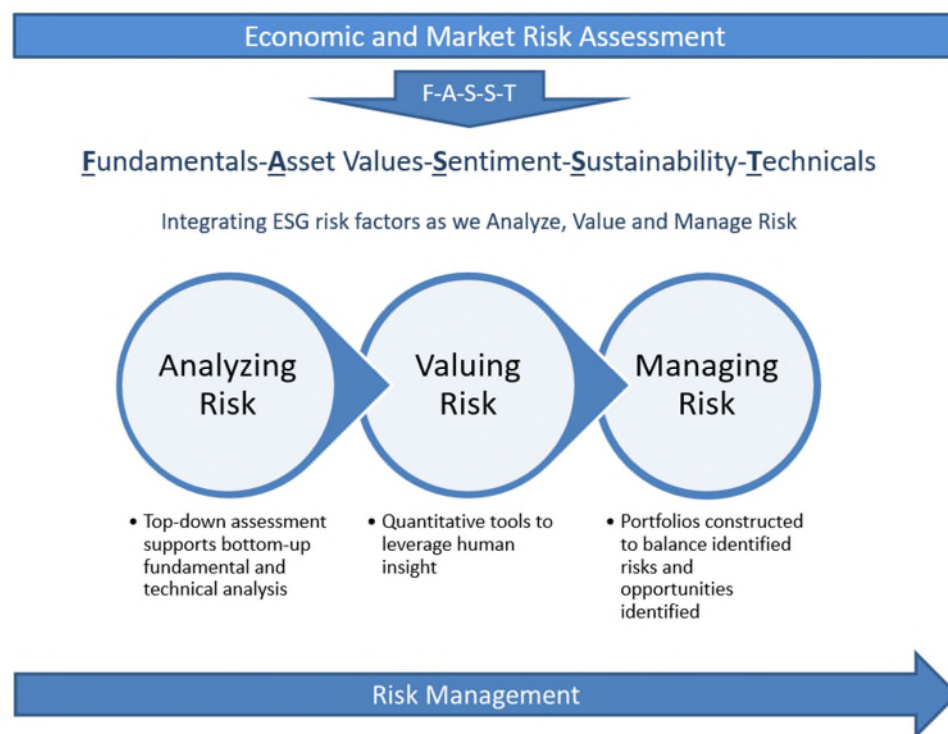
In recent decades and especially in the last few years, the adoption of ESG considerations in investments by the investment industry has accelerated and matured. In our view ESG-integrated investment analysis is an indispensable value-oriented approach that will distinguish best-in-class investment management in the 21<sup>st</sup> century. As further described below, the Firm has embraced this evolution and in recent years has taken steps to incorporate ESG factors in our investment modeling — including launching socially responsible high yield strategies — and to publicly support various international and national ESG collaborations and reporting frameworks including PRI, the UN Global Compact, the Thirty Percent Coalition, FAIRR, the CERES Investor Network, the TCFD, and by membership in the SASB Alliance.

In recognition of the Firm's ESG Integrated approach and its socially responsible investment strategies, the three socially responsible high yield strategies that the Firm manages for the SKY Harbor Global Funds has been awarded the ESG Label for the period from April 1, 2021 to March 31, 2022 (at which time a re-application is required) by the Luxembourg Finance Labelling Agency ("LuxFLAG"), an independent and international non-profit association created in Luxembourg in July 2006 by seven private and public founding partners including the Luxembourg Government, the European Investment Bank, the Association of the Luxembourg Fund Industry and others to support sustainable finance by awarding a recognizable label to eligible investment vehicles with the objective to ensure investors that the labelled vehicles invest in the a socially responsible manner.

## The F.A.S.S.T. Approach to Identifying High Yield Securities

SKY Harbor utilizes an investment process based on fundamental analysis of issuers and markets and technical analysis of security characteristics, supported by quantitative valuation and risk monitoring tools. Our process is robust, employing fundamental, technical analyses and explicit consideration of sustainability risk factors<sup>2</sup> to assess and value dominant risks at the issuer and security levels. We construct portfolios to balance those risks with potential return opportunities using a quantitative framework.

