SphereInvest | GROUP

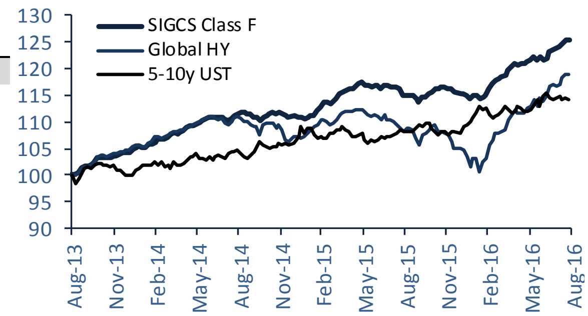
GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

Class F (USD): MTD return: 1.18% 2016 return: 8.64% NAV per Share: 136.84

Class D (EUR): MTD return: 0.98% 2016 return: 7.33% NAV per Share: 133.22

	2016	1-year		3 years		Since Inception	
	Return	Return *	Sharpe	Return *	Sharpe	Return *	Sharpe
SIGCSF Class F (US$)	**8.6%**	**8.1%**	**2.39**	**7.5%**	**2.82**	**7.7%**	**2.95**
BOFA Global High Yield	13.4%	9.1%	1.24	5.8%	1.09	7.1%	1.45
BOFA EM High Yield	15.2%	13.1%	1.94	6.7%	0.96	7.2%	1.12
BOFA Europe High Yield	7.8%	6.4%	1.20	6.5%	0.95	9.3%	1.52
BOFA US High Yield	14.5%	8.6%	0.99	5.2%	0.88	6.3%	1.18
BOFA US Treasury 5-10yrs	5.7%	4.9%	1.03	4.3%	0.95	2.2%	0.46
MSCI World	9.3%	5.6%	0.32	4.6%	0.34	8.1%	0.63
MSCI Emerging Markets	20.6%	10.2%	0.45	-2.0%	-0.13	-1.3%	-0.09



* Annualized Weekly Returns and Sharpe Ratios; Fund Inception: 30/07/12

Source: SphereInvest Group; Bank of America Merrill Lynch

Portfolio and Market Commentary

Although fears raised by the weak US jobs report in May and the Brexit referendum either proved unfounded, or haven't been borne out yet, both were defining moments for global markets during otherwise uneventful summer months. By cementing investors' conviction rates would remain "lower for longer", they triggered an extraordinary reallocation of capital towards fixed income, with broad credit markets seeing very strong – even record, in the case of EM debt - inflows through July and August. Seasonal market illiquidity, limited primary market activity and generally neutral fundamentals, helped credit markets produce strong returns again during August: Euro HY, US HY and EM HY returned 1.9, 2.1, and 1.6% during the Fund's performance period (from 28/07 to 01/09), respectively.

Large market moves often happen because investors were wrong-footed. The main explanation behind the year-to-date strong market performance: consensus proved too pessimistic time and again, leaving under-invested investors to chase runaway markets. As the year began, consensus overestimated near-term recession risks in the US and the readiness of Chinese authorities to de-emphasize growth in the name of structural adjustments. More recently, markets not only failed to predict the outcome of the Brexit referendum, they overemphasized its impact on global growth and by late June, weren't expecting the Fed to hike before January 2018, an assumption which has since gradually corrected.

The inescapable feeling is of investors flying blind about the state of the global economy, and relying on central banks' (CBs) accommodation and -crucially- the failure to achieve their mandates, to guide their investment decisions. The fact extraordinary accommodation in Japan and Europe proved so supportive for risk assets was never a given: the BoJ's introduction of negative interest rate policy in January initially caused an asset sell-off, amid concerns about central bank credibility, damage to banks' lending ability, and savers' behaviour. Over the course of the year, those concerns appear to have given way to a more benign narrative: the perceptions CBs have condemned themselves to the Sisyphean task of fighting structural issues with inadequate tools – in the process never achieving their aims, but providing endless support to asset prices.

The widening of high yield spreads during 2015 correctly predicted rising default rates in 2016, led by energy producers. Although commodities have recovered from their February lows, most remain lower than, or within distance of, levels during the second half of 2015, when concerns about the exposure of HY markets was intensifying. However, the dramatic year-to-date recovery of commodity producers' spreads appears rational, in our view: in part due to the self-reinforcing nature of credit markets (improving credit conditions fundamentally benefit vulnerable borrowers most) but also to often impressive cost-cutting and balance sheet repair, achieved through asset sales and/or consensual debt restructuring. As always, the diversity of EM countries eludes generalization. Strong performance of EM debt during 2016, owes much to falling DM rates, benign data in China and the stabilization of commodity prices. Among EM bellwethers, growth expectations in Turkey and Mexico have been downgraded, the institutional crisis in South Africa is worsening again, leaving reformist administrations in Argentina and Indonesia and the recently confirmed new President of Brazil rather isolated to carry EM investor enthusiasm.

