SphereInvest | GROUP

MORNINGSTAR ★★★★★

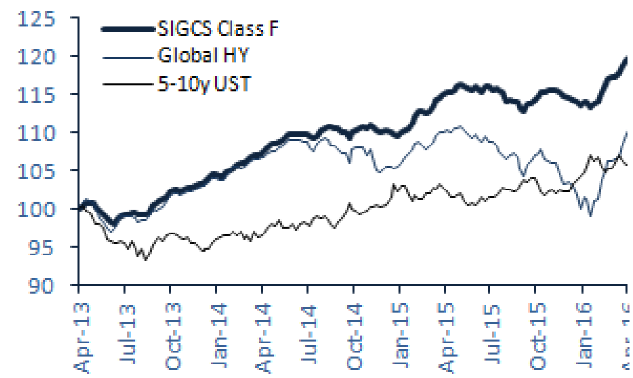
GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

Class F (USD): MTD return: 2.12% 2016 return: 4.71% NAV per Share: 131.89
Class D (EUR): MTD return: 1.92% 2016 return: 4.09% NAV per Share: 129.19

	2016	1-year		3-years	
	Return *	Return *	Sharpe	Return **	Sharpe
SIGCSF Class F (US$)	**4.7%**	**3.9%**	**0.51**	**11.6%**	**1.92**
BOFA Global High Yield	**6.7%**	**0.1%**	**-0.05**	**3.3%**	**0.23**
BOFA EM High Yield	7.6%	3.6%	0.22	6.3%	0.36
BOFA Europe High Yield	3.6%	1.4%	0.07	6.7%	0.38
BOFA US High Yield	7.4%	-1.3%	-0.14	1.2%	0.04
BOFA US Treasury 5-10yrs	3.8%	3.8%	0.38	9.5%	1.05
MSCI World	0.9%	-5.7%	-0.21	-0.6%	-0.05
MSCI Emerging Markets	6.3%	-19.4%	-0.51	-15.2%	-0.47

* Period Return
** Annualized Weekly Returns and Sharpe Ratios



Source: SphereInvest Group; Bank of America Merrill Lynch

Portfolio and Market Commentary

Credit markets rallied strongly again during April, carried by the previous month's momentum, with few triggers to alter the new narrative since mid-February. In broad strokes, the market turmoil at the end of 2015 and the start of the year was centred on a few pressure points, linked by the strengthening dollar – a key headwind for US manufacturing and commodity producers, as well as a policy challenge for China – and a Fed reluctant to include the Dollar and international developments in its reaction function.

Improving economic conditions in China (albeit, at the cost of a new credit boom), coupled with the Fed's change of heart on March 16th, led investors to unwind long Dollar positions, in turn boosting commodities and EM assets. This, despite a still-muddled global outlook and widespread concerns about the sustainability of China's recent recovery. On April 12th, the IMF reduced its 2016 growth outlook to 3.2%, only marginally above the 3% rate it considers a technical global recession. Meanwhile, in spite of hyperactive central banks, Japan and the Eurozone have emerged as the main losers of the halt to the dollar's bull run, with their equity markets (and to a lesser extent, Europe's high yield credit), underperforming. During April, high yield credit returned 4.3%, 1.9% and 3.3% in the US, Europe and EM, respectively; we provide in the table above a more comprehensive overview of markets relevant to the fund.

As often in recent years, any rally on a backdrop of mediocre fundamentals seems to elicit much investor scepticism, while conviction levels often appear much stronger at times of market sell-off, such as the start of the year, when recession risks had appeared – finally – to be vindicated. Bias towards pessimism may be going some way towards explaining recent years' pattern of sharp sell-offs and rallies, seemingly at odds with economic conditions, which have remained much less volatile: without discounting recent shocks, such as the collapse of oil prices or the sudden devaluation of the Yuan last August, immediate recession risks were probably never as high as priced by markets in early 2016, nor did fundamentals change dramatically to justify the asset rebound over the past months. There are various possible explanations. We suspect most investors, including ourselves, continue to struggle to see the triggers of a sustainable pick-up of growth in much of the Developed World – and, therefore, default to forecasting an impending recession since, the "new normal" of mediocre growth does not seem sustainable – if only because of the social unease it generates, apparent in resurgent populism across developed countries. Meanwhile, Emerging Markets, on their face, still offer some prospect of growth (thanks to demographics, expansion of middle-class consumerism and infrastructure needs), explaining renewed investor enthusiasm for them, rather ironically, since they also remain the centre of investor concern around commodities, China, and the Fed hiking cycle.

Without the anchor of improving fundamentals, the evolution of corporate credit spreads will likely continue being dictated by "technicals" (the catch-all term covering investor positioning relative to their benchmarks, the balance of fund flows and new issues, or, more recently, expected ECB purchases of IG corporate bonds); the "search for yield"; and default allocations by investors unable to find competitive opportunities in other risk asset classes – until valuations become obviously stretched, investment mistakes become apparent (for instance through rising defaults) or any exogenous shock make investor question their allocation, triggering the next market reversal.