We begin with an understanding of economic conditions and the market risks and opportunities associated with those conditions which feeds into how we assess, value and manage risks in the high yield market. We use our view of the economy and markets – articulated at monthly FASST (Fundamentals, Asset values, Sentiment, Sustainability, and Technicals) meetings – to focus research efforts toward specific investment actions. We retest our views throughout the investment process using the insights gained through analyzing companies and valuing securities.



<sup>2</sup> Sustainability Factors are environmental, social, governance and employee matters including respect for human rights, anti-corruption and anti-bribery matters that may affect a company's Sustainability Risk (used interchangeably with ESG-related Risk), which in turn can be viewed as a sustainability-related event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment.

## ESG-integrated Credit Analysis

Our research/credit selection targets issuers with solid credit characteristics, a high level of financial flexibility and strong operating potential. After an initial Fundamental screen, analysts perform in-depth analysis to identify risks, including sustainability risks, associated with an issuer's Industry Outlook, Operating Potential or Financial Flexibility. The output is a full Business and ESG Due Diligence in the form of a robust proprietary Financial Model that is subjected to a deliberative process at credit meetings to fully assess investment potential and achieve consensus on the merits of an investment. We also perform Technical Analysis to identify and value risks of a security's unique trading characteristics and identify relative and absolute value opportunities. ESG analysis is integrated in this process with the aim of generally avoiding companies that we believe have or will soon experience significantly diminished creditworthiness due to ESG-related risks, even if some of those risks appear to be on the distant horizon.

By its nature, sustainable investing has a long-term perspective and entails the principle of continuous improvement for investors and high yield issuers alike. The Firm's primary investment philosophy of building superior long-term returns through the compounding of income over time and the avoidance of principal losses is also consistent with our efforts at engagement. The purpose of engagement is an attempt to improve the awareness and disclosure by high yield companies concerning their ESG risk factors and to encourage efforts to mitigate potentially harmful externalities in their products, processes or anywhere else along the value chain.

The Firm's engagement is directly led by the Investment and Research teams. In addition to our efforts to personally engage with executives from the high yield companies (both public and private) in which we invest, the Firm also adds its name and support to collective efforts by other non-profit, NGOs, or UN-related collaborations.

As stewards of high yield assets, we believe the modern approach encapsulated by the notion of "stakeholder primacy,"<sup>3</sup> which integrates ESG factors to the investment process including affirmative engagement efforts, ultimately redounds to the benefit of all our portfolios as well as to the companies in which we invest.

## Portfolio Construction

Portfolio construction is designed to manage risks at the portfolio level using a quantitative framework that balances those risks against return opportunities.

For the family of short duration high yield portfolios, we target positions to generate an income opportunity while limiting volatility associated with both credit-spread widening and interest rate shifts. Individual position weights are determined by the portfolio manager and scaled relative to

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<sup>3</sup> Stakeholder Primacy is a notion that envisions the purpose of a corporation from solely and exclusively maximizing shareholder profit to one of balancing shareholder maximization equitably and ethically among a company's key stakeholders, particularly with respect to a company's employees, customers, suppliers, creditors and bondholders, the environment and the communities in which the company operates or its presence is felt.

our risk-return assessment given our fundamental, technical, ESG-related risk and relative value analysis. We employ various quantitative and valuation tools, internally and externally sourced, to analyze the portfolio by classic segmentations (credit rating, sector, industry, duration, yields) and our Custom Market Segmentations (see below). We use daily performance attribution to optimize positioning and identify unintended sources of risk. Short duration portfolios are further refined with securities that we expect to be redeemed through maturities, calls or tenders within an average of three years.

