SphereInvest | GROUP

April 2015

GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

	MTD Return (Net)	YTD Return (Net)	NAV per Share
Class F (USD)	1.66%	4.69%	126.90
Class D (EUR)	1.55%	4.48%	125.47

Performance Since Inception

Annualized Return: 8.7%
Annualized Volatility: 2.3%
Sharpe Ratio: 3.8

Fund Terms

Regulatory	UCITS IV
Liquidity	Weekly
Start Date	2nd July 2012
Management Fee	1.5 % (Retail) 1% (Institutional)
Performance Fee	5% Incentive Fee
Minimum Investment	Retail = 100,000 (GBP, EUR, USD, CAD, CHF) Institutional = 200,000 (GBP, EUR, USD, CAD, CHF)
Domicile	Malta
Administrator	Equinoxe Investment Services (Ireland) Ltd.
Custodian	RBC International
Auditor	Deloitte & Touche
Legal Counsel	Ganado & Associates

Portfolio Commentary

April saw the partial unwind of 2015's most popular trades, with the Dollar weakening broadly as the DXY index fell 5.4% from its recent high. European QE-related trades faired poorly: having reached an all-time low mid-month, German 10-year yields added more than 30bps during the last week (a sell-off which has so far extended during the first week of May). EM assets, on the contrary, after experiencing a period of significant underperformance, recovered further, led by the spectacular rise of Chinese stocks (the Shanghai Composite index soared +18.5% during April, bringing year-to-date return to 37%). Commodities bounced, supported by the weakness of the Dollar and tentative signs of supply rationalization or stronger demand: notably, oil and iron ore both rose approximately 19%. Global high yield markets broadly mirrored those developments: US HY was buoyed by the recovery of oil, returning 1.1%, led by the energy sector (+4%). EM HY performed strongly, rising 3.6%, with spreads reaching their tightest since November 2014. Euro HY remained subdued for a second month on challenging valuations, diminishing QE tailwinds and continued concerns over Greece (+0.43%).

Some April market developments, including the Dollar correction and the sell-off in European Government Markets (EGM), could be explained by one-sided investor positioning and a loss of fundamental momentum.

Many of 2015's best performing trades had relied on the assumption the US was recovering strongly ahead of most other Developed and Emerging Markets. With many major Central Banks loosening during the first 3 months, while the Fed appeared set to hike in June, the "divergence trade" performed well for early on; it began to unravel as signs mounted the US's recovery remained feeble, impacted by temporary factors (once again, first quarter GDP growth suffered from cold weather conditions) and cyclical headwinds, including lower fixed capital formation due to the slump in shale investments. Although the April FOMC minutes downplayed recent economic weakness and left the possibility of hiking in June open, "lift-off" expectations have now firmly been pushed back to September at the earliest. In Europe, the oil recovery and weaker Euro have helped reduce deflationary pressures. Finally, a big "EM crisis" has once again failed to materialize within the short timeframe in which international capital markets operate, providing, similarly to the post "taper tantrum" period, breathing room for the most vulnerable countries, such as Brazil or Turkey. May has so far seen a continuation of the "divergence trade" unwind, with rising volatility in EGM further unsettling investors – such as ourselves – which had been expecting volatility to remain suppressed by the ECB purchases. At the same time, credit markets (and other risk assets, such as equities) have remained remarkably resilient, suggesting the recent turmoil could be a mere correction of historically expensive valuations in rates, while positioning in credit markets wasn't as stretched.

Investment implications for the Fund:

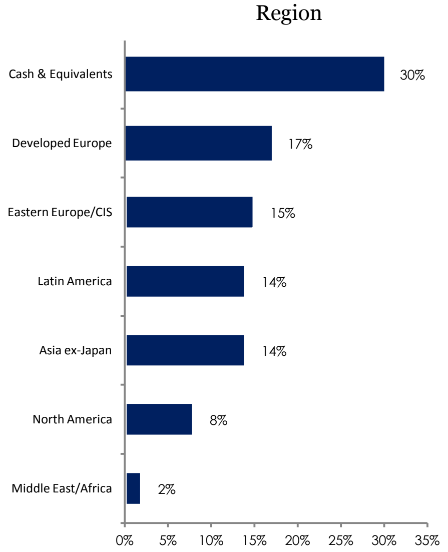
We believe the recent rise in EGM volatility has removed one of the few justifications for holding low-yielding, "high-quality" Euro HY bonds. While the improving economic outlook in Europe should continue to support more leveraged assets and imply a certain spread convergence, we are cautious on the entire Euro HY market: its resilience has, ironically, left spreads barely changed (or even tighter) through April and May so far, implying that risk-reward (as measured by information-ratios) is actually deteriorating. In EM, more stable currencies and commodities as well as reduced expectations of near-term capital outflows could encourage investors to look for higher carry. The pillars of the recent EM recovery, however, appear particularly uncertain. Among our concerns, EM is lacking idiosyncratic positive drivers: many of the recent "reforming countries", from Mexico to Indonesia and India, have disappointed investors; on the other hand, recent momentum in countries such as Russia or Brazil is "positive" only relative to rock-bottom investor expectations. With EM owing its appeal largely to the current uncertainty about the US economy, it should remain very vulnerable to sentiment reversals. Overall, having become more positive on beta at the start of April, we again reduced our exposure during the month and are focused on credit specific stories.

