SphereInvest | GROUP

August 2015

GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

	MTD Return (Net)	YTD Return (Net)	NAV per Share
Class F (USD)	-1.19%	3.65%	125.64
Class D (EUR)	-1.27%	3.29%	124.04
Class E (GBP)	-1.21%	-1.20%	98.80

Performance Since Inception

Annualized Return: 7.41%
Annualized Volatility: 2.4%
Sharpe Ratio: 3.1

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 Investment Services (Ireland) Ltd.
Custodian	RBC International
Auditor	Deloitte & Touche
Legal Counsel	Ganado & Associates

Portfolio Commentary

August was a very volatile and weak month for global risk assets. The commodity complex weakened further through the first 3 weeks with key commodities breaching psychological levels, notably the WTI oil benchmark and copper, which briefly fell below $40/barrel and $5000/ton, respectively. Weakness in global equity markets accelerated at the end of the third week, extending to US markets which had until then proved more immune to the turmoil in China than Western Europe's. Over two days, on Friday 21st and Monday 24th, the VIX index, a measure of implied equity volatility, jumped 112% to reach levels last seen during the 2008 financial crisis, and exceed intra-day the level it had reached at the height of the 2011 Eurozone crisis. In comparison to those dramatic moves, credit markets, while weak, were relatively resilient, supported by the strength in core rates. Global IG spreads widened 12 bps, while in HY markets, Euro, US and EM recovered somewhat in early September to generate total returns of -0.81%, -1.56%, and -2.69%, respectively, over the fund's performance period (July 30th to September 3rd).

As often with markets upheavals, identifying a single cause is difficult. While the devaluation of the Yuan is often singled out, it was not an immediate trigger: risk aversion spiked almost 2 weeks after it was announced by the Chinese authorities on August 11. The fall of commodities probably contributed to the weaker sentiment, but it was hardly a new development; timing-wise, the collapse in some commodities also appeared largely coincident with (rather than a cause of) the volatility seen across risk assets.

A string of poor economic data in China during August raised investor anxiety about the Chinese economy and the potential fallout for DM. More sophisticated explanations have been advanced, including capital outflows out of EM, leading to a global "quantitative tightening": by selling Treasuries to support their currencies, EM have effectively been tightening global liquidity, a development which may have been made more obvious by the devaluation of the Yuan, then followed by the Chinese authorities' attempt to limit its weakening. Finally, recent developments have dented the credibility of Chinese policy-makers, who both mismanaged the collapse of domestic equity markets and their communication around the Yuan devaluation. We believe international investors generally have little faith in China's economic data, but extra faith in the competency of its policy-makers. While the quality of Chinese statistics remains problematic, August has raised a number of new questions around Chinese authorities' commitment to market reforms and ability to manage the economic slowdown.

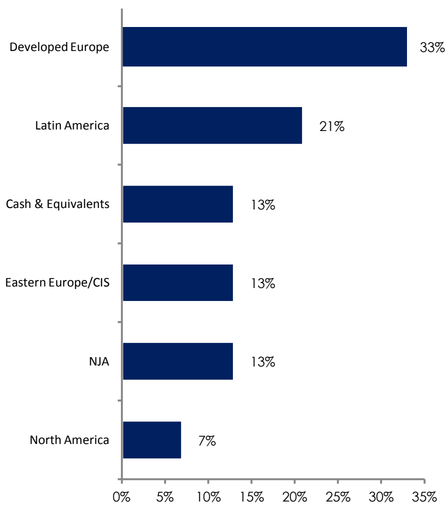
By pushing back investor expectations about the first hike timing, recent market volatility has also paradoxically raised downside risks around the September FOMC meeting, in our view. We believe investors had previously largely adopted the Fed's careful narrative, laid out again in June: economic conditions would probably warrant a rates hike before the end of the year, but the pace of normalization was likely to remain gradual, and policy remain very accommodative. By mid-August, Fed fund futures showed investors were still pricing in a 74% probability of a hike by the end of the year, and 50% in September, leaving the Fed's essentially able to surprise markets on the "dovish side" only. August helped pushed back investor expectations significantly (as of September 3rd, the probability of a September hike had declined to 30%, and to 58% for the end of 2015), raising the risk the Fed ends up more hawkish than expected, and that any action it takes at the upcoming meetings be considered a policy mistake – both outcomes being very negative for risk assets, in our view.

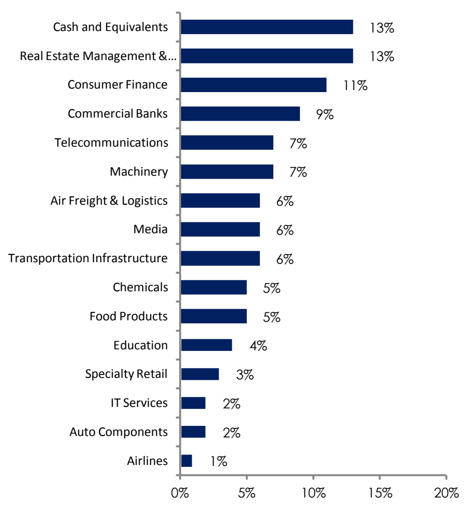
In broad terms, the Fund entered August with a positioning reflecting our central thesis of a sub-par global economic recovery, underpinned by loose monetary policy in the Eurozone, a well-flagged path to gradual normalization in the US, and the continuation of the managed slowdown of China. We do not believe August events proved that basis wrong. With the benefit of two weeks having passed since Monday 24th, trying to pinpoint the triggers for the current market malaise and assess whether markets were overreacting, proved to be the wrong approach. The failure of volatility to subside significantly will, at the very least, limit the appeal of "retracement trades"; with Sharpe ratios now deteriorating, volatility will also reduce capital availability for risk assets. More fundamentally, none of the concerns described above are likely to be solved overnight: the longer the market malaise lasts, the more credible those concerns are likely to become. Over a longer time horizon, we believe the stabilization of commodity markets, a better understanding of the second degree impact of China's slowdown on DM risk markets and economies, and a broad agreement among investors the Fed's upcoming decision was not a "policy mistake", should help support valuations by the end of the year.

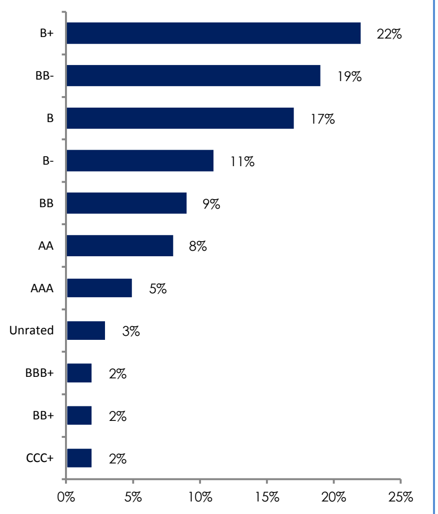
Portfolio Composition

Portfolio Yield: 7.2%
Portfolio Duration: 4.3

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%	0.93%	-0.54%	-0.19%	-1.19%					**3.65%**

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%	0.97%	-0.63%	-0.20%	-1.27%					**3.29%**

Class E (GBP)

	Jan	Feb	Mar	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	YTD
2015					0.69%	-0.51%	-0.17%	-1.21%					**-1.20%**

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