Strategies that expressly apply sustainable objectives and constraints will exclude issuers from certain sectors through negative screening. Generally, negative screening excludes issuers in industry sectors that we believe are inconsistent with the goals and objectives expressed in the UN Global Compact or Sustainable Development Goals. Currently, the following sectors fall into this category: fossil fuel-based energy, thermal coal miners, utility companies that use thermal coal as a primary input, gambling casinos, alcohol, tobacco, purveyors of pornography/adult entertainment, private prisons, and controversial weapon manufacturers. ESG-related negative screening, however, is not the sole tool that we employ; we also seek to target issuers for investment that meet positive ESG-related objectives such as with respect to diversity, inclusion, transparency and robust disclosure.

The broad high yield market portfolios have a longer investment horizon and comprises the full maturity and ratings spectrum across the broad high yield market. Many of the issuers in broad high yield market portfolios are constituents of the ICE BofA US High Yield Index (ticker “H0A0”), although out-of-index securities that offer attractive risk-return characteristics are also eligible for inclusion in these portfolios at the discretion of the portfolio manager.

#### Custom Market Segmentation

While our view of the economy and markets captured in the FASST process are key drivers of our positioning relative to the different sources of risk in the high yield market, we also position risk by employing our Custom Market Segmentation. This proprietary method of evaluating groupings or “buckets” of securities based on similar market-type behavior and characteristics enables the team to set target positioning for different levels of risk and focus research efforts on those investment ideas we believe offer the optimal risk/return opportunities for the current environment.

#### Debated Consensus Investment Decision-Making

The outcomes of this multi-step analysis are confirmed or challenged through what is analyzed at investment committee meetings exemplifying the decision-making protocol we characterize as

“debated consensus,” which distinguishes our investment process and leads to high conviction investment actions with clearly framed risk and return objectives.

## Investment Strategies

### Broad High Yield Market Strategy

The Broad High Yield Market Strategy is actively managed and 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 BofA US High Yield Index or a mutually agreeable similar high yield benchmark selected by our clients, although the portfolio manager has discretion to invest in out-of-index securities. This is a non-leveraged long only strategy. 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.

A variation of the Broad High Yield Market Strategy is a global sustainable version that is a socially responsible investment strategy that seeks to outperform the global high yield market as represented by the ICE BofA Global High Yield Index (Ticker HW00) over a full market cycle with less volatility than the HW00 Index by investing across a diversified portfolio of US and non-US dollar denominated bonds ranging over the full maturity and ratings spectrum of the global corporate High Yield debt universe. The strategy is rooted in fundamental analysis of issuers and industries and incorporates ESG Integration, Negative Exclusions and ESG Engagement. The strategy is currently part of SKY Harbor Global Funds, which is not generally open to US investors.

### Short Duration High Yield Strategy

The Short Duration High Yield Strategy is actively managed with an objective 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, although the Firm manages other accounts and portfolios that are substantially analogous to the Short Duration High Yield Strategy but incorporate a comparative benchmark. This is a non-leveraged long only strategy.

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.

A variation of the Short Duration High Yield Strategy is a socially responsible version that incorporates ESG Integration, Negative Exclusions and ESG Engagement.

#### Short Maturity Sustainable High Yield Strategy

The Short Maturity Sustainable High Yield Strategy is an actively managed socially responsible investment strategy that combines environmental, social, and governance (“ESG”) integration, negative screening, and engagement with an investment objective to generate a relatively high level of current income while experiencing lower volatility than the broader high yield market.

The investment objective is achieved by investing in a diversified portfolio consisting of U.S. dollar denominated, high yield corporate bonds of companies with an average expected life to maturity of approximately five years or less. This strategy incorporates ESG Integration, Negative Exclusions and ESG Engagement. This is a non-leveraged long only strategy and is an absolute return strategy, although the ICE BofA 1-5 Year BB-B US Cash Pay High Yield Constrained Index (“JVC4”) has served as a non-binding comparative performance yardstick. A global version of this strategy includes global high yield bonds denominated in non-US dollars issued in the US, EU jurisdictions or other member countries of the OECD.