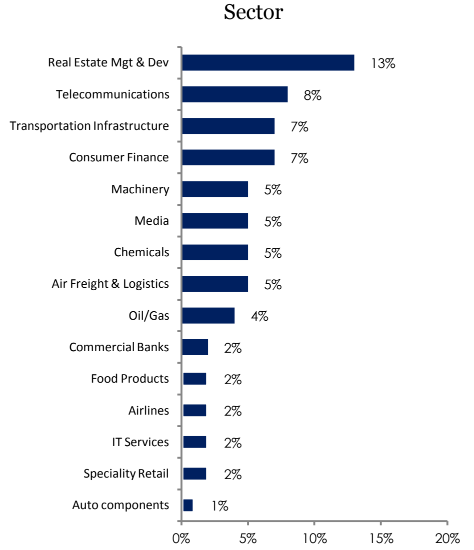
All positions in the fund performed well during April. Reflecting a still volatile market, a number of positions were opened and closed intra-month, notably higher duration positions such as VEB 2025, the Russian State-owned lender, or Petrobras 2024 (a position opened in anticipation of some spread normalization after the Company released their long-awaited audited earnings). A few bonds which had underperformed in recent months regained some ground, either reflecting the broader market strength (such as our position in Gol, the Brazilian airline, which benefited from the stabilization of the Brazilian Real); or credit specific developments (such as Axtel, the Mexican fixed line company, which was upgraded during the month by Moody's). Our position in Global Ports Holdings, the Turkish cruise and container ports operator, continued to recover as investors await its May IPO. Finally, as described in our previous letter, we opened a few oil & gas related position during February and March, which performed strongly during April, such as our positions in Nostrum Oil & Gas, the Kazakh E&P, and Topaz Marine, the Dubai-based offshore support vessel company.

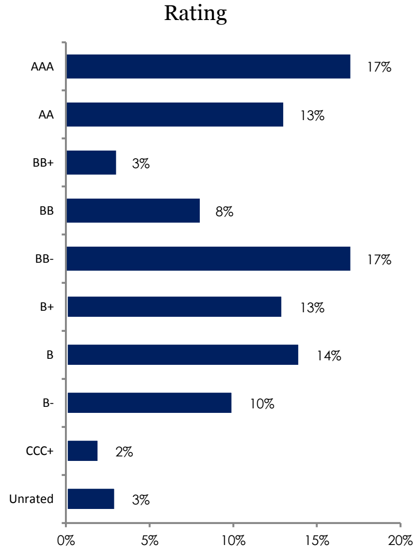
Portfolio Composition

Portfolio Yield: 5.4%
Portfolio Duration: 3.5

Average Rating: BB-
Number of Holdings: 33







Monthly Performance Since Inception

Class F (USD)

	Jan	Feb	Mar	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	YTD
2012							0.15%	0.72%	0.78%	2.11%	1.24%	1.72%	**6.90%**
2013	0.97%	0.11%	0.54%	1.64%	-0.04%	-2.16%	1.11%	-0.06%	1.70%	1.66%	0.14%	0.67%	**6.40%**
2014	0.84%	1.08%	0.84%	1.10%	1.20%	1.04%	-0.20%	0.91%	-0.51%	0.14%	0.66%	-0.71%	**6.56%**
2015	-0.22%	1.80%	1.38%	1.66%									**4.69%**

Class D (EUR)

	Jan	Feb	Mar	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	YTD
2012							0.20%	0.66%	0.70%	2.04%	1.20%	1.62%	**6.59%**
2013	0.87%	0.12%	0.54%	1.54%	-0.06%	-2.21%	1.16%	-0.07%	1.67%	1.66%	0.13%	0.65%	**6.11%**
2014	0.85%	1.06%	0.77%	1.09%	1.25%	1.01%	-0.21%	0.92%	-0.62%	0.12%	0.59%	-0.79%	**6.18%**
2015	-0.29%	1.82%	1.33%	1.55%									**4.48%**

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