We suspect renewed focus on the timing of the next Fed hike – either September, or December according to current market pricing – will not be helpful to time the next market correction. While we do not ourselves believe there is such thing as a "dovish hike" (a hike accompanied by a commitment not to raise further), investors have been consistently rewarded in recent years to assume this Fed has an ingrained dovish bias. We suspect any discussion about the shallowness of the path of rate hikes or lowering of the "dots plot", would likely be enough to keep long rates stable and make credit investors buy any dip in their markets.

The Fund's construction has, since inception, relied on regular profit-taking based on strict valuation targets – implicitly assuming market spreads will regularly experience retracements on their way to local tights. Nothing we have observed in recent market behaviour makes us believe this pattern is broken. While timing the next market correction remains as hard as ever, we believe our disciplined investment style has served, and will continue to serve, our investors over the full market cycle.

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%	0.55%	0.03%	1.96%	1.18%					**8.64%**

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%	0.39%	-0.08%	1.81%	0.98%					**7.33%**

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%	0.48%	0.03%	1.95%	1.01%					**8.08%**

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

Portfolio Composition

	Rating	NAV (%)	Price	Duration	Yield	Spread
SphereInvest Global Credit Strategies	B+	100 %	103.1	2.8	4.4 %	382
Largest 5 Positions	BB-	21 %	106.5	3.3	5.8 %	511
Strategies						
Low Vol Portfolio	BB-	43 %	103.7	3.7	6.1 %	521
Cash and Equivalents	AA+	33 %				
High Vol Portfolio	B	24 %	103.4	5.1	7.4 %	670
Regions						
Cash and Equivalents	AA+	33 %				
Latin America	B+	24 %	101.4	4.9	7.6 %	642
Eastern Europe / CIS	BB-	18 %	103.8	3.8	5.9 %	517
Developed Europe	B	17 %	105.1	4.2	6.8 %	635
Africa	BBB	4 %	105.7	4.0	4.1 %	311
Asia Ex-Japan	B+	4 %	107.1	2.3	5.7 %	492
Corporates/Financials						
Corps	B+	51 %	104.0	4.4	6.9 %	608
Cash and Equivalents	AA+	33 %				
Financials	BB	16 %	102.5	3.6	5.7 %	471
Sectors						
Cash and Equivalents	AA+	33 %				
Commercial Banks	BB+	14 %	102.2	3.7	5.6 %	455
Telecommunications	BB-	11 %	102.2	3.8	6.9 %	585
Food Products	B+	9 %	103.6	6.9	7.0 %	575
Oil, Gas & Consumable Fuels	B	7 %	103.7	3.9	7.2 %	614
Consumer Finance	B	6 %	105.7	3.9	7.4 %	706
Media	B	5 %	105.4	3.6	6.1 %	594
Hotels, Restaurants & Leisure	B	4 %	105.1	4.6	6.8 %	568
Paper & Forest Products	B	3 %	102.4	5.5	6.1 %	590
Real Estate Management & Development	B-	2 %	105.3	2.6	7.6 %	681
Education	B	2 %	106.0	4.1	6.3 %	545
IT Services	CCC+	2 %	107.3	2.7	7.3 %	743
Diversified Financial Services	BB-	2 %	101.0	2.6	5.8 %	501
Ratings						
AA	AA	21 %				
B	B	19 %	104.2	4.0	6.7 %	611
B+	B+	12 %	106.5	3.1	6.1 %	518
AAA	AAA	11 %	100.0	0.1	0.2 %	-24
B-	B-	10 %	101.6	3.8	8.6 %	792
BB	BB	8 %	102.7	7.8	7.8 %	639
BB-	BB-	7 %	99.3	4.2	7.3 %	607
BBB	BBB	4 %	105.7	4.0	4.1 %	311
BBB-	BBB-	3 %	104.6	6.9	5.1 %	371
BB+	BB+	3 %	100.7	0.2	1.3 %	73
CCC+	CCC+	2 %	107.3	2.7	7.3 %	743
Currencies						
USD	BB+	80 %	102.4	2.6	3.8 %	314
EUR	B-	13 %	105.3	4.1	6.8 %	683
GBP	B	7 %	105.2	3.1	6.6 %	586

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