While we are uncertain what could break the repeating pattern described above, we believe its investment implications are clear:

1) The "new normal" is an unsatisfying, in many ways worrisome state; but it remains inherently favourable to credit markets. Low yields are not an artificial consequence of Central Bank activism. This was proved again, if need be, by the fall in treasury yields since the Fed started normalizing in 2013: low yields are a consequence of low growth and inflation. While concerns about credit quality and default risks in a low growth environment are legitimate, we believe spreads will always struggle to remain at elevated levels following any sell-off: it is worth remembering a bond is a zero-sum game instrument (as long as it does not default): any credit premium priced in excess of actual default probability is free yield provided to the buyer, an attractive scarcity in an environment where more than $7 trillion of government bonds offer negative yields.

2) Buy-and-hold and benchmarked investing are unattractive strategies, given the market's deteriorating Sharpe ratio. We believe the tension between the "search for yield" pulling investors to high yield credit, a growth-sensitive asset class, at the same time as they fret about the economic outlook, will mean high yield credit markets will likely continue trading "sideways", but in a wide and volatile range – offering trading opportunities to unconstrained investors such as the Fund.

Portfolio Composition

	Rating	NAV (%)	Price	Dur.	Yield	Spread
SphereInvest Global Credit Strategies	BB-	100 %	101.3	1.9	5.4 %	419
Largest 5 Positions	BB-	20 %	104.3	2.6	6.9 %	585
Regions						
Cash and Equivalents	AA	29 %				
Central & Latin America	BB	27 %	99.1	3.6	7.2 %	588
Developed Europe	B	26 %	104.2	2.0	7.1 %	476
Eastern Europe / CIS	B+	10 %	105.4	2.1	7.3 %	492
Asia-ex-Japan	BB-	6 %	97.6	1.1	11.7 %	1,064
Supranationals	BBB	1 %	100.4	4.3	5.4 %	415
Middle East / Africa	CCC	1 %	75.9	3.0	17.8 %	1,600
Corporates/Financials						
Corps	B+	59 %	101.4	2.6	7.7 %	590
Cash and Equivalents	AA	29 %				
Financials	BB	12 %	100.5	2.9	7.7 %	592
Sectors						
Services	B+	17 %	102.4	2.3	7.5 %	538
Media/Telco	B+	17 %	101.7	2.7	7.2 %	561
Commercial Banks	BB	12 %	100.5	2.9	7.7 %	592
Consumer Cyclicals	B	6 %	103.4	2.5	7.5 %	318
Automotive	BB-	5 %	97.0	1.7	11.7 %	1,095
Oil/Gas	BB+	5 %	98.6	5.0	7.7 %	715
Basic Industry	BB	3 %	103.2	0.0	4.0 %	339
Real Estate	B	3 %	103.5	2.1	8.3 %	727
Consumer Non Cyclicals	B	2 %	106.5	0.7	6.8 %	489
Soft Commodities	BB	1 %	89.1	9.9	9.3 %	717
Ratings						
B	B	33 %	100.7	2.6	8.5 %	676
BB	BB	30 %	101.9	2.4	6.9 %	494
AA	AA	29 %				
BBB	BBB	5 %	105.1	5.3	4.3 %	395
CCC	CCC	3 %	95.4	1.5	11.4 %	934
Currencies						
USD	BB-	68 %	98.4	1.6	4.9 %	404
EUR	B+	23 %	105.5	2.5	6.3 %	454
GBP	B+	9 %	102.9	1.9	7.4 %	427

Monthly Performance since Inception

Class F (USD, MT7000005617)

	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%	0.93%	-0.54%	-0.19%	-1.19%	-1.27%	1.82%	0.73%	-0.99%	**3.91%**
2016	-0.34%	0.03%	2.86%	2.12%									**4.71%**

Class D (Euro, MT7000005591)

	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%	0.97%	-0.63%	-0.50%	-1.27%	-1.46%	1.77%	0.91%	-1.13%	**3.35%**
2016	-0.42%	-0.01%	2.57%	1.92%									**4.09%**

Class E (GBP, MT7000005609)

	Jan	Feb	Mar	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	YTD
2015					0.69%	-0.51%	-0.17%	-1.21%	-1.29%	1.86%	0.68%	-1.02%	**-1.01%**
2016	-0.38%	-0.08%	2.79%	2.07%									**4.42%**

Past Performance is no guarantee of future results.
Performance figures are net of all fees.

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 = 25,000 (GBP, EUR, USD, CAD, CHF) Institutional = 200,000 (GBP, EUR, USD, CAD, CHF)
Domicile	Malta
Administrator	Equinoxe Alternative Investment Services (Ireland) Ltd.
Custodian	RBC International
Auditor	Deloitte & Touche
Legal Counsel	Ganado & Associates