SphereInvest | GROUP

SphereInvest Global Credit Strategies (UCITS) Fund

Weekly Performance Period: 3rd to 30th August 2012

Class D (EUR) MTD return	***+0.66%***	***YTD return[(1)]***	***+0.87%***	***NAV per Share***	***100.87***
Class F (USD) MTD return	***+0.72%***	***YTD return[(1)]***	***+0.88%***	***NAV per Share***	***100.88***

[(1)] YTD from inception on 2nd July 2012

Whether they were reassured by ECB President Draghi's declaration on July 26th to do "whatever it takes to preserve the Euro", or, as likely, because they were on holiday, bond vigilantes allowed the Eurozone crisis to recede into the background for the better part of August. We remain concerned that August will prove only a hiatus, with September already likely to provide tougher tests of the ECB's and Eurozone government's ability to deliver more than statements of intent.

Meanwhile, macro data was mixed and inconclusive in the US, but pointing to a pronounced slowdown of the Chinese economy. Away from soft commodities and oil, which added almost $10 during August on renewed concerns about Iran, the commodity complex continues reflecting weak demand conditions in China, with iron ore, in particular, extending its fall to its lowest price since 2009. Credit investors, however, seemed mostly focused on deploying their cash amid continued strong inflows into the asset class and seasonally limited primary market activity. This ensured another month of strong performance across the credit spectrum: spreads were tighter by 13 basis points and 7 basis points in Developed and Emerging Markets Investment Grade markets, respectively, while the global high yield market returned 1.6%, bringing year-to-date returns to 12.1%.

The fund's trading activity remained limited during August. The thin market liquidity characterising markets during the summer months means bond valuations can depart a long way from true market clearing levels, and we remain convinced a number of high yield bonds are poised for a correction. As things stand, the second week of August already provided a first test of how investors hungry for yield can allow themselves to disregard company fundamentals. A number of bonds issued by coal miners or Chinese industrial companies fell sharply towards the end of the month, after they reported weak, although crucially largely in-line with analyst expectations, first-half earnings.

Notwithstanding - or as result of - the strong performance of high yield bonds so far this year, we feel credit investors' tolerance for risk will actually decline through the end of the year, as they focus on preserving their profits in the face of what remains a very uncertain outlook. The tailwind of strong fund inflows is also likely to fade as we expect a very busy primary market during September and October to help investors reduce their cash balances. Over the coming months, we will remain focused on taking advantage of episodes of volatility to build up positions in solid credits, at fairer valuations than currently.

Sources: JP Morgan's CEMBI Investment Grade Index; Bank of America Merrill Lynch Global Broad Market Corporate Index and Global High Yield Index.

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	Market Value (%)
SphereInvest Global Credit Strategies	100%
Largest 5 positions	**19%**
Strategies	
Cash	65%
High Vol Portfolio	22%
Low Vol Portfolio	13%
Regions	
Cash	65%
LATAM	11%
Eastern Europe / CIS	10%
Developed Europe	6%
North America	4%
NJA	4%
Corporates/Financials	
Cash	65%
Corps	28%
Banks	7%
Sectors	
Cash	65%
Automotive	8%
Consumer Finance	7%
Media	6%
Oil/Gas	6%
Telecommunications	4%
Real Estate	2%
Consumer Cyclicals	2%
Ratings	
AA	65%
BB-	9%
B	7%
B-	5%
BB	4%
BB+	4%
NR	3%
B+	3%
Currency exposure	
USD	91%
EUR	6%
GBP	3%