#### 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.

- **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.
- **Currency Risk:** certain accounts and portfolios that the Firm manages are exposed to currency exchange risk. Changes in exchange rates between currencies or the conversion from one currency to another may cause the value of an account's investments to diminish or increase. Currency exchange rates may fluctuate significantly over short periods of time. To manage currency exposure, currency futures or forward currency contracts are used to "lock in" the U.S. Dollar or other reference currency price of the security. Use of hedging techniques, even on a passive currency overlay basis (meaning the service provider is not providing investment advice on the merits or suitability with respect to any particular currency transaction), cannot protect against exchange rate risk perfectly. Losses on foreign currency transactions used for hedging purposes may or may not be completely reduced by gains on the assets that are the subject of the hedge. The Firm or its service provider may also purchase a foreign currency on a spot basis in order to conduct its currency hedging activities.
- **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.
- **Business Continuity Plan:** SKY Harbor has a full business continuity plan (“BCP”) that covers the entire business activities performed by the Firm including the ability of all employees to work remotely. This includes virtualized hardware that enables us to instantly recover from an isolated hardware issue, redundant internet and power supply in both our production and business continuity sites, and near-real-time replication that enables the Firm to immediately transfer over to backup servers with little interruption in case of a system failure. The Firm maintains a backup connection to the internet through an entirely separate provider that has ample bandwidth for critical activities. Our plan is fully tested no less than annually and supplemented with targeted tests during the year. SKY Harbor has controls, policies and procedures designed to ensure full operational readiness in a variety of circumstances including when most if not all employees are deployed from remote locations. There can, however, be no guarantees that momentary or extended disruptions by third party service providers, internet carriers, or employee errors while working remotely will not cause clients to suffer financial loss, business disruption, or reputational harm.
- **Trade Errors:** there is no guarantee that despite the best efforts by the Firm, its counterparties or other third parties that a trade error cannot occur. The Firm’s approach to resolving trade errors in the best interests of its clients and investors is set forth in greater detail under Item 12 below.
- **ESG:** there is no guarantee that ESG-integration Negative Exclusions and ESG Engagement will result in the optimal asset allocation or portfolio construction leading to the best risk-adjusted returns. ESG considerations may be based on company disclosures or third-party information sources that are forward looking statements of intent and not necessarily fact-based or objectively measurable. This lack of uniformity and objective metrics can lead to missed opportunities or miscalculations as to the realized future impact of perceived positive and negative ESG factors on company fundamentals, leading to less than desired investment outcomes.

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.

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 permitted to buy and sell publicly listed equity securities of high yield issuers subject to approval by the Compliance Department so long as the high yield debt of the issuer not been designated by a portfolio manager for imminent purchase or sale for any of the Firm's accounts. Debt securities of high yield issuers in which the Firm transacts for its clients and investors, however, are prohibited for employee personal accounts. 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), non-US mutual funds, a domestic private investment limited partnership exempt from registration as investment companies under Section 3(c)(7) 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 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 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.

Any losses arising from a trade error caused by SKY Harbor shall be promptly redressed with timely restitution in the best interest of the clients and/or investors in any account managed by the Firm. Gains arising from trade errors committed by the Firm shall remain in the subject account and any losses arising from trade errors committed by the Firm shall be fully reimbursed.

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 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 a non-US solicitor to compensate for referring potential non-US clients for the Firm's Separately Managed Accounts. In its written agreement, the Firm seeks to comply with Rule 206(4)-3, as amended 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 the Private Fund, we are deemed to have custody of the 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 the Private Fund are maintained with The Northern Trust Company, a Qualified Custodian that sends an account statement to each limited partner monthly; the 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 the Private Fund is distributed to all investors within 120 days of the end of the 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, 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.

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.