GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

Class F (USD): MTD return: -0.99% 2015 return: 3.92% NAV per Share: 125.96

Class D (EUR): MTD return: -1.13% 2015 return: 3.35% NAV per Share: 124.12

Class E (GBP): MTD return: -1.02% 2015 return: -1.01% NAV per Share: 98.99

	1 year		3 years		Since Inception	
	Return *	Sharpe	Return *	Sharpe	Return *	Sharpe
SIGCSF Class F (US$)	**3.9%**	**1.35**	**5.6%**	**2.24**	**6.8%**	**2.72**
BOFA Global High Yield	-2.1%	-0.47	2.4%	0.56	4.7%	1.14
BOFA EM High Yield	3.2%	0.37	1.0%	0.13	4.4%	0.67
BOFA Europe High Yield	1.6%	0.14	5.7%	0.88	8.9%	1.42
BOFA US High Yield	-4.6%	-1.01	1.6%	0.35	3.6%	0.82
BOFA US Treasury 5-10yrs	1.8%	0.40	1.1%	0.21	1.0%	0.21
MSCI World	-2.7%	-0.26	7.5%	0.67	8.7%	0.75
MSCI Emerging Markets	-17.0%	-1.04	-9.0%	-0.63	-4.7%	-0.34

* Annualized Return; Fund Inception: 02/07/12

Portfolio and Market Commentary

2015 ended on a poor note for credit markets. While the Fed provided an upbeat outlook for the US economy to justify its much anticipated rate hike, US HY markets suffered from the fall of oil prices, down almost 18% during the month, and were impacted by the collapse of a credit fund (Third Avenue Focused Credit Fund, “FCF”), raising concerns about outflows from investors in similar funds. During the fund’s performance period (26/11 to 31/12), US HY lost 2.4%. In EM, HY credit lost 3.4% and was dragged down by the weakness in the Brazilian market (-7.7%) after the country was downgraded to non Investment Grade by a second rating agency, while the resignation of reformist finance minister Levy raised concerns of a policy shift towards fiscal loosening. Remarkably given the global focus on economic developments in China, the recovery of the Chinese property market helped the Chinese US$ HY market to remain resilient through the final month of the year and among the best performing markets for 2015 (+10.9%). Finally Euro HY lost 1.94%, largely following global trends on fewer notable regional developments aside from the widely expected extension of the ECB’s QE programme, and heavy losses suffered by the senior bondholders of Novo Banco, the Portuguese lender, highlighting regulatory risks faced by investors in European HY financials (a space the Fund is not active in).

Given renewed investor attention on illiquidity in high yield markets following the freezing of redemptions by FCF, we wanted to address here some investor concerns. Regarding FCF specifically, it was noted that the fund was not a “high yield” fund as much as a “distressed” fund. The distressed market is very illiquid at the best of times, and it is a question for investors and regulators whether it can be accessed in a mutual fund format with daily liquidity (we suspect the answer was always no). More importantly, we feel there is some level of confusion about what dealers’ well-documented reduced ability to maintain bond inventories means for high yield investors. Some participants appear to believe the market has been structurally impaired by excessive financial regulation.

We do not believe this is the case. The HY market is, always has been, made up of many ill-researched credits; while this can generate attractive inefficiencies and be rewarding for research-driven investors, it also means finding a marginal buyer in the absence of a willing dealer can be time-consuming, result in higher transaction costs and sometimes affect market levels. In our view, higher cost of capital (as investors price-in a higher liquidity premium) and higher mark-to-market volatility is the real result of dealer's retrenchment. However, most investors are, correctly so, less concerned by such frictions than by illiquidity at times of market stress. Sadly, illiquidity is a feature of any market impacted by fundamental dislocations, as investors take time to assess the market positioning and new risks & rewards. This is plainly not the result of excessive financial regulation: to believe that dealers were previously willing to "provide liquidity" (ie, transact close to published bid/ask levels without having a counterparty lined-up) during episodes of market stress is a reconstructed fantasy. The US and EM HY markets just went through significant fundamental dislocations during 2015 due to the collapse of commodities and EM currencies and it is no wonder that liquidity in those markets declined during the year. But illiquidity is not what generated capital losses for holders of HY energy bonds. While liquidity remains an important variable to manage, our main focus remains on fundamentals.

Recent volatility in financial markets have many causes, key among which investors' difficulty in describing current economic conditions in the US and China with any certainty. It is striking that answering even the simple question whether the US economy is "strong" or "weak" will bring opposite answers whether investors focus on jobs creation, the healthy service sector, and share Janet Yellen's belief "cycles do not die of old age"; or whether they focus on signs the business cycle is old: from the manufacturing recession, flat lining corporate revenues and global headwinds to tightening credit conditions (due to high yield market stress and Fed tightening). The health of the Chinese economy remains a topic of even greater uncertainty: from the collapse of container freight rates to the crash of "China-sensitive" commodities, most market-based indicators are feeding skepticism about official growth rates. In this context of defiance, investors remain likely to pay close attention to policymakers' actions and every measure to support growth – such as the recent Yuan devaluation – are likely, rightly or wrongly, to be interpreted as a sign the Chinese leadership is reacting to worse-than-disclosed conditions.

How to position in this context? The investment style of our fund is bottom-up driven and not reliant on a fully-formed set of macroeconomic forecasts for the regions in which we invest. Yet, we do need to generate a central macro scenario with some confidence, and clearing even that lower bar is proving more difficult at this point. There is good news, however. We believe current uncertainty in key segments of the markets will almost certainly resolve itself during the year. In the commodity market, we find it hard to envisage that it would take one more year for markets to work out prices at which supply and demand are balanced. While we are agonistic whether oil ends 2016 at $20/bbl or $60/bbl, we do believe investors will soon know which HY producers have a sustainable capital structure and whether opportunities are open to current stakeholders (shareholders and creditors) or only to capital not yet invested (new secured debtholders, or debtors-in-possession). In EM, with the possible exception of China, muddling-through is not a viable scenario in most countries: we believe investors will also soon gain (and possibly force) visibility on the economic and political direction in key markets such as South Africa, Turkey, or Brazil. The right positioning, in summary, is to accept that some questions cannot be answered yet, and while excellent opportunities will almost certainly open during the year, we do not know whether those opportunities are already open to contrarian investors, or whether they will only open as the year evolves. In the near term, the fund will likely remain invested in sectors less vulnerable to developments in China, such as business services, telecoms, real estate, or consumer discretionary in Europe; short-dated bonds; while keeping exposure to industrials at a limited level (the fund currently owns positions in an elevators component manufacturer and an aluminum downstream company); direct exposure to commodities still at zero; and cash balance around 25% to take advantage of opportunities as they arise.

Portfolio Composition

SphereInvest Global Credit Strategies	Average Rating	Market Value (%)	Price	Mod. Dur.	Yield	Z-Spread
	BB-	100 %	98.6	3.2	5.7 %	480
Regions						
Latam	BB-	35 %	94.3	4.8	9.0 %	742
Cash and Equivalents	AA+	31 %				
Developed Europe	B	18 %	103.0	3.8	7.7 %	673
Eastern Europe & CIS	BB-	9 %	101.5	4.1	7.6 %	638
Asia ex-Japan	B	7 %	100.8	6.6	7.8 %	600
Sectors						
Air Freight & Logistics	BB-	11 %	101.5	4.0	8.9 %	776
Telecommunications	BB-	10 %	96.5	3.7	8.4 %	679
Media	B	9 %	93.7	5.9	8.7 %	727
Real Estate	B+	6 %	92.2	5.3	10.0 %	833
Commercial Banks	BB+	5 %	96.2	2.8	7.7 %	639
Specialty Retail	B	5 %	106.8	3.6	7.2 %	697
Education	B	4 %	103.9	4.4	6.9 %	528
Consumer	BB	3 %	101.8	4.4	6.1 %	437
Transportation Infrastructure	-	3 %	100.8	13.9	6.2 %	369
Hotels, Restaurants & Leisure	B	2 %	95.7	4.9	8.8 %	691
Consumer Finance	B	2 %	104.7	3.4	6.6 %	510
Auto Components	BB	2 %	92.5	5.1	8.9 %	700
Food Products	B	2 %	106.8	3.3	6.9 %	535
IT Services	CCC	2 %	107.4	3.2	7.7 %	749
Machinery	B	2 %	94.7	5.1	9.5 %	898
Airlines	B	1 %	30.3	3.5	28.9 %	2812
Ratings						
B	B	38 %	100.0	4.3	8.3 %	707
BB	BB	23 %	96.0	4.2	8.5 %	690
AAA	AAA	17 %	100.0	0.0	0.1 %	0
AA	AA	14 %				
BBB	BBB	3 %	83.4	5.2	9.8 %	795
NR	-	3 %	100.8	13.9	6.2 %	369
CCC	CCC	2 %	107.4	3.2	7.7 %	749
Currencies						
USD	BBB	75 %	95.9	2.9	5.2 %	415
EUR	B	16 %	105.0	4.1	7.6 %	729
GBP	B	9 %	104.3	3.8	7.1 %	559

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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%	**3.92%**

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%**

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%**

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